

Annual Report 2017



World leader in eye tracking,
a technology that changes lives,
brings new insights and provides
more natural user experiences.

tobii



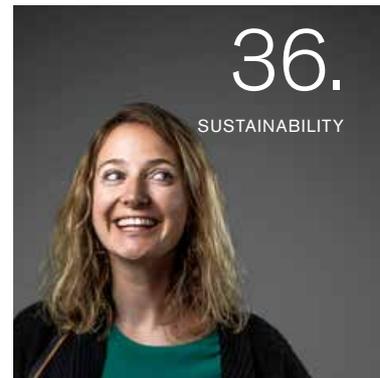
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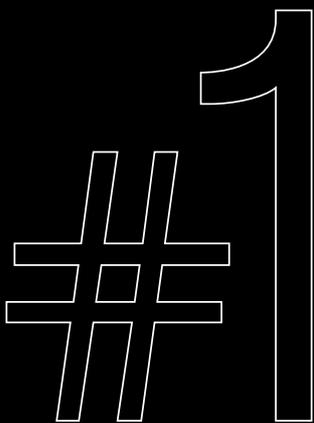
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This is eye tracking

Eye-tracking technology makes it possible for a computer or another device to know where a person is looking. An eye tracker can detect the presence, attention and focus of the user, allowing for unique insights into human behavior. The technology also paves the way for more natural user interfaces in various types of devices. The ability to control a computer using the eyes is vital for people who are unable to speak or use their hands.



1 in eye tracking

- ▶ Tobii is the world leader in eye tracking in terms of the company's overall market share, leading technology and patent portfolio.
- ▶ Founded in 2001
- ▶ Headquarters in Sweden with 13 offices in the US, Europe and Asia
- ▶ 900 employees
- ▶ Listed on Nasdaq Stockholm since 2015

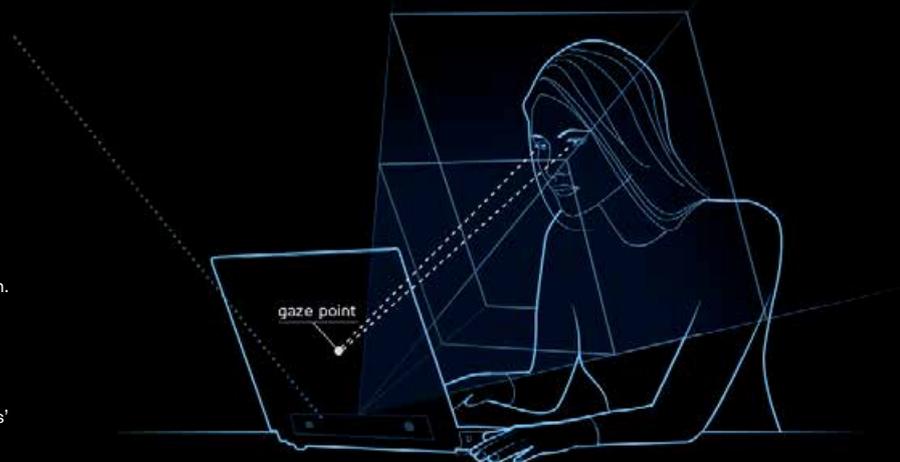
One technology, many applications

Tobii's operations consist of three business units addressing the potential of eye tracking in a broad range of application areas.

tobii dynavox	tobii pro	tobii tech
<p>The ability to control a computer using the eyes is vital for people who cannot speak or use their hands. Tobii Dynavox offers a wide variety of assistive technology for communication for people with varying needs, from making themselves understood to be able to study or work.</p>  <p>The I-Series is the best-selling series of Tobii Dynavox eye-controlled communication devices.</p>	<p>Studies of eye movements and what people focus on enable unique insights into human behavior. Tobii Pro offers eye-tracking solutions to researchers and companies that use them to optimize everything from work processes to marketing.</p>  <p>Eye tracking can be integrated into eyeglass-like products such as Tobii Pro Glasses 2, a product used to study human behavior in a wide range of situations.</p>	<p>Eye tracking enables more natural user interfaces in various types of technological products. Tobii Tech delivers eye-tracking technology for integration into consumer electronics and other volume products.</p>  <p>Alienware 17 is one of the gaming computers that integrates Tobii eye tracking to offer new immersive user experiences.</p>

How an eye tracker works

- 1 An eye tracker consists of cameras, projectors and algorithms.
- 2 The projectors create a pattern of near-infrared light on the eyes.
- 3 The cameras take high-resolution images of the user's eyes and the pattern.
- 4 Machine learning, image processing and mathematical algorithms are used to determine the eyes' position and gaze point.



2017 in brief

Important events

Tobii Pro

- > Strong expansion in the new professional performance customer segment.
- > Acquired Sticky Inc. to strengthen the Company's offering in quantitative studies.
- > Launched solution for eye-tracking studies in VR-environments.
- > Launched the fastest research eye tracker to date at 1200 Hz (images per second).

Tobii Dynavox

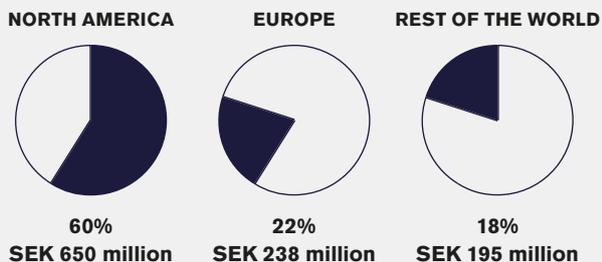
- > Launched a large number of products as part of broadening its portfolio, including:
 - > The touchscreen products Indi and I-110.
 - > The eye-control solutions EyeMobile Plus and PCEye Plus.
 - > The communication software Snap+CoreFirst and Pathways for CoreFirst.

Tobii Tech

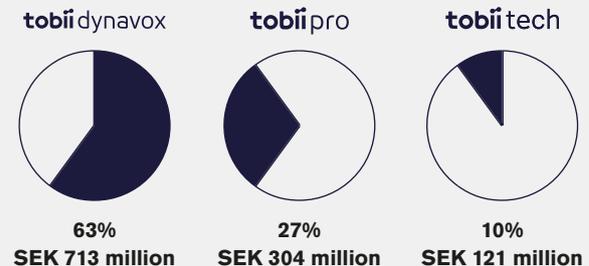
- > Expanded investments in VR and initiated several integration projects with major customers and partners.
- > Passed the milestone of 100 game titles with support for eye tracking.
- > Launched an eye-tracking function for game analysis in eSports tournaments together with Dell Alienware.
- > Acer launched its Aspire

- V17 Nitro notebook with Tobii eye tracking.
- > Microsoft launched eye tracking support in the Windows OS, initially with eye control accessibility features, but ultimately key for eye tracking to become a standard in computers.
- > Signed on several new integration customers in niche markets.

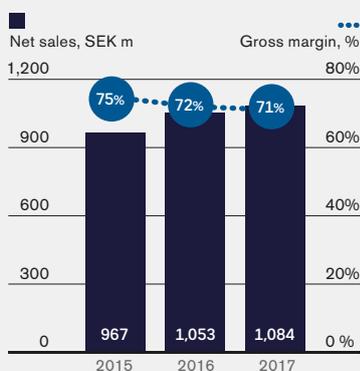
Net sales per region



Net sales per business unit



NET SALES AND GROSS MARGIN



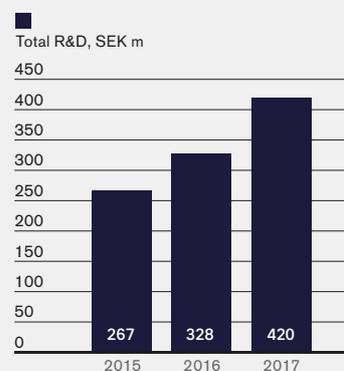
The Group's net sales adjusted for currency effects rose by 3%. Tobii Pro and Tobii Tech demonstrated good sales growth while Tobii Dynavox' sales were lower, especially during the year's first three quarters.

OPERATING PROFIT/LOSS (EBIT)



Tobii Pro and Tobii Dynavox reported positive earnings while the Group significantly increased investments in Tobii Tech to meet the sharply growing demand within VR.

RESEARCH AND DEVELOPMENT



The Group increased its total R&D expenditure by 28%, which amounted to SEK 420 million.



Our global presence

Tobii has a global presence through its offices in the US, Europe and Asia. Sales are conducted directly in primary markets and through resellers in other countries.

Our offices

NORTH AMERICA

PITTSBURGH, PA., USA
Sales and development

WASHINGTON DC, US
Sales

MOUNTAIN VIEW, CA, USA
Sales

EUROPE

STOCKHOLM, SWEDEN
Sales and development

BERGEN, NORWAY
Sales and development

FRANKFURT, GERMANY
Sales

WARWICK, UK
Sales

KIEV, UKRAINE
Development (external consultants)

OTHER COUNTRIES

TOKYO, JAPAN
Sales

SUZHOU, CHINA
Development

SHANGHAI, CHINA
Sales

SEOUL, SOUTH KOREA
Sales

TAIPEI, TAIWAN
Sales

Employees and resellers by business unit

	tobii dynamox	tobii pro	tobii tech
Directly employed sales reps	120	50	8
No. of resellers*	130	20	n/a

* Refers to the number of reselling businesses.

Important progress in all areas

Eye tracking is a fantastic technology that creates unique value within a large number of applications. Tobii has made great advances and is the market leader in the segments we address, but we are still only at the beginning of our journey. Our vision is a world where all technology works in complete harmony with natural human behavior and we are convinced that eye tracking is a key enabling technology in transforming this vision into reality. We are convinced that eye tracking will be available in a large proportion of all computers, VR and AR products, smartphones and vehicles, as well as in a variety of other applications in the future. We are investing for the long-term to keep and strengthen our position as the world-leading eye-tracking provider.

Tobii had an extremely eventful and exciting year in 2017. We welcomed over 200 new employees and the organization grew by 17%. All three business units expanded, although this growth was most evident in Tobii Tech. Our ambition is to be a top-tier employer and therefore we were particularly pleased that Tobii placed #7 in Universum's ranking of Sweden's best employers.

Group sales increased by 3%, with varying trends among the three business units. Growth in Tobii Pro was extremely strong with increased sales on all fronts. Tobii Dynavox underwent a product generation shift in the touchscreen segment, which had a negative impact on sales, although sales of newly launched products grew strongly in the fourth quarter. Tobii Tech continued to invest in R&D and marketing in the PC gaming market, while establishing a significant operation to meet sharply growing demand in VR.

TOBII DYNAVOX

In 2017 Tobii Dynavox, which focuses on assistive technology for communication, gave a voice to almost 20,000 new users. We are extremely proud of this accomplishment. Compared with similar industries such as assistive technology for vision, hearing or mobility, the market for assistive technology for communication is highly under-served. The majority of people who need assistive technology to communicate currently lack such products. It is remarkable that so many people do not get the help that is available and we are working intensively to raise awareness and use of our assistive technology for communication.

A key component of the Tobii Dynavox growth strategy is to offer communication solutions at various price points in order to be able to sell our products both to people with access to reimbursement and directly to individuals and schools. This strategy creates favorable conditions to significantly increase the number of units sold by reaching

new groups of users and expanding into more geographic markets. Such conditions, combined with the generally low market penetration, will promote good growth over the long-term.

The transition to a largely new and broader product portfolio in the touchscreen segment was a major influential factor in 2017. The Snap software was a very important new addition. The communication software is the core of each communication solution and is based on a language system that must be both powerful and easy to use. Snap works on all our hardware platforms and enables us to support users as their needs change. We also launched several new touchscreen products and entry-level eye control products. All new products have been positively received by the market and we are now well equipped with a strong and diversified product portfolio in the touchscreen segment.

During the first three quarters of the year, net sales for Tobii Dynavox decreased due to lower sales in the touchscreen segment. However, after launching the new products in the middle of the year we saw a strong recovery in the fourth quarter. Quarter over quarter sales in the business unit rose by 20%, thereby returning to the same level as the fourth quarter of 2016. For the full year, however, net sales declined by 6% for Tobii Dynavox. As expected, with the new products we saw a clear shift in the product mix toward higher volumes, but a lower average price. In the fourth quarter we sold as much as 80% more touchscreen units than during the same period in 2016.

TOBII PRO

For Tobii Pro, 2017 was an extremely successful year. A consistently strong sales trend in all product categories and markets resulted in sales growth of 25%. Tobii Pro also strengthened its market position during the year from about a 50 percent to a 60 percent market share, in part by

**// We make
tech products
more intelligent
and intuitive.**

Henrik Eskilsson, CEO



capturing a large share from SMI, which was previously the main competitor. Generally low penetration creates favorable conditions for continued strong growth.

Demand for Tobii Pro's market-leading eye-tracking solutions grew within established areas such as academic research, market research and usability testing. Demand also surged in new areas. One area in which Tobii Pro has built up a substantial business in a short period is professional performance where customers in the automotive industry, process industry, simulators and sports are using eye tracking for training and educational purposes.

To address the growing number of customers and areas of use, Tobii Pro made substantial investments in developing its product portfolio, as well as in acquisitions of complementary technologies and solutions. Several new offerings were added to the portfolio during the year, ranging from advanced research solutions and solutions for studies in VR environments to cloud-based solutions that enable simpler, more cost-effective studies on a large scale.

TOBII TECH

With the funding from the rights issue at the end of 2016, Tobii Tech expanded considerably to meet the rapidly growing demand for eye tracking in VR. Developments in the market have moved quickly and eye tracking is now viewed as an essential component of future generations of VR headsets because it solves technical challenges while radically improving the user experience. It's very likely that eye tracking will be included in a large proportion of future generations of VR headsets and Tobii is well positioned to take the lead among independent suppliers. At the end of the year, we worked with potential customers and partners on a number of VR integration projects that are mainly aimed at product launches in late 2018 or in 2019.

In the PC gaming segment several products have been

released with built-in eye tracking from Tobii, including both notebooks and monitors as well as peripherals. In early 2017 the Acer V Nitro, a notebook outside the PC gaming segment, was launched with eye tracking. Tobii continued its initiatives to stimulate the PC gaming market and development of strong user experiences together with our customers and partners. We also passed the important milestone of 100 games with eye-tracking support. Along with Dell Alienware, a concept was launched for eSports that allows commentators and the audience to gain insight into what the players are looking at in the game. ELeague, one of the world's largest arrangers of eSports tournaments, used the technology and the response was highly positive.

We also see potential for good long-term growth within niche markets, and during the year we signed contracts with new customers in such diverse areas as robotic surgery, health testing, casino machines and lie detection.

We see a megatrend in consumer electronics where more and more sensor technologies are being added to make products more intelligent and intuitive. Examples include Apple's launch of face recognition in the iPhone X and Microsoft's support for eye tracking in Windows. This trend helps to increase interest in smart camera-based sensors, including eye tracking, in computers, VR/AR and smartphones. Tobii continues to invest to retain its leading position as these areas evolve and in the long-term, to achieve sales of several billion SEK with good profitability within Tobii Tech.

I am convinced that we have yet another extremely eventful year ahead of us.

Danderyd, April 12, 2018
Henrik Eskilsson, CEO

Vision, mission, strategy and values

Vision

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



<p>Values</p> <p>Amaze our customers Succeed together Make it real Beat yesterday Share passion</p>	<p>Mission</p> <p>Our 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 intuitive user interfaces.</p>
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The Group’s management and strategy

VISION AND MISSION

Tobii’s vision and mission comprise a fundamental starting point for the Group’s operations and long-term ambition. Eye-tracking technology has the potential to create profound value within a multitude of uses – value that we are committed to achieving.

ORGANIZATION AND STRUCTURE

To address the great number of uses for eye tracking within diverse industries with various customer needs and wide-ranging time horizons, Tobii’s business is based on independent operating units. Each of Tobii’s three business units is run by its own management teams and includes all business-critical functions. Strategy and targets are set at the business unit level based on the market conditions within each field. By organizing the Company into smaller units and encouraging participation among teams and employees, Tobii benefits from and maintains its entrepreneurial spirit. Through the Group, the business units share a technological foundation, as well as a common brand, values, patents and other intellectual property.

Synergies are achieved through close cooperation between the business units, as well as Group-wide functions such as HR, finance, logistics and IT.

CULTURE AND VALUES

Strong, common values are an important component of Tobii’s governance and conduct. They provide guidance to all our employees in how we act to achieve success and to be a world-class workplace. By doing things “the Tobii way,” we reinforce our corporate culture, which is shaped by ambitious, resourceful employees, teamwork and passion.

ORGANIC GROWTH AND ACQUISITIONS

The growth targets of the business units are based on organic growth driven by increased market penetration, expansion of each product portfolio and offering, as well as geographic expansion. The Group’s growth strategy also includes the potential acquisition of companies, technologies and intellectual property rights. Potential acquisition targets relevant to each business unit are continually evaluated.

R&D AS GROWTH ENGINE

A high pace of development relating to technology, intellectual property rights and new products is a priority for Tobii to remain on the cutting edge and maintain its leading position. Each business unit conducts R&D with a focus on developing absolutely world-class products that customers love. Tobii also continually identifies new business opportunities through R&D. Consequently, R&D is a fundamental engine for the Company’s growth and success. Development of the core eye-tracking technology is primarily taking place within Tobii Tech, which also delivers eye-tracking components to the other two business units.

FINANCING

Tobii believes that it is fully financed to carry out its current business plan. The Group’s financial target is to achieve profitability in 2020. Possible acquisitions may require additional funding.



READ MORE.

Tobii’s values and culture on page 39.

Market and business trends

Tobii's business is influenced by several major and transformative trends in the technology sector and in society at large. Some of these trends are described below.

ARTIFICIAL INTELLIGENCE EVERYWHERE

Artificial intelligence (AI) will transform technology, entire industries and our society over the next few decades. Most major technology companies are making huge investments in developing increasingly sophisticated AI solutions. In our everyday lives we already encounter smart speakers, voice recognition and digital assistants like Alexa, Google Assistant or Siri. It is difficult to imagine that tomorrow's smartphones, computers or tablets will be perceived as sufficiently intelligent if they don't know what we users have seen or what draws our interest. Tobii is therefore convinced that eye tracking will serve as a central input source for artificial intelligence in essentially all such devices in the future. Tobii's eye-tracking technology is also based on AI by using machine learning algorithms.

NATURAL INTERACTION WITH TECHNOLOGY

Over the past decade, there has been a rapid development of increasingly natural user interfaces. Apple's launch of the iPhone can be viewed as the spark that started a revolution. Using a simple and intuitive touchscreen interface, suddenly everyone – from a three-year-old to an eighty year old grandmother – could surf the Web, watch videos and use social media. This was followed by sensors for gestures and movements in video game consoles, fingerprint sensors for logging in, and facial recognition in computers and cell phones. Today, voice-based digital assistants enable more natural interaction with devices. Eye tracking is part of this trend. By being able to determine whether the user is present, what we pay attention to and what interests us, computers, mobile phones, cars and VR and AR-headsets understand what we want to see, know or do. Devices that react in a way that is more similar to the way we humans behave are easier and more pleasant to use. For Tobii this trend strengthens the demand for our technology.

BATTLE FOR OUR ATTENTION

The concept "attention economy" was coined two decades ago and assumes that time and attention are the primary limited resource in this modern, digitized world where our basic needs are met and we have free access to unlimited information. The companies that are best at capturing the attention of their customers are the ones that become the most successful. This paradigm has become clear in the internet economy. However, impressions or clicks are far from exact measures of what we observe. We have become experts at ignoring ads and are highly selective regarding what we click on. What we actually see and pay attention to is a far more relevant measure. This is the foundation of

Tobii Pro's business and as eye tracking becomes established in consumer electronics on a broad front, gaze data may become the new hard currency for the advertising market and a key factor for customer insights and optimization of the overall user experience.

MIX OF VIRTUAL AND REAL

Virtual worlds or environments that mix reality with the virtual create completely new prospects for how we interact with technology, with each other and with the outside world. VR and AR are expected to bring about even more radical changes than what smartphones have done over the past decade. The technology is still immature, but several of the world's largest companies are making huge investments in developing both technology and user experiences. Already today we can explore everything from realistic building environments to alien planets, or act as pilots on a jumbo jet. Using the AR glasses of the future, the game world will literally be able to move into our living rooms and we will be able to use virtual displays that can be projected in front of us. Physical displays are likely to be perceived as boring and extremely limited by comparison. Eye tracking plays an important role in both VR headsets and AR glasses, since it allows for much more effective and natural user interfaces and more effective display and graphics solutions.

INCLUSION OF ALL PEOPLE

Even in developed countries like the US or Sweden, it was not particularly long ago that society considered people with disabilities or special needs to have less value and hid them in homes or institutions. In recent decades this attitude has fundamentally changed. Today, people with varying functional capabilities are visible in society, attend ordinary schools and are included in movies, TV and advertising. There is a growing respect for the fact that, although our abilities may differ, we are equal in value and we all deserve a fulfilling life where we can realize our own potential. Today, technology can overcome and transcend physical or cognitive barriers. These limitations no longer define us as human beings. Through its assistive technology for communication, Tobii is part of this larger societal trend. Communication is more important for inclusion than mobility, since it enables people to reach their full potential.



READ MORE

Tobii's sustainability agenda, page 36

Leading patent portfolio

Tobii has a leading patent portfolio in eye tracking according to an analysis by Clearview (Dec. 2016). The portfolio comprises over 350 granted patents or registered patent applications (Dec. 2017).

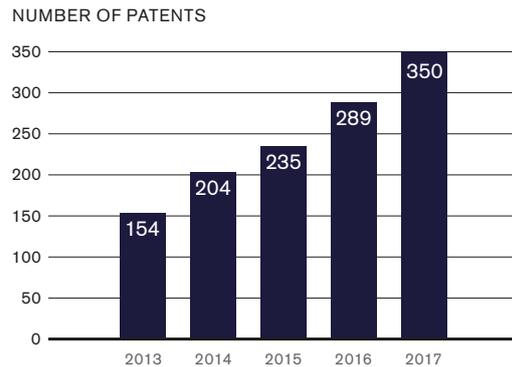
Patents are likely to play an important role for eye tracking as a market and technology, especially when the technology becomes available in various volume products. A strong patent position will therefore be important for Tobii to have a strong competitive position, long-term good margins, opportunities for substantial licensing revenue and the freedom to sell our own technology and products.

Continuously strengthening the Company's patent position is a strategically important and prioritized aspect of Tobii's R&D process. Tobii invests substantial 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 aims to have a deep and broad patent portfolio covering both the core technology and its different areas of application. One important area which is 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 and virtual reality.

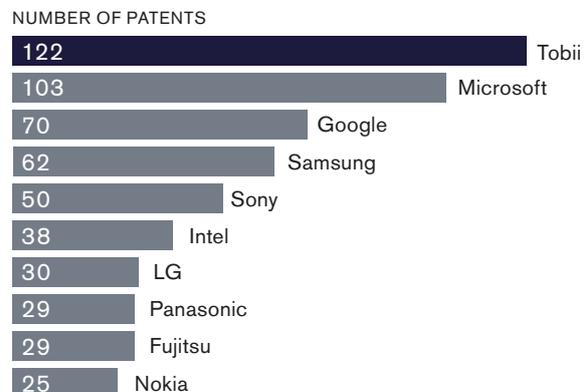
Tobii files the majority of its patent applications in the US and Europe, with some filings in other key markets such as China, India, South Korea, Japan, and Canada. In addition, Tobii classifies essential information regarding technological advances that do not qualify for patent protection as confidential.

Number of patents and patent applications, Tobii



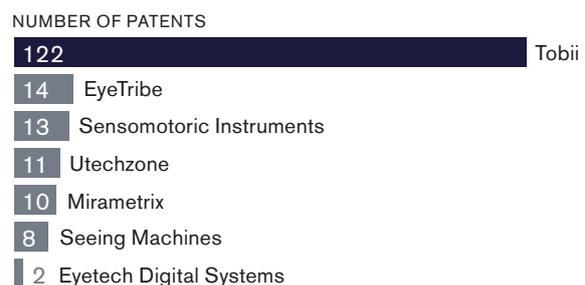
Largest portfolios of eye tracking-related patents

Largest portfolios of eye tracking-related patent applications and patents granted, as published by the US Patent and Trademark Office and the European Patent Office, Nov. 2016



Eye tracking-related patents granted to and applied for by Tobii's direct competitors

Largest portfolios of eye tracking-related patent applications and patents granted, as published by the US Patent and Trademark Office and the European Patent Office, Nov. 2016



Our business units and strategic focus areas

The Tobii Group has a scalable business model based on independent business units with their own management teams, strategies, and 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, brand, 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 its 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 human behavior research. Tobii has established two cash flow-generating operations in these 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 Tech, the third business unit, is the market-leading provider of eye-tracking technology to volume custom-

ers who integrate the technology into their products. Its customers are companies in the PC gaming, VR, AR and smartphone markets and a range of niche markets. The business unit is making large investments to develop technology and establish several new markets with good long-term potential.

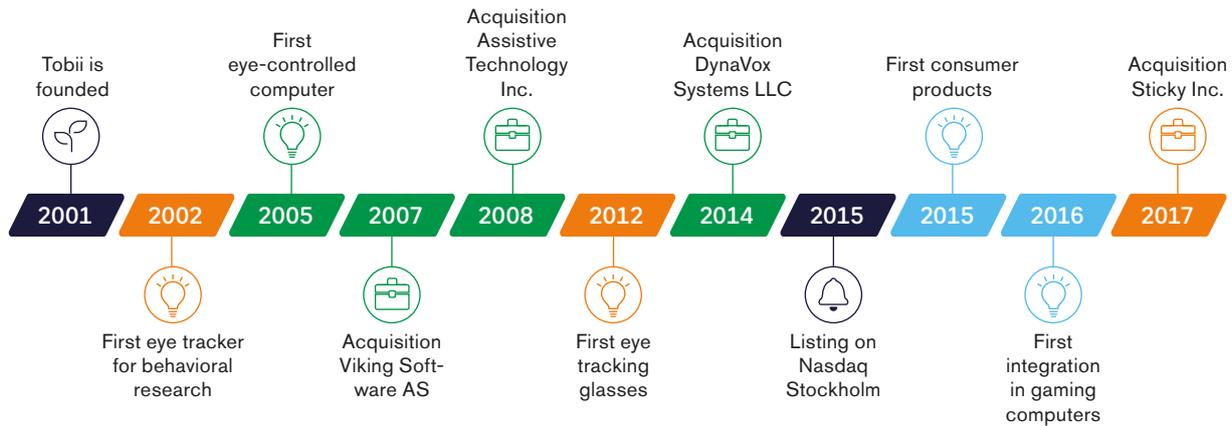
An eye-tracking system with high reliability and precision places extreme demands on the technical solution. Through heavy investments over many years, Tobii now has a market-leading technology suited to several different areas of application. To retain its market-leading position in the established 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.

Sub-segments for eye tracking

	Behavioral research	Assistive technology for communication	Gaming computers	Mainstream computers	Virtual Reality	Augmented Reality	Smart-phones	Automotive	Niche markets
Tobii's market share ▶	 60%	 75%*	 100%	 n/a**	 n/a**	 n/a**	 n/a**	 0%	 n/a**
Long-term market potential ▶	Large	Large	Large	Very large	Large	Large	Very large	Large	Medium
Responsible Business Unit ▶	tobii pro	tobii dynavox	tobii tech						

Tobii has a clear market-leading position within the subsegments for behavioral research and assistive technology for communication. Within the PC gaming subsegment Tobii has established a very strong position, even though eyetracking is still in an early phase of market adoption. Tobii is well positioned to become a leading supplier of eye-tracking technology in additional important subsegments which are expected to grow quickly in the coming years – specifically VR, AR and niche markets. The market for eye tracking in smartphones has large potential but is still undeveloped and difficult to predict. Historically, Tobii has not had a proactive focus on the automotive segment.

* Tobii's total market share in assistive technology for communication is 40%, whereas the market share in eye control products is 75%.
**Refers to a future market that is still undeveloped. It is therefore impossible to specify the market share.



tobii dynavox

The world's leading provider of assistive technology for people with reduced ability to communicate.

Tobii Dynavox's mission is to empower people with disabilities to do what they once did, or never thought possible.

An overarching objective is to retain and expand its position as the world leader in assistive technology for communication. Very low global penetration offers the potential for long-term market growth, driven by gradually more effective reimbursement systems and increased awareness.

Tobii Dynavox's long-term financial target is to increase revenue on average by 10% per year with an EBIT margin of 15-20%.

EXAMPLES OF PRODUCTS



READ MORE

Tobii Dynavox on pages 16–19

tobii pro

The world's leading provider of eye-tracking solutions for studying human behavior.

Tobii Pro's mission is to empower professionals with revolutionary insights into human behavior, using eye tracking as our foundation.

An overarching objective is to retain and expand the business area's position as the world's leading supplier of eye-tracking systems for behavioral studies. There is considerable potential to increase market penetration within existing customer segments, but also to expand the business area's products and services into new segments.

Tobii Pro's long-term financial target is to increase revenue on average by 15-20% per year, and to reach an EBIT margin of 15% by 2020.

EXAMPLES OF PRODUCTS



READ MORE

Tobii Pro on pages 20–23

tobii tech

Tobii Tech is the leading provider of eye-tracking technology for integration into consumer electronics and other volume products.

Tobii Tech's mission is to make technology understand humans.

An overarching objective is to retain its position as the world's leading supplier of eye-tracking technology for integration into high-volume products and, in the long term, to achieve sales of several billion SEK with good profitability. This development is expected to take place gradually over a number of years and will require considerable investments in technology and market development.

Tobii Tech's long-term financial target is to reach profitability in 2021.

EXAMPLES OF PRODUCTS



READ MORE

Tobii Tech on pages 24–29

Business unit
Tobii Dynavox**tobii**dynavox

The world's leading provider of assistive technology for people with reduced ability to communicate.

Important events

- Tobii Dynavox launched a large number of new products in different price segments as part of its growth strategy.
- Microsoft launched support for Tobii eye tracking in Windows OS, initially with accessibility features for eye control.
- The Pittsburgh office received the "Top Workplace 2017" award.

Communication and independence

Tobii Dynavox's assistive technology for communication empowers people with disabilities to do what they once did, or never thought possible. For some, this involves developing reading and writing skills, for others the ability to return to work. We support our users in their development journey, wherever it begins. The ability to communicate and the opportunity for a more independent life often have a dramatic impact on quality of life for users and their close ones.

STRONG POSITION AND GOOD LONG-TERM GROWTH POTENTIAL

Tobii Dynavox is driven by the philosophy that as many people with special needs as possible should have access to assistive technology for communication. The needs are great. In the global population, more than one in every two hundred people, or nearly 50 million individuals, need assistive technology to communicate effectively. The reality is that very few people have access to assistive technology for communication due to low awareness of what is available and the lack of social and financial infrastructure to offer the right support in many countries. Because of the low penetration rate, as well as the fundamental value of communication for the individual, the inherent potential for growth in the market over time is significant.

The main markets currently comprise some ten countries with functioning systems for funding and prescribing assistive technology for communication. Tobii Dynavox has more than 40 percent of the total market for assistive technology for communication and about 75 percent in eye-controlled products. The competition in the lower price segments primarily comes from ordinary tablets bundled with extra speakers, rubber cases and software, while a number of specialized providers compete in the market for medical-grade products.

Financial performance

FINANCIAL TARGETS

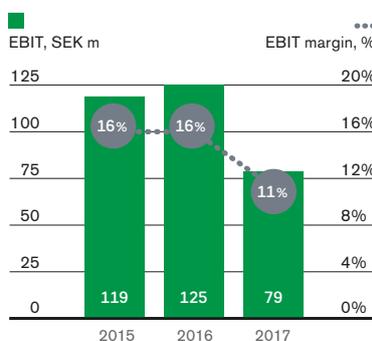
Increase revenue per year by

10%

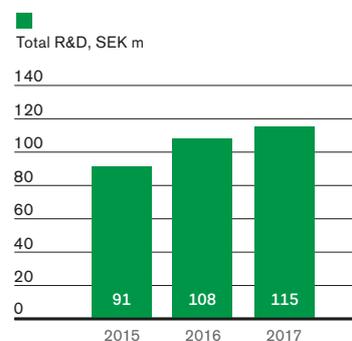
Reach an operating margin of

15-20%**SHARE OF THE GROUP'S SALES****SALES, SEK M****713****NET SALES AND GROSS MARGIN**

During the first three quarters, net sales were negatively impacted by lower sales of older touchscreen products and by conversion to a large number of new products. Sales regained strength in the fourth quarter and were back to previous levels.

OPERATING PROFIT/LOSS (EBIT) AND OPERATING MARGIN

Operating profit and operating margin were also impacted by lower sales of older touchscreen products in the first three quarters.

RESEARCH AND DEVELOPMENT

Tobii Dynavox increased its investments in development of new products in order to maintain its market-leading position and to address more needs of end users and access to funding in various markets.

Customer case Tobii Dynavox

Products that support the users in their development

Tobii Dynavox's users include people with varying needs, but most of them are unable to speak without assistive technology for communication. Some need language learning support, while others have motor disabilities. Common diagnoses among Tobii Dynavox's end users are ALS, autism, aphasia, cerebral palsy and spinal cord injuries. Communication opens up new opportunities – interacting with siblings, children or friends, graduating from high school and college, expressing requests and opinions – things that most of us take for granted, but from which many of our users have been completely excluded.

Lana was born with a rare chromosome mutation and was diagnosed with autism when she was five. In the beginning, she used symbols or static communication boards on paper to express herself, but eventually, she needed a more advanced solution. In second grade

she began using a symbol-based communication software from Tobii Dynavox. Lana gained easy access to her most common words and phrases, which encouraged her development and ability to talk about new things. The change was like night and day. Today Lana is ten years old and uses an Indi together with the software Snap + Core First. The solution has helped her to reach yet another level in her ability to communicate.

"The software gives Lana and her friends a place where they can meet and have fun together. She also has a clear voice that allows her to make herself heard," said Lana's mother.

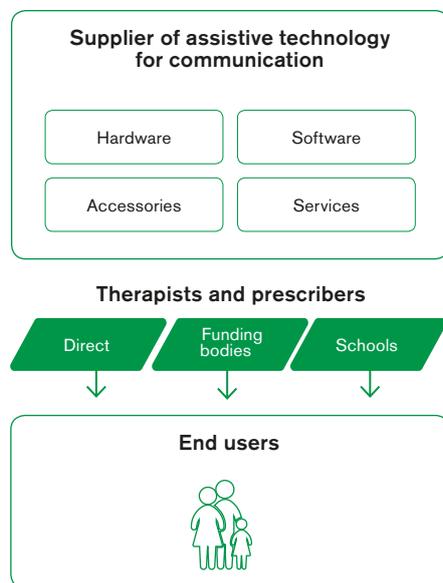


SEE MORE

See the video about Lana
<https://www.youtube.com/watch?v=C8hN-OjW8BY>

Tobii Dynavox industry structure

● A number of specialized companies provide assistive technology for communication in the form of hardware and/or software. The solutions are often sold through reimbursement systems such as government or private insurance companies, or to schools that provide assistive technology for communication to their students. Some solutions are sold directly to the end user. Prescribers – usually a speech therapist or doctor – play a key role in the value chain by evaluating both the needs of the end user and the available solutions, after which they make recommendations regarding assistive technology.



Indi

One of the new products last year was Indi, the world's first speech tablet. This attractively priced, effective communication tool was designed with purpose-built ergonomics, durability and extra strong front-facing speakers.

LONG-TERM GROWTH STRATEGY

Spreading knowledge and awareness

Even in Tobii Dynavox's main markets where funding is available, the percentage with access to appropriate assistive technology for communication varies greatly between countries, regions and diagnoses. These figures are influenced by the level of knowledge among prescribers, therapists and physicians, as well as by policy decisions and whether society recognizes the need for assistive technology for communication. Access is also affected by the ability of users and their relatives to engage in dialog with therapists, doctors and insurance companies.

Tobii Dynavox is working to influence the market trend by increasing awareness of the value and opportunities that assistive technology for communication creates for the individual and society. Major education campaigns aimed at schools, prescribers and the healthcare system were conducted in 2017. Tobii Dynavox is also engaged in long-term PR and lobbying initiatives to influence decision-makers and legislation, as well as to increase awareness among the general public.

Even in markets with good reimbursement systems, several user groups are essentially completely without assistive technology, for example people with aphasia. This group often ends up requiring long-term care, rather than being helped to regain their communication skills. However, the ability to express themselves is equally crucial for quality of life among elderly individuals who have suffered a stroke as it is for younger people. Aphasia is therefore a large future growth opportunity for Tobii Dynavox. Workplace modifications is another area where assistive technology for communication is still used only to a limited extent, but where the value is considered to be substantial.

Differentiated product portfolio

Traditionally, Tobii Dynavox has mainly held a strong position in medical-grade products. In order to drive long-term growth and increase its market share, Tobii Dynavox launched several new products in 2017 and strengthened its range of medical-grade products, products in the mid-price segment, communication software and apps.

With a differentiated product portfolio, users' varying needs and access to funding can be met. Medical-grade solutions are sold together with extensive service commitments through insurance coverage. Products in the mid-range segment are sold directly to individuals and schools and allow expansion into new geographic markets with limited funding systems. The simplest and least expensive communication solution involves apps used on ordinary tablets, which serve as an effective outreach method to raise awareness among users and their families.

Effective software that is easy to use is an important driver of upselling. End users and the people in their lives should be able to get up and running quickly and to develop using the same "language system" over time. Learning a language system can be compared with learning any other new language and preferably it should not be necessary to learn a new language when the need for a solution evolves. Consequently, Tobii Dynavox offers software that can consistently be used, regardless of whether the hardware is a simple tablet or one of its own communication devices.

This strategy creates favorable conditions to significantly increase the number of units sold, reach new customer groups and geographic markets, and increase the market share of the business unit.

Acquisitions that complement

Tobii has completed several successful acquisitions in the assistive technology market, which have added sales channels, products and expertise, thereby contributing to growth in the business unit. Tobii Dynavox also sees future opportunities to both broaden and strengthen its position and accelerate growth through carefully selected acquisitions, and is therefore actively pursuing such a strategy.

Product portfolio Tobii Dynavox

Medical-grade products	Mid-range products	Software/apps
 <p>I-series</p>	 <p>EyeMobile Plus</p>	 <p>Snap</p>
 <p>I-110</p>	 <p>Indi</p>	 <p>Communicator</p>
 <p>PCEye Plus</p>	 <p>PCEye Mini</p>	 <p>Windows Control</p>
		 <p>Boardmaker</p>



READ MORE

Tobii Dynavox's range of products at www.tobiidynavox.com



Tobii Dynavox offers solutions for eye-controlled computer access, which is used by people with motor disabilities. For many people, the ability to use a computer vastly improves quality of life. In addition to the purely personal gain, people who are otherwise excluded from the workplace can work and participate in society.

Business unit
Tobii Pro**tobii**pro

The world's leading provider of eye-tracking solutions for studying and understanding human behavior

Important events

- Strong expansion in the new professional performance customer segment.
- Acquired Sticky Inc. to strengthen its offering in quantitative studies.
- Launched a solution for eye-tracking studies in VR-environments.
- Launched the fastest research eye tracker to date, at 1200 Hz (images per second).

Unique insights in an increasingly data-driven world

Tobii Pro's eye-tracking solutions provide researchers and companies worldwide with unique insights into human behavior. Companies use eye tracking to better understand and serve their customers or to optimize their own processes. Studies of what people look at and pay attention to provide objective data that often cannot be obtained by other means. The findings of these studies are used in a wide range of insights and research disciplines, as well as in behavioral therapy and other clinical applications.

GROWING MARKET AND NEW CUSTOMER GROUPS

The market trend for eye-tracking research is very good with steadily increasing demand. Tobii Pro's growth of 25% in 2017 was driven by increased use among existing and new customers within established areas such as academic research, market research and usability testing. As eye tracking has become an increasingly established research method, Tobii Pro has also expanded into completely new applications. One area in which Tobii Pro has built up a substantial business in a short period is professional performance. Customers in the automotive industry, process industry, simulators and sports are using eye tracking to observe how different steps are carried out and are using this information for training and educational purposes. The penetration rate in Tobii Pro's sub-segments are still very low, however, which creates favorable conditions for good growth over time.

Financial performance

FINANCIAL TARGETS

Increase revenue per year by

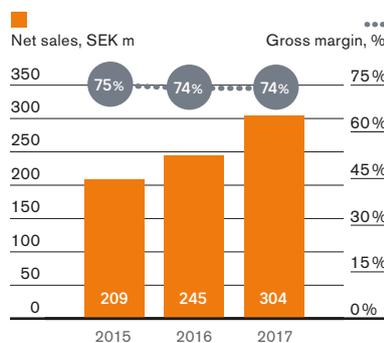
15-20%

Reach an operating margin of

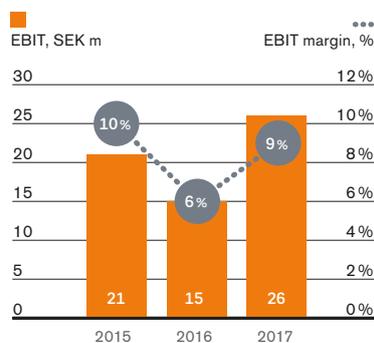
15%

SHARE OF THE GROUP'S SALES**SALES, SEK M**

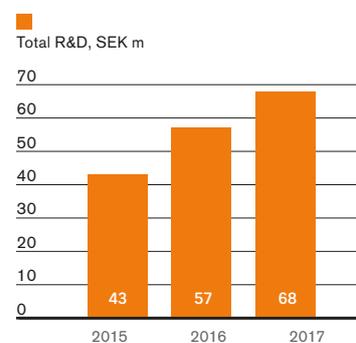
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NET SALES AND GROSS MARGIN

Tobii Pro grew sales by 25% adjusted for currency effects through increased sales in both established and new customer segments in all geographic regions as well as substantially increased market share.

OPERATING PROFIT/LOSS (EBIT) AND OPERATING MARGIN

The improved operating profit was driven by increased sales and by improved efficiency in the sales organization.

RESEARCH AND DEVELOPMENT

In parallel with strong sales growth, Tobii Pro increased investments in development of current and future products and offerings.

A photograph of a male worker in a factory environment. He is wearing a grey t-shirt with a logo, safety glasses, a green bandana, and work gloves. He is focused on operating a large, circular metal wheel attached to a vertical industrial machine. The background shows various factory equipment and structures.

Customer case Tobii Pro

Unique insights for safer and more efficient processes

Within the manufacturing industry eye tracking is used to observe experienced employees and transfer knowledge to newly hired staff. The consultancy business Tobii Pro Insight is often engaged to conduct studies and help customers interpret and apply the findings. Customers can thereafter apply the insights and methods to other facilities.

In the aluminum foundry H&H Castings, an eye-tracking study was carried out to increase efficiency within the foundry, improve occupational safety and streamline the introduction of new employees. When working with molten metal, it is difficult to get close and observe the different stages, but using eye-tracking glasses literally provided insight into the process.

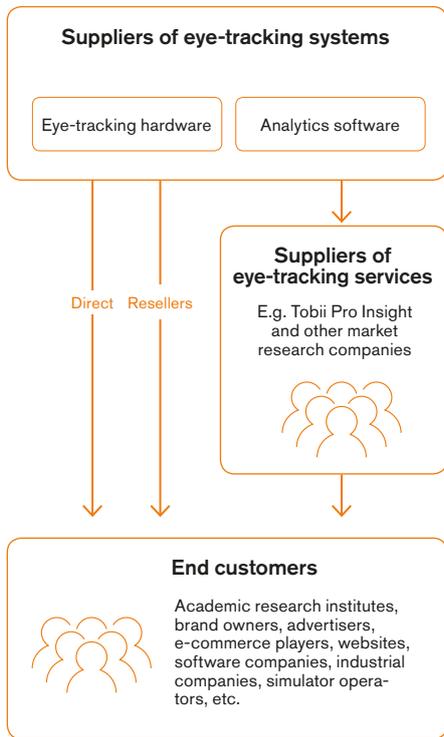
“Using the eye-tracking data, we were able to help H&H Castings to understand the behaviors that are intuitive for experienced employees, but difficult to formulate and pass on to beginners. We were also able to identify what happened just before an error occurred on the production line. Sources of errors can be reduced or eliminated with positive effects on both quality and efficiency.”

Mike Bartels

Senior Research Director
Tobii Pro Insight

Tobii Pro's industry structure

● Tobii Pro's customers use eye tracking to study human behavior. Eye tracking is used both alone, and in combination with other measurement methods such as EEG, pulse or facial expression. The suppliers are specialized companies that provide hardware and/or software to collect and analyze data. The solutions are sold either directly to the end customer, 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.



Spectrum

Spectrum is an advanced eye tracker that captures eye movements 1,200 times per second. It is used by researchers who study small details in our eye movements. This can provide unique insights into disciplines such as neurology, developmental psychology and linguistics.

Tobii Pro has a global market share of about 60%, with over 3,000 companies and 2,000 research institutions among its customers.

The largest competitor, SensoMotoric Instruments (SMI), left the market for eye-tracking studies after it was acquired in 2017 and Tobii Pro captured a large portion of SMI's market share as a result. Competitors are primarily small companies specializing in a particular type of hardware or analysis software.

PRODUCT STRATEGY FOR LONG-TERM GROWTH

In order to take advantage of growth opportunities in existing and new sub-segments, Tobii Pro is investing heavily in the product portfolio. The Company's long-term ambition is to leverage its market-leading position in advanced research solutions to expand its offering with cost-effective eye-tracking tests for use on a much larger scale. Established products and solutions are under continual development and innovative new products and offerings are being added to the product portfolio. Launches in 2017 included an advanced 1200Hz research eye tracker and a solution for eye-tracking studies in VR environments. The acquisition of Sticky also added a new cloud-based platform for quantitative studies of web sites, ads and more. Investments were also made to further develop the Pro Lab analysis software, which was launched in 2016.

Services that complement

Tobii Pro is also investing in developing its rapidly growing service business to reach customers searching for a more easily accessible way to use insights from eye-tracking studies in their decision-making. The consultancy Tobii Pro Insight, which conducts studies and provides analyses to customers, has been very well received in the market, by delivering insights that contribute to significant business improvements.

Business development and new applications

Using eye tracking to study behavior or attention has the potential for much broader applications than what we see today. In parallel with its established business, Tobii Pro is exploring opportunities to create new types of data-driven products and services with eye tracking. One example is measuring the effectiveness of digital ads, where information about attention provides far more relevant data than page views or clicks, which are currently used. In 2017 Tobii Pro worked on developing a consumer panel in which home computers equipped with eye tracking could provide advertising measurement for publicists and advertisers. This service could have a significant long-term impact on the digital economy.



READ MORE

Tobii Pro's range of products at www.tobiipro.com



Pro Lab

Pro Lab is the core of the business unit's software offering. Customers use this powerful analysis software to design their studies and make robust analyses and visualizations to support decision-making in a variety of disciplines.



Sticky

Sticky is a cloud-based software platform that is used for advertisement testing, as well as to analyze websites and consumer behavior in e-commerce. This easy-to-use tool helps customers to conduct large-scale studies in different locations.

Studying the gaze

The flagship product **Tobii Pro Glasses 2** is used to study what people look at when they move in real-world environments. Vision is our most developed sense and accounts for 80 percent of all impressions. Eye movements are primarily controlled by unconscious processes and we act and react to what we see. Studying eye movements provides unique insights into what really catches our attention and what affects behavior, decision-making and emotions.

Tobii Pro's customers can be found in a wide range of areas where eye tracking is used to understand human behavior and to improve visually intensive processes. Common areas of research include psychology, behavioral sciences, ophthalmology and neurology. On the commercial side, end customers include brand owners, ad buyers, e-commerce companies, website owners, software providers, industrial companies, professional sports teams and simulator operators.



Business unit
Tobii Tech**tobii tech**

The world's leading provider of eye-tracking technology for integration into consumer electronics and other volume products.

Important events

- Expanded significantly to meet growing demand in VR.
- Initiated several large-scale projects to integrate Tobii eye tracking in VR products or reference designs.
- Microsoft launched support for Tobii eye tracking in Windows OS, key to achieving broader adoption of eye tracking in computers.
- Passed the milestone of 100 games with eye-tracking support.
- Partnered with Dell Alienware for eye tracking to be used in game analysis in one of the world's largest eSports tournaments.
- Signed supply agreement with several integration customers in niche markets.

Technology adapted to our natural behavior

Tobii Tech gives its customers the means to create revolutionary products that understand the users, using world-leading eye-tracking technology. In mass market products such as computers, VR and AR-headsets, smartphones and vehicles, the technology contributes to more intuitive and natural user interfaces and experiences. Eye tracking also creates substantial value in a wide range of niche products.

VOLUME POTENTIAL FOR EYE TRACKING

Eye tracking is a unique sensor technology that makes it possible to profoundly change how we interact with technology. A device equipped with eye tracking can "see" the user. It knows who you are, whether you are present and what you are looking at, enabling it to understand what attracts your interest, what you focus on and what information you have processed, which in turn creates conditions for a more intuitive user experience adapted to our natural behavior. The value is fundamental.

The market for integration of eye tracking in volume products is still at an early stage. Tobii Tech's primary focus in 2017 was the gaming PC market and virtual reality. Additional areas that are being explored include mainstream computers, AR, smartphones and niche markets. Tobii Tech also delivers eye-tracking technology to the two other business units in the Tobii Group.

**READ MORE**

Sub-segments for eye tracking page 14

Financial performance**SHARE OF THE GROUP'S SALES****SALES, SEK M**

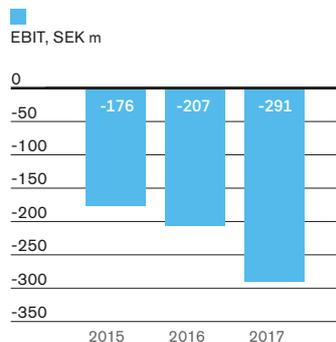
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FINANCIAL TARGET

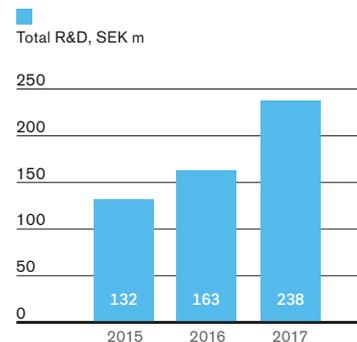
Tobii Tech's financial target is to reach profitability in 2021.

**NET SALES AND GROSS MARGIN**

Sales grew by 25%, mainly through higher external sales to integration customers within the PC segment and by our own gaming peripheral Tobii Eye Tracker 4C. External sales grew by 42% och amounted to SEK 67 million (47).

OPERATING PROFIT/LOSS (EBIT)

With funding from the rights issue completed at the end of 2016, Tobii Tech expanded substantially to meet the rapidly growing demand for eye tracking in VR.

RESEARCH AND DEVELOPMENT

The increased investments in R&D reflect the planned expansion that Tobii Tech carried out during the year, mainly to address the demand for eye tracking within VR.



PRODUCT PORTFOLIO AND BUSINESS MODEL

Tobii continually invests in developing its core technology to be able to offer new generations of integration solutions that meet the demands of volume customers for small, power-efficient components. Partnerships with other leading technology providers are also a key aspect of the product strategy to offer optimized solutions for different types of products. Tobii Tech provides eye-tracking technology for integration as platforms, components, reference designs and licensing.

Eye-tracking platforms

Complete platforms contain Tobii's custom developed components on a circuit board and are sold together with algorithms and licenses for IP and software applications. Examples of platforms include Tobii IS4-B, designed for integration into laptops, and Tobii IS4-L, designed for integration into monitors and peripherals.

System licenses and components

For deeper or more complex integrations, for example in VR, Tobii often provides eye-tracking technology in the form of system licenses. Tobii works closely with the customer to develop an optimized system consisting of optical components such as eye-tracking cameras, illuminators and processors that are deeply integrated into the product. In addition, Tobii provides eye-tracking algorithms. Tobii's business model is based on a combination of project and licensing revenues. In some instances, Tobii provides custom-designed hardware components that are applied in the customer's system design. Examples of such components include Tobii EyeChip (ASIC, which contains Tobii's eye-tracking algorithms), Tobii EyeCamera and Tobii EyeSensor.

Technology and patent licensing

Tobii offers technology and patent licensing to customers and competitors who partly or wholly develop their own eye-tracking solutions.



GOALS AND MARKET OUTLOOK

Tobii's vision is for the majority of computers, VR and AR headsets, smartphones, and vehicles to be equipped with eye tracking in the future. Given high penetration in these areas, Tobii estimates the total market in the long term can amount to more than a billion units annually. Tobii Tech's overall objective is to retain its position as the world's leading supplier of eye-tracking technology for integration into high-volume products and, in the long term, to achieve sales of several billion SEK with good profitability. This development is expected to take place gradually over a number of years and will require considerable investments in technology and market development.



Addressable market, computers

	Number of units sold (million)
Computers	262
Tablets	164
Gaming computers	20
Gaming notebooks	6

Some 260 million desktop computers and notebooks and more than 160 million tablets are sold annually. 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 6 million units are gaming notebooks.

Source: Gartner, 2017, IDC, 2017 and Digitimes, 2017



READ MORE

See available hardware and games with Tobii eye tracking at www.tobiigaming.com

PC GAMING – AN EARLY-ADOPTER MARKET WITHIN THE COMPUTER SEGMENT

Eye tracking can contribute to a more immersive experience, realism and intensity in many different types of games. For example, combining eye control with traditional gaming controls makes it possible to 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. Eye tracking can also be used for game analysis and training in eSports.

Market penetration for eye tracking in the PC gaming segment is still very low. Tobii is working in close cooperation with world-leading manufacturers of gaming computers and game studios to create strong user experiences and drive market developments.

The PC gaming market alone represents a large potential market with over 550 million active players, but it also serves as an early-adopter market to the larger mainstream computer market. In computers, eye tracking can contribute to more intuitive user interfaces, accessibility modifications and increased productivity, as well as to power savings and security. The sensors can also be used for biometric face recognition of the user, as is the case in Windows Hello.

Integration into small notebooks requires very small and power-efficient components. An important focus is technology development to make eye-tracking sensors that can be integrated into thinner screens and cheaper products. The next generation will be ready for delivery in 2018 for products that go to market in 2019. Tobii also conducts research and development in eye-control functions and software. In the long term, a substantial portion of computers, screens and tablets could ultimately be equipped with eye tracking.

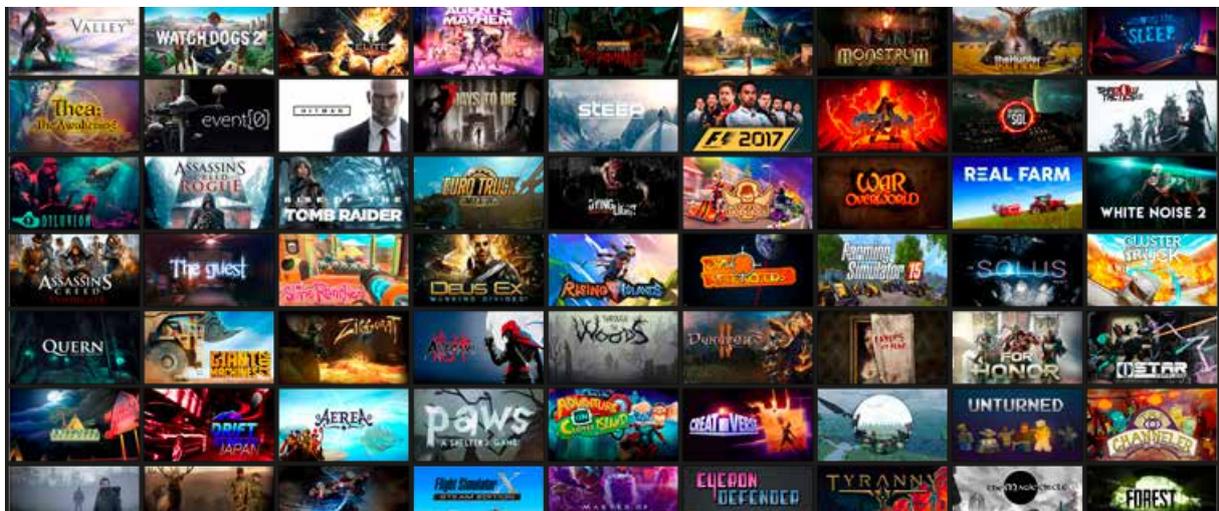
ELEAGUE CS:GO

In the eSports tournament ELEAGUE CS:GO, which premiered in autumn 2017, eye tracking was used to show where professional players look when they are playing. Commentators and spectators had the opportunity to see another dimension of the game. The function is also used by "streamers," who live broadcast as they play, to make the experience even more interesting for their followers.



>100 games

A broad selection of current game titles is important to be able to offer consumers a good overall eye tracking experience. In 2017 Tobii passed 100 PC games with support for eye-tracking functionality and also cooperated with game developers to implement support for eye tracking in VR games.



Customer integration

Tobii's eye-tracking technology is integrated in products from three of five leading gaming computer brands: MSI, Dell/Alienware and Acer. Tobii Eye Tracker 4C is a computer accessory under Tobii's own brand.



**VIRTUAL REALITY AND AUGMENTED REALITY
– EMERGING MARKETS**

Eye tracking can create great value in VR headsets, to enable both better devices and better experiences. In games and entertainment, it creates an immersive experience and realism, for example through eye contact and more natural interaction with various objects. It also simplifies user interaction with menus and user interfaces. Eye tracking can also help to solve major technical challenges related to graphics handling and more accurate 3D rendering. The technology offers manufacturers major advantages, such as greatly reducing the processing power required for image rendering, lowering the cost of hardware, and enabling the use of higher-resolution displays. There is therefore broad consensus within the industry that eye tracking is a key component that will be widely introduced in future product generations.

There is great potential for Tobii within VR/AR. An estimated 40 million VR headsets and 20 million AR headsets will be sold in 2021. Tobii is very well positioned as the leading provider of eye-tracking technology. The competition consists primarily of a number of smaller, specialized eye-tracking companies and start-ups, but competition can also come from headset manufacturers that choose to develop their own eye-tracking technology.

In 2017 Tobii greatly expanded its organization to meet a strong surge in demand from VR manufacturers. Commercially, this resulted in more than five major projects to integrate Tobii's eye-tracking technology into future VR products or reference platforms. In addition, Tobii engaged in discussions with around ten more potential customers and partners. A developer kit with Tobii eye tracking based on HTC Vive was also launched along with demo software.



Market estimate

THE MARKET FOR AR/VR HEADSETS BY FORM FACTOR, 2017–2021

Technology	Form factor*	Units sold (million)	
		2017	2021
Virtual Reality	Screenless viewer	5.6	8.8
	Standalone HMD	0.4	15.6
	Tethered HMD	3.4	15.7
		40.1	
Augmented Reality	Screenless viewer	0.1	0.4
	standalone HMD	0.1	12.7
	Tethered HMD	0	6
		19.1	
Total		9.6	59.2

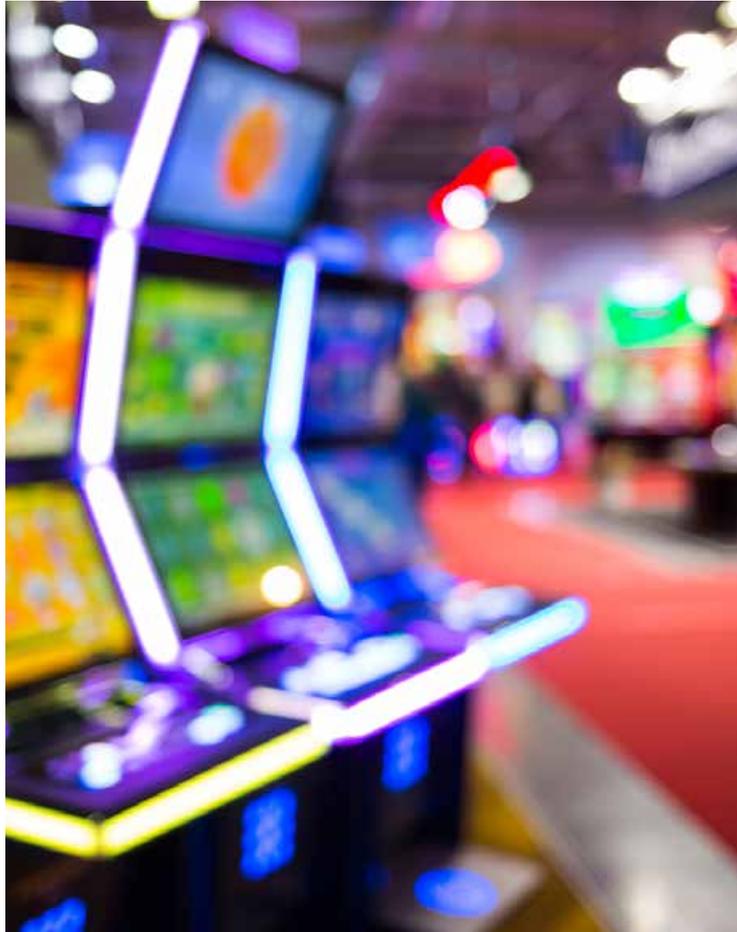
Source: IDC Worldwide Quarterly AR and VR Headset Tracker, Dec. 2017

Tobii's assessment is that most standalone and teathered headsets will have built-in eye tracking in 2021.

* A screenless viewer is used with a smart-phone, a standalone HMD (head mounted display) has a built-in screen and is wireless, while a tethered device must be connected to a computer or other device.

NICHE MARKETS

In 2017 Tobii added several companies in niche markets to its customer list. These customers usually purchase Tobii's integration platform, including eye-tracking algorithms, and develop turnkey solutions including the application software themselves. Customers can be found in areas such as robotic surgery, casino machines, screening and identification of dyslexia and various health conditions.

**SMARTPHONES**

Eye tracking can create substantial value in smartphones and contribute to making them to be experienced as more intelligent and engaging. The market is still relatively unexplored, but interest in optical sensors has been steadily increasing. A first product with Tobii's eye-tracking technology was launched by Huawei at year-end 2016/2017. Tobii is engaged in discussions with various companies and believes that there is good long-term potential for wide-scale integration of eye tracking.



The share and shareholders

The Tobii share has been listed on Nasdaq Stockholm since 2015, where it is traded under the TOBII ticker. At the end of 2017, Tobii's market capitalization was about SEK 3,444 million (6,617) and its share price was SEK 35.40 (68.25).

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, 2017 was 97,304,052 and 99,157,552 million shares after full dilution. The dilution is attributed to the 3.5 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.

PRICE TREND

The share price reached a 52-week high of SEK 72.00 (January) and a 52-week low of SEK 33.30 (December). Tobii's market capitalization at year-end was SEK 3,444 million.

In 2017, 132,719,332 Tobii shares were traded on Nasdaq Stockholm, which corresponds to an average daily turnover per trading day of 528,762 shares.

OWNERSHIP STRUCTURE

At December 31, 2017, Tobii had almost 28,000 shareholders, a 12% increase since last year. The ten largest shareholders' share amounted to 40.3%. The Board of Directors and Group Management had 12.2% of the shares in the Company, of which the Company's three founders accounted for 9.9%.¹⁾ Around 27,000 or 96% of the shareholders are registered in Sweden, while 28.8% of shares are foreign-owned.

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.

Tobii as an investment

World leader in eye tracking, a technology that changes lives, brings new insights and provides more natural user experiences.

LEADING TECHNOLOGY AND PRODUCTS

Tobii has a world-leading technology and patent portfolio in eye tracking. Highly refined proprietary technology that includes proprietary eye-tracking hardware, algorithms and software that create unique user benefits within several different areas of application. Tobii's products and position are market-leading in all segments addressed by the three business units.

LONG-TERM MARKET POTENTIAL

Market penetration is still very low, even in the established segments. Consequently, Tobii Dynavox and Tobii Pro have good long-term growth potential. Tobii Tech addresses a number of mass markets in which eye tracking is not yet established, but where the long-term potential is very large.

ATTRACTIVE EMPLOYER

Tobii has the largest R&D organization in the eye-tracking industry. As one of Sweden's highest ranked employers, Tobii has the ability to attract top talent. Also at the second largest office in Pittsburgh, PA, in the US, Tobii garnered the "best employer" award.

FINANCING

Tobii has full financing to implement the current business plan with large-scale investments in the market segments addressed by Tobii Tech. Tobii Dynavox and Tobii Pro contribute both profitability and positive cash flows. Tobii is constantly watching for additional growth opportunities and has an active acquisition strategy. However, major acquisitions may require separate funding.

¹⁾ Excluding 2,835 shares owned by Henrik Eskilsson AB, a company wholly owned by Henrik Eskilsson, and excluding 1,565,551 shares owned by Eskilsson Consulting AB, a company where Henrik Eskilsson is a minority shareholder with 22.5% of the shares.



Share data

Marketplace	Nasdaq Stockholm
Listed	April 24, 2015
Segment	Mid cap
Sector	Technology
Ticker	TOBII
ISIN code	SE0002591420
Currency	SEK
Number of shares	97,304,052
52-week high 2017	SEK 72.00
52-week low 2017	SEK 33.30
Closing rate 2017	SEK 35.40
Share price performance 2017	-48.50%

Analysts

ABG Sundal Collier	Daniel Thorsson
ABG Sundal Collier	Morten Larsen
Carnegie	Mikael Laséen

Ten largest shareholders

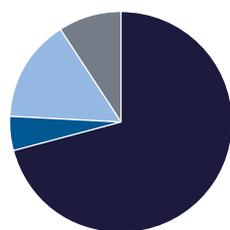
Shareholder	Number of shares	Share, %
Swedbank Robur Fonder	9,214,769	9.47
Handelsbanken Fonder	5,262,086	5.41
Eskilsson, Henrik ¹⁾	4,291,071	4.41
Sjätte AP-fonden	4,000,630	4.11
Oppenheimer	3,000,000	3.08
Amadeus General Partner Ltd.	2,823,301	2.90
Avanza Pension Försäkringsaktiebolag	2,811,608	2.89
Elvesjö, John	2,731,501	2.81
Capital Group	2,573,103	2.64
Skogö, Märten	2,533,395	2.60
Total ten largest shareholders	39,241,464	40.32
Other shareholders	58,062,588	59.68
Total December 31, 2017	97,304,052	100

¹⁾ Excluding 2,835 shares owned by Henrik Eskilsson AB, a company wholly owned by Henrik Eskilsson, and excluding 1,565,551 shares owned by Eskilsson Consulting AB, a company where Henrik Eskilsson is a minority shareholder with 22.5% of the shares.

Shareholder structure

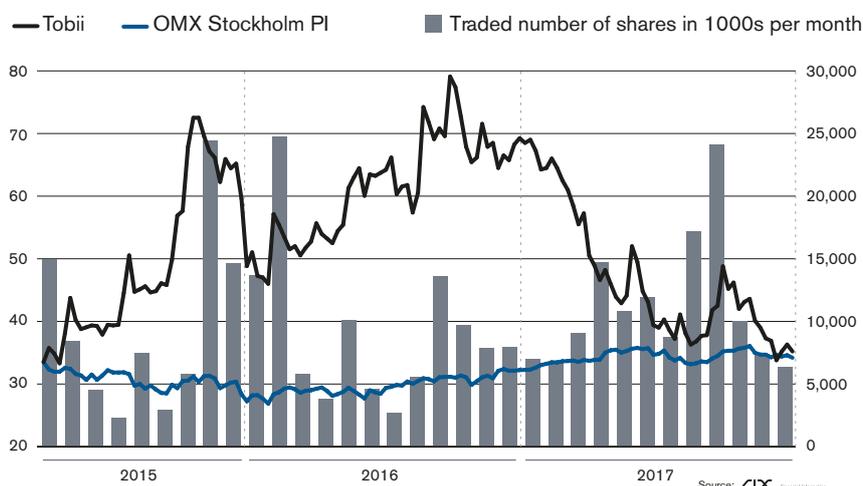
Shareholding	No. of shareholders	Number of shares	Shares/votes, %	Market value, SEK 000
1–500	19,585	2,997,426	3.08	106,109
501–1 000	3,505	2,711,670	2.79	95,993
1,001–5,000	3,954	8,540,360	8.78	302,329
5,001–10,000	541	3,924,767	4.03	138,937
10,001–15,000	153	1,904,899	1.96	67,433
15,001–20,000	60	798,439	1.09	37,464
20,001–	255	76,167,662	78.28	2,696,335
Total December 31, 2017	28,054	97,304,052	100	3,444,563

Holding by region



- Sweden **71%**
- Other Nordic countries **5%**
- Europe (excl. Sweden and the Nordic countries) **15%**
- US **9%**

Share price



Risks and risk management

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 in addition to those described below is presented in Note 3. The Group's management of risks is also addressed in the Corporate Governance Report on page 55.

Significance ↑	<ul style="list-style-type: none"> 15. Regulatory compliance 7. Quality problems and warranty claims 10. Insurance coverage in the event of liability 	<ul style="list-style-type: none"> 13. Intellectual property 6. Changes in funding and insurance systems 4. Untested benefit within new segments 9. Delivery problems and inefficient inventory management 	<ul style="list-style-type: none"> 3. Price pressure and competition from consumer products 1. Rapid technology changes 2. Increasing competition
	<ul style="list-style-type: none"> 17. Financing risk 12. IT security 8. Personal injury 14. Impairment of intangible assets 18. Business ethics 	<ul style="list-style-type: none"> 11. Dependence on key personnel 5. Dependence on important customers 19. Currency Risk 	
	<ul style="list-style-type: none"> 16. Tax risk 		
	Probability →		

Risk

1. Rapid technology changes

The markets that Tobii addresses are characterized by rapid technology changes. Consequently, the ability of each business unit to predict technical advances and market needs, and to adapt their products accordingly, is critical for the continued success of both the business units and the Group as a whole.

2. Increasing competition

If Tobii's competitors or new players develop technologies and products that offer a better price and performance, there is a risk that they will take market share from Tobii. Moreover, it is likely that in the future Tobii will encounter competition to a greater extent from large, well-established and well-financed entities.

Management

Monitor market trends and investments in development of core technology and products in all three business units.

Investments in R&D that focus on developing technology that provides better performance at a lower price.

3. Price pressure and competition from consumer products

Both Tobii Dynavox and Tobii Pro offer specialized products that encounter competition from simpler and less expensive consumer products. There is a risk that this trend will continue and also impact more product categories.

Develop clearly differentiated products and solutions, that enable Tobii Dynavox and Tobii Pro to offer high-value solutions at maintained price points as well as very cost-effective and lower priced products in significantly higher quantities.

4. Untested benefit within new segments

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.

Invest in own development of applications that showcase and realize the benefits of eye tracking. In parallel with this, create and grow an eco-system of game and other software development partners that create applications that integrate and realize new experiences based on eye tracking. Customer satisfaction surveys among early adopter end-users.

5. Dependence on important customers

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 implement planned integrations, even if they have been announced as "design wins."

Close collaboration with key customers; cultivate relationships with more integration customers. Address more sub-segments.

6. Changes in funding and insurance systems

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.

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.

7. Quality problems and warranty claims

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.

Comprehensive quality program during the product development process and control of subcontractors.

8. Personal injury

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.

Comprehensive quality program during the product development process, and verification and certification of the products against current standards.

9. Delivery problems and inefficient inventory management

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.

Collaborate closely with large, highly reputable suppliers. Strive for parallel suppliers. Make continuous forecasts and measure sales to adapt inventory and delivery capacity. Conduct audits of key suppliers.

10. Insurance coverage in the event of liability

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.

Regular review and, when needed, alter insurance coverage.

11. Dependence on key personnel

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.

Offer market terms and conditions, incentive programs for key personnel, and initiatives to maintain and develop Tobii's "employer brand" and appeal as a workplace.

12. IT security

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 trade secrets, such as information regarding research and development, or personal data or other sensitive information about employees or customers, could be used incorrectly or disclosed if Tobii were exposed to data hacking.

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. Through Tobii's Code of Business Conduct and Ethics, which includes its IT policy and information, all employees receive information regarding what information may be disclosed, and how. Project initiated in 2017 aimed at meeting GDPR requirements.

13. Intellectual property

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.

Map patents within new product areas. Further development of the Company's own patent portfolio.

14. Impairment of intangible assets

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

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 15.

15. Regulatory compliance

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.

Regularly review certifications and personal data handling routines.

16. Tax risk

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.

Annual review of tax risks together with external tax experts. Adjust tax appropriations on the basis of this review.

17. Financing risk

Inadequate access to financing for investments could lead to limited growth opportunities.

Good and transparent communication to the stock market and lenders.

18. Business ethics

Compliance with Tobii's business ethics principles, as well as laws and regulations is important for the Company's continued success. Failure to comply would involve both specific business risks and the risk of a negative impact on the Company's reputation.

Through Tobii's Code of Conduct, which also includes our Supplier Policy, all employees and suppliers sign in agreement with the Company's business ethics principles and zero tolerance for all forms of bribery and corruption. Recurrent training for employees, risk analysis and review of suppliers.

19. Currency Risk

Since Tobii has large parts of its business and its primary revenue in geographic markets other than Sweden, there is a risk of negative impact from currency fluctuations.

Tobii has chosen not to hedge its net exposure to currencies such as the USD, EUR and JPY.



Tobii's 2017 sustainability agenda

The basis of Tobii's sustainability agenda is to create long-term value and to transform and improve lives and entire industries through technology adapted to humans. One of the strongest driving forces at Tobii is to provide first-class products and services to our customers and users. Tobii's employees should have a fun and challenging job, while having the opportunity to be inspired by a higher purpose. Moreover, Tobii should advocate good work conditions among its subcontractors and assume environmental responsibility in production and product handling.

HOW WE WORK

Sustainability is integrated into our entire operation. In 2016, Tobii initiated a more structured project aimed at mapping and highlighting material aspects and formulating clear targets. This work is driven by a sustainability group with representatives from the various parts of the organization. A summary of the Group's sustainability agenda and stakeholders dialogue is presented annually in the sustainability report, which was prepared this year in accordance with GRI Standards at the Core level. The report aims to provide a transparent picture of the impact of our operations, as well as the business opportunities identified. It encompasses the entire Group, but contains examples of activities and data from our business units and larger geographic entities.



READ MORE

Tobii's business model and organisation pages 6–7 and 14–15

Risk and Risk management pages 32–34



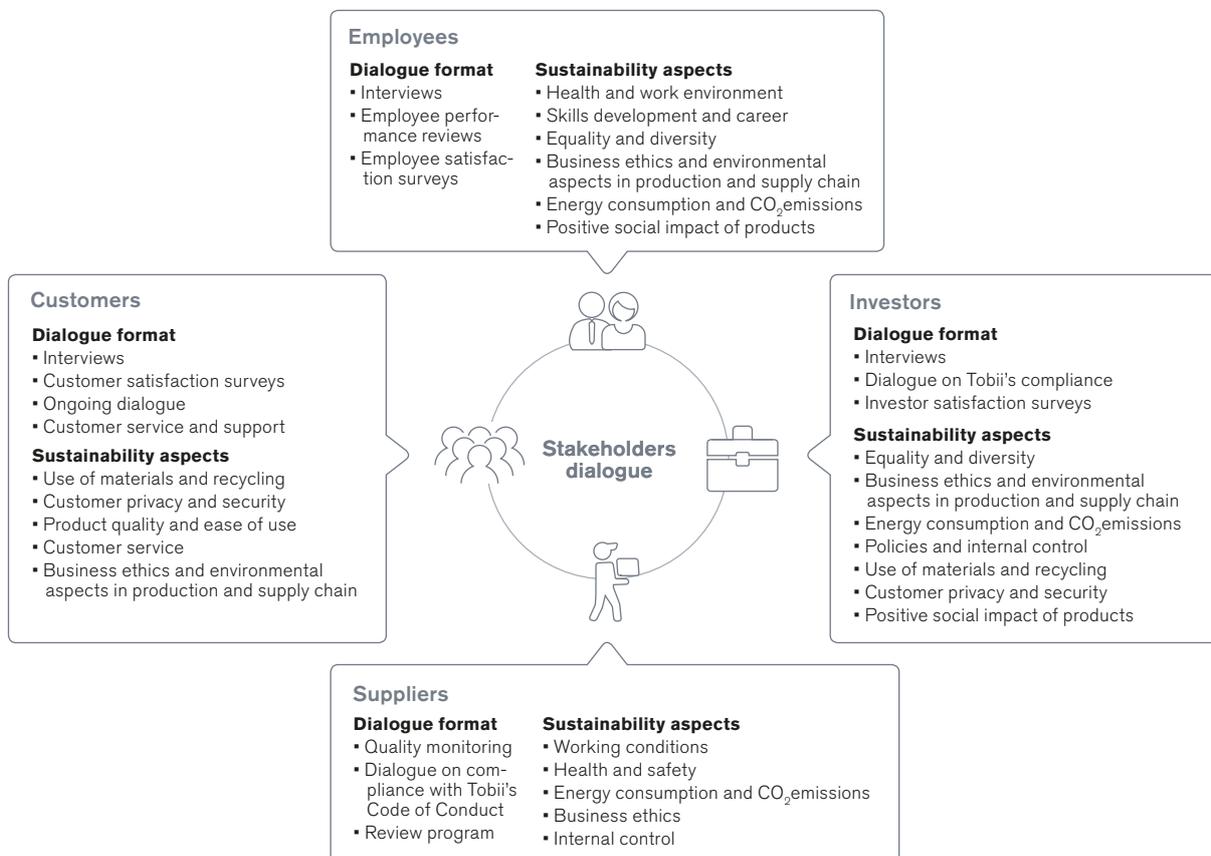
Our stakeholder dialogue

ONGOING STAKEHOLDER DIALOGUE

An ongoing, transparent dialogue with stakeholders is important to Tobii. Feedback is gathered throughout the year through ongoing dialogue with customers, employees, investors, shareholders and suppliers. Selected representatives whom Tobii believed could provide valuable insights on sustainability issues were interviewed in conjunction with preparation of the sustainability report. The interviewees were asked to comment on the previous year's sustainability report and what sustainability issues they consider most important for Tobii to address.

TOBII'S RESPONSE

Tobii continually works to implement improvements based on the feedback received from the various stakeholders. The parts of the organization responsible for specific issues receive feedback regarding the results of the sustainability-specific stakeholder dialogue. The customer experience is a key aspect of our strategy and governance, as are our efforts to ensure that Tobii can attract and retain the right skills. Good relationships with the right suppliers are crucial for our ability to deliver quality products to our customers and also help to build the trust of our stakeholders.



UPDATING OF MATERIALITY ANALYSIS

An impact assessment was carried out in accordance with GRI Standards in 2017. Based on the results of the stakeholder dialogues, and considering Tobii's actual impact on society, the economy and the environment, the following sustainability issues were determined to be material for Tobii: Business ethics, gender equality, diversity and equal treatment, employee health and well-being, social responsibility, customer experience, environmental impact of products, energy use, climate-changing emissions, social conditions and environmental impact of suppliers. Tobii aims to develop governance, monitoring and reporting for these issues.

Tobii's sustainability areas

Tobii's sustainability reporting is divided into the following areas:

- > Our employees
- > Business ethics in-house
- > Our positive social impact
- > Product liability and environmental impact
- > Sustainability in the supply chain

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. 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

Tobiians are driven by curiosity and a constant will to improve, renew and surpass themselves, making Tobii a world-leading pioneer in eye tracking.

All Tobii employees should have the opportunity to be themselves and feel at home. Our common mission binds us together and we believe that our differences are one of the greatest advantages of working at Tobii. Our shared values provide guidance to all our employees in how we act to be successful and continue to be a world-class workplace. By doing things "the Tobii way," we reinforce our corporate culture, which is shaped by ambitious, resourceful employees, teamwork and passion.

FOCUS ON LEADERSHIP

Tobii's rapid organizational growth over the past few years places great demands on our leadership. In 2017 specific initiatives were carried out for both new and experienced managers. One such initiative involved the launch of Tobii Uni, a module-based leadership program with tailored training programs for managers in different phases of their development. The courses are held in Stockholm, but are open to people from other offices. In addition to Tobii Uni, the HR department arranges several annual internal training programs. Tobii also has a leadership forum at the largest

offices in Stockholm and Pittsburgh, where managers regularly discuss current leadership issues.

LEARNING CULTURE AND SKILLS DEVELOPMENT

Tobii strives to offer a stimulating workplace with generous employee growth opportunities, both individually and in groups. Skills development is provided through challenging work tasks and exchanges with colleagues, as well as through internal and external trainings. Employees can rotate among projects, business units and industries at Tobii to broaden the exchange of knowledge and enable further career development.

Regular dialogues between managers and employees coupled with regularly scheduled performance reviews ensure that our employees receive the right skills development. In 2017, 95% (93%) of those who had been employed for more than one year had a performance review, and we aim to improve that figure to include 100% of employees worldwide.

Tobii is highly dependent on niche specialist skills, for which there is a shortage in many cases. Retaining talent and investing in their continued development here at Tobii therefore has high priority. An annual talent survey identifies people whose performance has been outstanding and who have growth potential. A program to develop current personnel into technical managers was initiated in 2017 with a planned launch in 2018.



“ By using technology to improve people’s lives, I am part of something much bigger than myself.



THE TOBII WAY

Our common values are reflected throughout our organization and form a central basis for the behavior of all Tobiiians.

Amaze our customers – Happy and successful customers are the key to our own long-term success. We combine a profound understanding of their needs with an ambition to deliver amazing products in every detail.

Succeed together – Success is always a united effort. We work as one team with a common purpose in a flat, open and informal organization where helping one another is a natural part of life.

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

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, from visionary innovations down to the smallest detail.

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



DIVERSITY, GENDER EQUALITY AND INCLUSION

Tobii is an international, multicultural workplace characterized by openness, curiosity and friendship. At the Stockholm office, people from nearly 50 countries of birth work, and the diversity strongly contributes to Tobii's success. Each individual brings new ideas and approaches thanks to our different backgrounds, personalities and experiences. Together we make Tobii an attractive, world-class workplace.

Tobii's diversity policy is to strive for versatility and equal gender distribution in the Company as a whole, among managers and in individual functions. We put knowledge, skills and abilities first and respect each other regardless of sex, gender identity, ethnicity, religion, disability, sexual orientation or age. Tobii has zero tolerance for bullying and harassment. Should anyone be victimized, Tobii takes the matter extremely seriously and responds based on clear guidelines for how such situations are to be handled.

A balanced mix of men and women is important to create an attractive workplace where everyone feels comfortable and Tobii has high ambitions to attain gender equality. In the Group, women make up 40% of the employees, though the distribution varies among the different business units and teams. Women are under-represented in R&D.

By encouraging interest in technical careers among women

and young girls, we can be part of making a positive contribution to the trend in society. During the year we were involved in IGE Day (Introduce a Girl to Engineering day) and participated in events aimed at female engineers such as Women in Tech.

Gender equality and inclusion are important issues for our staff, and in 2017 Tobii's Stockholm office appointed a diversity group that arranged workshops and training programs on various themes. We reviewed the recruitment process to encourage more female applicants and to increase the percentage of female managers. In 2017, women accounted for 37% (41%) of new hires.

During the year we worked at the Stockholm office to make it easier to recruit talent from countries outside Europe. This strategy helps to strengthen our own talent pool and increase diversity, while strengthening Sweden's position in the global tech arena.

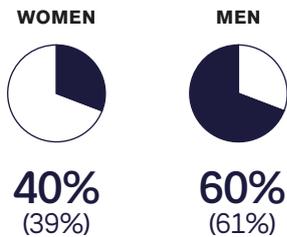
WELLNESS AND FUN AT WORK

Tobii works proactively to offer all Tobiians a good work environment, while preventing stress and psychosocial illness. We also encourage our employees to actively participate in the ongoing creation of a Tobii where we all enjoy working and perform at our best.

The Stockholm office arranges annual health checks and

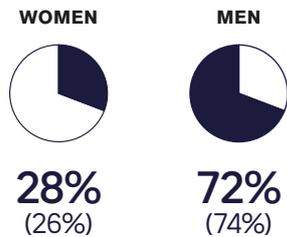
Employees in numbers

Gender distribution, total



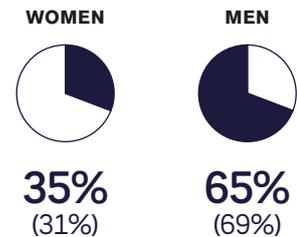
At year end, 352 of a total of 888 (758) employees globally were women. Including consultants, the number of employees is just over 900.

Gender distribution, Sweden

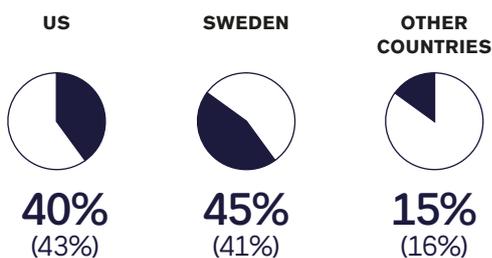


At year end, 109 of a total of 396 employees at Tobii in Sweden were women.

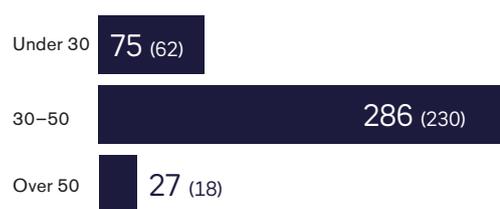
Managers, total



Employees, region



Maturity analysis, employees



Maturity analysis for employees in Sweden



a variety of activities related to diet, sleep and exercise for all employees. The group behind these activities is called Team Tobii and is run by our dedicated employees. Similar initiatives can be found at several of the other offices.

The Stockholm office also has a workplace environment committee that aims to improve the physical and psychosocial work environment. In 2017 all managers received training regarding the new organizational and social work environment provisions (AFS 2015:4). They were also trained in how to detect early signs of psychosocial illness. Moreover, all employees in the Stockholm office are covered by health insurance that provides access to counseling and help for mental ill health, as well as legal and financial advisory services.

TOP-RANKED WORKPLACE



Tobii strives to be a top-ranked employer in Sweden and internationally. In an external survey conducted by Universum, Tobii ranked seventh in the category "most appreciated employer in Sweden." We are extremely proud of this! We also received a similar award at our Pittsburgh office in the US.



#7

in the category "most appreciated employer in Sweden." The survey was based on the employees' own responses.

The annual employee satisfaction survey, which is conducted throughout the Group, provides structured, quantitative feedback from our employees. All the business units and teams review the results to highlight our strengths, as well as to identify potential for further improvement.

The 2017 survey showed a continued strong performance for Tobii. An impressive 94% of our employees participated. The employee index (percentage of positive responses to questions reflecting job satisfaction) increased to 80 (79), which can be compared with the industry average of 67. The leadership index (percentage of positive responses to questions about the employees' managers) increased from 84 to 86. Tobii's performance also improved in other areas. For instance, 88% of employees thought their work is engaging, 88% said that they find their work meaningful and 90% that they believe in Tobii's values.

Staff issues such as recruitment, employer branding, new employee orientation, diversity and gender equality initiatives, skills development and leadership are managed by Tobii's global HR department.



Employees in numbers

PERMANENT EMPLOYEES

863 (733)

PROJECT AND HOURLY EMPLOYEES

25 (25)

PERMANENT EMPLOYEES, FTES

841 (717)

PROJECT AND HOURLY EMPLOYEES, FTES

11 (17)

The figures relate to the number of employees as of December 31, 2017 (2016). In addition to permanent and project employees, Tobii also engages some 40 (60) consultants. Employee turnover for permanent employees within the Tobii Group was 7% in 2017 (12%). In Sweden and the US, the countries where Tobii has the most employees, turnover was 8% (9%) and 12% (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 2018

- > Continued work for equality and diversity
- > Further raise the quality of recruitment and new employee orientation
- > Implementation of a new HR system to streamline processes and improve support to the organization.
- > Further development of efforts to retain talent
- > Expansion of skills development programs for employees at all levels

Business ethics in-house

Tobii strives to be a transparent and responsible company that cultivates confidence, collaboration and commitment. We are strongly driven by our values, and high standards in terms of business ethics are an important aspect of being the type of company we want to be and to maintain a good reputation and repeat customers.

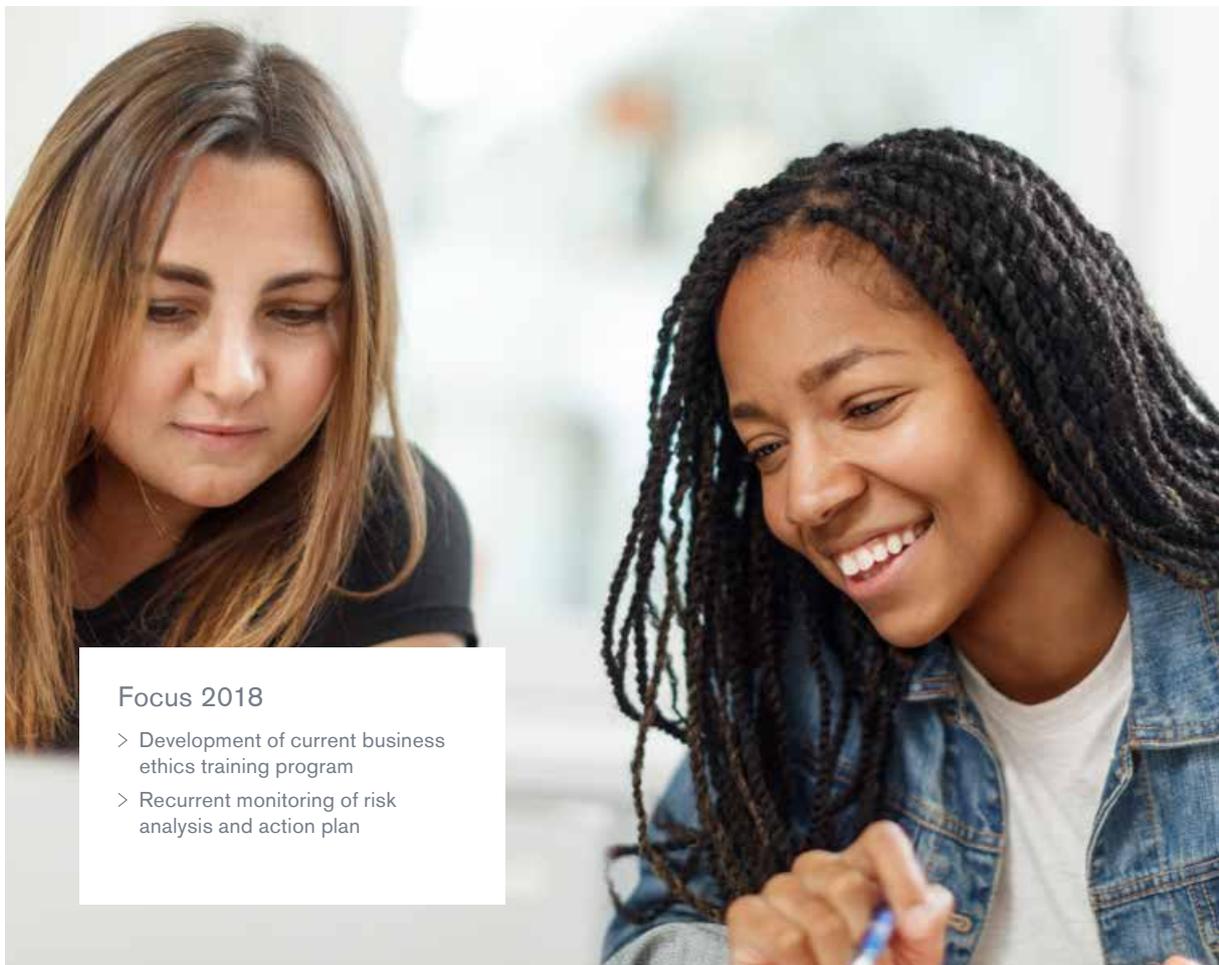
TOBII'S CODE OF BUSINESS CONDUCT AND ETHICS

Tobii's Code of Business Conduct and Ethics defines the business ethics principles that the organization is to follow. This policy framework includes the Employer Policy, Anti-corruption Policy, Export Policy, Information Policy, Insider Trading Policy, Whistleblower Policy, Environmental Policy and Supplier Policy. Our Code of Business Conduct and Ethics is based on the UN Global Compact, the OECD Guidelines for Multinational Enterprises, and the Swedish Corporate Governance Code. The Code is reviewed every year and updated as needed.

All employees should act in accordance with our values and principles of business ethics. Training in the Code of Business Conduct and Ethics is compulsory for all new

employees as part of the orientation program, consisting of lectures and an online course in which each employee confirms that they understand and will comply with the Code. The Code also includes information on how to report complaints, as well as whistleblowing procedures. No suspected cases of irregularities were reported in 2017.

Risks of bribery and corruption are managed as part of the risk analysis that Group Management compiles and presents twice a year to the Board of Directors. To further minimize such risks, Tobii plans to review its procedures and formulate an updated training program for employees regarding business ethics in 2018. Tobii's Supplier Policy also stipulates zero tolerance for all forms of bribery, corruption, extortion and embezzlement.



Focus 2018

- > Development of current business ethics training program
- > Recurrent monitoring of risk analysis and action plan

Our positive social impact

Tobii's primary contribution to society comes directly from the value our products create within various applications. Our products often have a crucial impact on users, which entails great responsibility. We shall deliver quality products that take into account the needs of users and that are as safe as possible for users and the environment.

Tobii's assistive technology for communication helps people with disabilities to express themselves and live more independent lives. For many, the difference in their lives is huge, leading to increased well-being and the ability to attend school, complete their education and get a job. For society this technology may ultimately help more people to take advantage of their basic human rights, while also reducing healthcare costs. In 2017 we helped an additional 20,000 people.

Tobii's eye tracking also contributes to groundbreaking advances in research in disciplines such as neurology and developmental psychology. For example, it has led to safer new early identification methods for conditions such as autism, dyslexia and Alzheimer's. In consumer electronics, eye tracking will be able to contribute to future products that understand the users and what they want to do, while creating more natural and intuitive user interfaces.

KNOWLEDGE AND INFLUENCE

In our effort to help more people with special needs, Tobii is committed to spreading knowledge and influencing attitudes and legislation. We want to promote change in a society where communication is far from a given right for all. Tobii Dynavox engaged in major campaigns in 2017 to educate therapists and speech therapists about our products and to show how they can be optimally adapted to

help users. We also pursue a long-term public relations and lobbying strategy to influence politicians and the public.

MAP THE CUSTOMER JOURNEY

Tobii maintains an ongoing dialogue with its customers to improve commitment and customer satisfaction and thereby boost the levels of use, 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 2017 all three business units worked on mapping the user journey and developing metrics to measure customer satisfaction and increase the level of use. This provided Tobii Dynavox with important insights into how we can help our users to reduce obstacles, increase the level of use and ensure that the products actually achieve their potential user value. Tobii Pro launched an online "onboarding" program to provide new customers with the knowledge they need to effectively use the products and implemented an automated customer feedback process in order to design more efficient support initiatives and better support for the sales organization. Tobii Tech primarily focused on monitoring customer satisfaction and the Net Promoter Score (NPS) among users of completely new types of computer game experiences, as well as on on-boarding end customers.



Focus 2018

- > Further develop the customer dialogue process and define clearer metrics and goals.
- > Continue to implement support for measuring level of use.
- > Continued efforts to increase awareness and knowledge.



Sustainable product design and environmental impact

For Tobii, sustainable product design means offering quality products with economic and environmental efficiency throughout the entire supply chain, from design and production to sales and delivery. We continually strive to reduce the environmental impact of our business.

The areas in the value chain where Tobii can achieve the greatest changes are in product design, transports and travel. Reducing environmental impact in these areas is a challenge that we share with the rest of the industry. In 2017 we made major advances in our effort to map, analyze and monitor our environmental impact with the adoption of the quality and environmental management system ISO 14001 and ISO 9001 at Tobii AB in Sweden.

PRODUCT DESIGN AND MATERIAL CHOICES

Materials play a major role in how users perceive our products. When choosing materials, Tobii always aims to improve the user experience, as well as the lifetime and usability of the product. The choice of materials is defined in the early phase of product development and design. Therefore, it is important to implement clear procedures and materials requirements already in the design phase and to ensure that hardware developers and product owners are aware of the consequences of the choice of

design and materials. Tobii intends to develop guidance for product material choices in 2018. Tobii complies with the regulations for the production of consumer electronics and uses only components that meet the RoHS2 and REACH standards.

Continual R&D has helped to gradually reduce the size of Tobii's technology. This trend is driven by user demand for small, discrete components as well as lightweight, easy-to-use products. Other advantages of this trend include a reduction in both material use and the waste resulting from the products when they can no longer be used. Scrapping of Tobii's products adheres to the recycling rules that apply for consumer electronics.

The aggregated environmental impact of the product can be reduced through environmentally conscious choices in packaging and packing materials for transporting products. Under the shipping instructions adopted at Tobii AB, shipping boxes and filling material must be recycled, environmentally preferable materials.

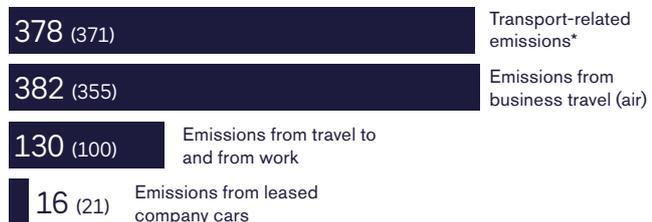
Tobii's environmental impact in figures

Energy consumption, MWh (Stockholm)

	2016	2017
Electricity	87.2*	84.1*

* Only relates to energy consumption for the portion of office space in Stockholm over which Tobii has direct control (900 m² 2016, 1,247 m² 2017). Data from energy provider.

Emissions, tons CO₂ (Stockholm)



Tobii has no scope 2 CO₂ emissions for the parts of the operation over which Tobii AB in Stockholm has direct control. The aim moving forward is to include scope 2 emissions for the entire operation. Emissions from business travel only applies to travel booked through a travel agency. Emissions from travel to and from work relates to an estimate of employees' car travel to and from the Stockholm office. The increase in emissions is due to the increase in the number of employees in Stockholm. Data about emissions from leased company cars come from the lessor.

* Applies to Tobii AB. Transports for Tobii global, including Tobii AB, generated 588 tons of CO₂ (533). The increase in emissions is attributed to more longer and larger shipments from Asia to Europe and the US, which required air transport.



CLIMATE-CHANGING EMISSIONS

As a growing, global company, Tobii wants to minimize the climate-changing emissions caused by its business. In preparation for ISO certification of Tobii AB's operations in Sweden, the environmental aspects of the operation were analyzed and mapped in 2017. This analysis showed that a substantial portion of Tobii's climate-changing emissions comes from employee business travel and from shipping products from the manufacturer to customers.

Tobii is a global company with employees and customers all over the world. Air travel is therefore often considered to be necessary. To improve opportunities for remote meetings, Tobii expanded the number of video conference rooms in Stockholm and Pittsburgh in 2017.

The majority of Tobii's products are manufactured in Southeast Asia and are transported to customers in Asia, Europe and North America. Because of short lead times, many product types are often transported by air. In most cases shipping by sea is impossible, in part because of the need for quick delivery and in part because the products must often be handled with great care. Currently Tobii offsets the carbon emissions that arise when products are transported through the Carbon Neutral Company.

In 2017 a project was initiated to develop systems, procedures and activities aimed at reducing the environmental impact of the business. Formulation of targets and an action plan to reduce transport-related carbon emissions were also initiated.

ENERGY USE

Part of Tobii's environmental impact comes from our energy use. In 2017 Tobii conducted an energy survey of the operation in Sweden and formulated an action plan. One measure involved implementing 100% renewable energy in premises for which the Company has its own contracts with energy providers. Energy use in other offices and manufacturing facilities is systematically monitored.

CONTROL SYSTEM

In 2017, an environmental management system was introduced to implement systematic environmental initiatives. Tobii's Head of Quality and Environment is responsible for legislative compliance, monitors targets and action plans, and assesses routines and processes.

Focus 2018

- Set targets and formulate action plans to reduce climate and environmental impact
- Develop a control system for material selection in Tobii's products
- Certification audit Stockholm for ISO 14001 and 9001

Sustainability in the supply chain

As a producer of components and end-user products, Tobii strives to ensure that our subcontractors in Asia manufacture products according to the highest applicable standards regarding social and environmental issues. Tobii's suppliers assemble various components and do not handle the raw material itself. The work is performed in high-tech factories where the risk of child labor, forced labor, or improper handling of hazardous materials is low.

COMPLIANCE WITH COMPANY AND INDUSTRY POLICIES

Tobii's Code of Business Conduct and Ethics and its Supplier Policy aim to ensure that all companies throughout the supply chain assume environmental and ethical responsibility, that working conditions within the supply chain are safe and fair, and that workers are treated with respect and dignity. The Code applies to all direct suppliers and must be signed by all new suppliers. Tobii has also signed the Responsible Business Alliance (RBA – formerly the EICC) Code of Conduct, which is an industry standard for companies in the electronics industry, and has updated the Company's policies accordingly.

Under Tobii's Code of Business Conduct and Ethics, suppliers must also continually adopt measures to ensure that labor rights are respected. Tobii's Code prohibits working weeks longer than 60 hours, except in emergencies or unusual situations. The Code also places demands on suppliers to constantly strive to reduce their environmental impact over time, specifically with respect to use of materials, energy consumption, and manufacturing and transport-related pollution.

TOBII'S REVIEW PROGRAM

In 2017 Tobii launched a program to review its subcontractors. The focus is on reviewing around ten suppliers that

account for the largest portion of Tobii's purchases. Tobii worked with an external consulting company to conduct comprehensive reviews of selected suppliers regarding social and environmental issues, as well as anti-corruption/business ethics and quality. Monitoring will be carried out quarterly or as needed, until all suggested improvements have been satisfactorily addressed. The plan for 2018 is to conduct reviews of additional suppliers based on a risk profile.

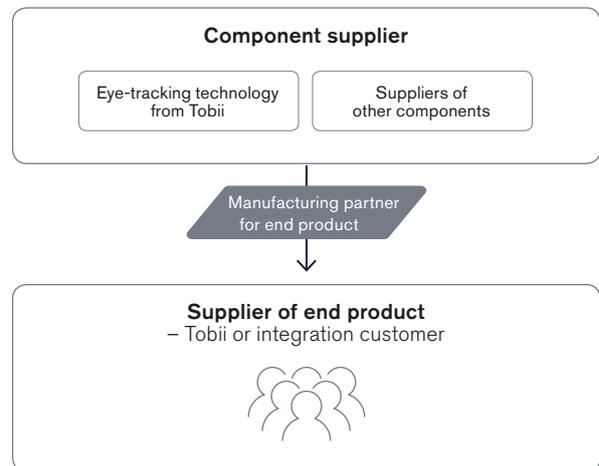
By working closely with suppliers and encouraging continual improvement, Tobii can indirectly address risks farther down the chain. One such risk is the use of conflict minerals. As far as Tobii is aware, no conflict minerals are used in Tobii's products. The Company's Supplier Policy includes a provision regarding responsible purchasing of tantalum, tin, tungsten, and gold to ensure that conflict minerals are neither directly nor indirectly funded, along with provisions ensuring that conflicts and violation of human rights do not benefit in any way.

Focus 2018

- > Continued reviews of suppliers
- > Evaluation of the work review program



Supply chain for production of end-customer products



GRI index

Disclosure	Comments	Page
GRI 101: Foundation 2016		
General disclosures		
GRI 102: General Disclosures 2016		
1. ORGANIZATIONAL PROFILE		
102-1 Name of the organization		53
102-2 Most important brands, products, services		15
102-3 Location of headquarters		4
102-4 Countries in which the organization operates		7
102-5 Ownership structure and legal form		30-31
102-6 Markets in which the organization operates		7
102-7 Scale of the organization		6-7
102-8 Total workforce by employment type, gender, and region	Employment type by gender is not reported.	38, 40
102-9 Supply chain		18, 22, 48
102-10 Significant changes during the reporting period regarding size, structure, ownership or supply chain		6
102-11 Application of Precautionary Principle	Tobii follows the Precautionary Principle, which means that we avoid using materials for which there is any doubt regarding impact on humans or the environment	
102-12 External regulations, standards, principles to which the organization subscribes or endorses		43, 46, 48
102-13 Active membership in organizations such as industry associations and advocacy organizations	Tobii belongs to the International Society for Augmentative and Alternative Communication (ISSAC), which works to improve the quality of life of children and adults who use AAC in their daily lives.	
2. STRATEGY		
102-14 Statement from the Chairman of the Board		52
3. ETHICS AND INTEGRITY		
102-16 Values, principles, standards and codes of behavior	Tobii has signed the Responsible Business Alliance (RBA) Code of Conduct	
4. GOVERNANCE		
102-18 Corporate governance, incl. committees and responsibility of the Board of Directors for economic, environmental and social topics	Sustainability group reports to the Group's management team, which makes strategic decisions. The Board of Directors reviews and approves the annual sustainability agenda.	
5. STAKEHOLDER ENGAGEMENT		
102-40 Stakeholder groups with which the organization has contact		37
102-41 Percent of workforce with collective bargaining agreements	Tobii is not affiliated with any collective bargaining agreements.	
102-42 Basis for identification and selection of stakeholders		37
102-43 Method and frequency of stakeholder dialogue by type and stakeholder group		37
102-44 Key areas and issues raised in communication with stakeholders and how the organization handles these issues		37
6. REPORTING PRACTICE		
102-45 Entities included in the financial statements and whether any entity is not included in the sustainability report	The sustainability report includes the Tobii Group. Any exceptions from this are indicated in connection with the information concerned. Certain information is reported specifically for Sweden and the US where Tobii has the most employees.	
102-46 Process for defining the report content and where impact occurs		37
102-47 Material topics identified in the process of defining content		37

102-48 Effect of any restatements of data/information given in previous reports, and the reasons for such restatements	Not applicable
102-49 Significant changes from previous reporting periods in the list of material topics and topic boundaries	The transition to GRI Standards and addition of the materiality analysis has resulted in some changes regarding reported topics.
102-50 Reporting period	January 1 - December 31, 2017
102-51 Date of publication of most recent report	April 6, 2017
102-52 Reporting cycle	Annual, calendar year
102-53 Contact point regarding the report and its content	Sara Hyléen, Corporate Communications Director sara.hyleen@tobii.com
102-54 Choice of reporting level	GRI Standards, Core level.
102-55 GRI index	49-51
102-56 External assurance	The GRI report is the Tobii Group's sustainability report for 2017 and has been approved by the Board of Directors. It was not audited by a third party.

Material aspects	Description	Comments	Page
Business ethics			
GRI 103: Management Approach 2016	103-1 Explanation of the impact of the material topic and its boundary		41
	103-2 Description of management		41
	103-3 Evaluation of management		41
GRI 205: Anti-corruption 2016	205-2 Percentage of employees trained in the organization's anti-corruption policies and procedures.		41
Materials			
GRI 103: Management Approach 2016	103-1 Explanation of the impact of the material topic and its boundary		44
	103-2 Description of management		44
	103-3 Evaluation of management		44
GRI 301: Materials 2016	301-2 Percentage of recycled input materials used	Indicator is not reported.	
Energy use			
GRI 103: Management Approach 2016	103-1 Explanation of the impact of the material topic and its boundary		47
	103-2 Description of management		47
	103-3 Evaluation of management		47
GRI 302: Energy 2016	302-1 Energy use within the organization	Refers only to Tobii AB in Sweden.	46
Emissions of greenhouse gases			
GRI 103: Management Approach 2016	103-1 Explanation of the impact of the material topic and its boundary		47
	103-2 Description of management		47
	103-3 Evaluation of management		47
GRI 305: Emissions 2016	305-1 Direct emissions of greenhouse gases (scope 1)	Tobii has no direct emissions of greenhouse gases	
	305-2 Total indirect emissions of greenhouse gases (scope 2)	Refers only to Tobii AB in Sweden. Tobii has no scope 2 CO ₂ emissions for the parts of the operation over which Tobii AB has direct control.	46
	305-3 Other relevant indirect emissions of greenhouse gases (scope 3)	Refers only to Tobii AB in Sweden.	46
Environmental impact of suppliers			
GRI 103: Management Approach 2016	103-1 Explanation of the impact of the material topic and its boundary		48
	103-2 Description of management		48
	103-3 Evaluation of management		48

GRI 308: Supplier Environmental Assessment 2016	308-2 Negative environmental impact in the supply chain and actions taken	Indicator is not reported.	
Working environment for our employees			
GRI 103: Management Approach 2016	103-1 Explanation of the impact of the material topic and its boundary		40
	103-2 Description of management		40
	103-3 Evaluation of management		40
GRI 403: Occupational Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases, absenteeism, work-related fatalities	Data only available for Tobii AB in Sweden. Only a few cases of work-related sick leave occurred in 2017; none resulted in long-term sick leave. The exact number of cases is not reported out of respect to employee privacy. <5 individuals were on sick leave during the year for more than 14 days.	
Training and education			
GRI 103: Management Approach 2016	103-1 Explanation of the impact of the material topic and its boundary		38
	103-2 Description of management		38
	103-3 Evaluation of management		38
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	Not reported by employment type or gender.	38
Diversity and gender equality			
GRI 103: Management Approach 2016	103-1 Explanation of the impact of the material topic and its boundary		40
	103-2 Description of management		40
	103-3 Evaluation of management		40
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity reported for senior executives and other employees.	Not reported by age group.	40
Suppliers' working conditions			
GRI 103: Management Approach 2016	103-1 Explanation of the impact of the material topic and its boundary		48
	103-2 Description of management		48
	103-3 Evaluation of management		48
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	Indicator is not reported.	
Customer health and safety			
GRI 103: Management Approach 2016	103-1 Explanation of the impact of the material topic and its boundary		44
	103-2 Description of management		44
	103-3 Evaluation of management		44
GRI 416: Customer Health and Safety 2016	416-1 Significant product and service categories where impact on customer health and safety has been investigated	Indicator is not reported. All product categories are tested with respect to health and safety for the user.	

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in Tobii AB, corporate identity number 556613-9654

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability report for the year 2017 on pages 36–48 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory

sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm, April 12, 2018
PricewaterhouseCoopers AB

Johan Engstam
Authorised Public Accountant

Questions to Tobii's Chairman of the Board



// Tobii is the pioneer, driving the development in technology.

Kent Sander, Chairman of the Board

WHAT HAS THE BOARD FOCUSED ON IN 2017?

"The year began with strategic planning relating to the increased investments within Tobii Tech made possible by the rights issue at year-end 2016. It's clear there are very exciting opportunities for Tobii in many different areas. We can't do everything at once, however, and we have to operate with the capital we have. Consequently, the Board has devoted a lot of time to discussing which areas to prioritize and the scale of investment to be made. Tobii must invest aggressively to leverage its current leading position in eye tracking and become the leading provider in various volume markets. In the past year, the company has focused firmly on continuing to drive the PC market and rapidly building an organization which can meet the considerable demand for eye tracking in VR. Demand for Tobii's VR portfolio has risen sharply, and this would never have been possible without the past year's investments."

HOW WERE INVESTMENTS IN TOBII TECH PRIORITIZED IN RELATION TO TOBII PRO AND TOBII DYNAVOX?

"It's important for investments in Tobii Tech to be in balance with developments in the other two business units. It's also

vital for the Company to see through its plans and continue to grow with good profitability. Tobii Pro posted exceptionally strong growth in 2017 and is constantly identifying new applications, which is really exciting. At the same time, we must ensure that investments in future business opportunities do not have too great an impact on our profit margin. Tobii Dynavox launched a large number of new products, and as always following product generational shifts, sales were affected for a time. It was therefore important for the Board to monitor target fulfillment as deliveries began – and it was great to see that the new products that began shipping during the second half of the year were so warmly received on the market."

HOW WILL TOBII'S LONG-TERM AMBITIONS CREATE SHAREHOLDER VALUE IN THE SHORT TERM?

"As things stand, the main shareholder value is created in Tobii Dynavox and Tobii Pro. These two strong business units are growing with profitability and are market leaders in their segments. However, Tobii's long-term ambition is to be the market-leading eye tracking provider across a number of mass markets, which can generate great value in the long term. Taking into account Tobii's technology leadership and the leading position already occupied by the company, it would be a fundamental error not to invest in future growth in these areas."

WHAT IS THE BOARD'S VIEW ON TOBII'S SUSTAINABILITY AGENDA?

"For people looking for investments where sustainability is part of the core business, Tobii is the perfect choice. Increasing inclusion and improving quality of life for those with various disabilities are integral to the business itself, and Tobii's contribution is considerable, especially through its assistive technology for communication. Diversity and gender equality are also well worth mentioning. The ratio of men to women improved during the year in the Group as a whole, in Sweden and among managers. Tobii also stands out as highly diverse. The staff based in the Stockholm office alone come from almost 50 different countries. Our openness to different perspectives that merge together forms a really strong Tobii culture, which in turn is a source of pride and job satisfaction and helps to attract the top talent required. In this context, I'm particularly proud that Tobii ranked seventh among the most appreciated employers in Sweden."

IS THERE ANYTHING IN PARTICULAR YOU WOULD LIKE TO HIGHLIGHT ABOUT TOBII?

"The extreme technological prowess in the company is well worth a mention. Not only is Tobii at the cutting edge of eye tracking technology, it also pioneers advances in the technology development. We've seen a number of technology giants attempt to develop their own eye tracking technology without fully succeeding. This has led to some acquiring eye tracking firms in order to compete in this high-tech field. Yet no one has made as much progress in so many areas of application and achieved as much commercial success as Tobii."

Director's 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, 2017 to December 31, 2017. 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") is the global market leader 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 the world's 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 about 900 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 3% in 2017 to SEK 1,084 million (1,053). Adjusted for currency effects, the increase was also 3%.

Tobii Dynavox's net sales declined by 6% to SEK 713 million (762). During the first three quarters net sales were negatively affected by lower sales of older touchscreen products and by the conversion to a number of new products. In the fourth quarter, sales regained strength significantly and were back to previous levels. Currency effects had no impact on sales.

Tobii Pro's net sales rose by 24% to SEK 304 million (245) and by 25% adjusted for currency effects. Growth was driven by strong sales in all product categories and in all major regions, along with expansion into new sub-segments and favorable changes in the competitive landscape.

Tobii Tech's net sales rose by 25% to SEK 121 million (96). Growth was primarily driven by increased external sales to

integration customers in the PC gaming segment. Sales of our own gaming peripheral Tobii Eye Tracker 4C also increased sharply. External sales of eye-tracking technology to integration customers totaled SEK 67 million (47), an increase of 42%.

The North American market accounted for 60% (62%) of the Group's sales, the European market for 22% (22%), and the rest of the world for 18% (16%).

EARNINGS

Gross profit for the Group increased to SEK 769 million (762) and gross margin was 71% (72%). The operating loss for the Group was SEK -186 million (-67) and operating margin was -17% (-6%). Tobii Dynavox contributed SEK 79 million (125) and Tobii Pro SEK 26 million (15), while investments in Tobii Tech had a negative impact of SEK -291 million (-207) on the Group's operating loss. The operating loss was affected by the increased investment rate in Tobii Tech, in part due to the rapid growth of the organization, as well as negative currency revaluation effects on working capital.

Tobii Dynavox's operating profit declined to SEK 79 million (125) and operating margin to 11% (16%). Operating expenses were affected by positive non-recurring items and negative currency revaluation effects on working capital. The business unit's R&D expenses reported in the income statement rose to SEK 100 million (96), corresponding to 14% (13%) of the business unit's net sales. Expenses for selling and administration totaled 41% (41%) of net sales.

Tobii Pro's operating profit was SEK 26 million (15) and the operating margin was 9% (6%). The operating margin was impacted by increased R&D and marketing investments, as well as by the integration and development of the acquired Sticky offering. The R&D expenses reported in the income statement rose to SEK 55 million (53), corresponding to 18% (21%) of net sales. Expenses for selling and administration corresponded to 47% (45%) of net sales.

Tobii Tech's operating loss amounted to SEK -291 million (-207). The change was due to a considerable expansion of the organization, development of the next-generation eye-tracking platform and further development of application software, as well as marketing initiatives. R&D expenses reported in the income statement increased to SEK 227 million (153). Selling and administration expenses rose to SEK 115 million (94).

PROFIT/LOSS BEFORE TAX

The Group's pretax loss was SEK -220 million (-48). Net financial items amounted to SEK -34 million (19), primarily attributable to currency effects that had a negative impact on the value of the Group's dollar-based (USD) financial assets.

NET PROFIT/LOSS AND EARNINGS PER SHARE

Net loss was SEK -187 million (-50) and earnings per share was SEK -1.92, compared with SEK -0.57 in the corresponding period in 2016. The average number of outstanding shares during the year was 97 million (88), and the number of shares at period-end was 97 million (97).

CASH FLOW, LIQUIDITY AND FINANCIAL POSITION

Cash flow after continuous investments was SEK -221 million (-75). The operating loss was primarily impacted by the increased investment pace in Tobii Tech and its rapid organizational growth. Cash flow from operations totaled SEK -56 million (57), while the change in working capital had a positive effect of SEK 21 million (10). Continuous investments increased by SEK 44 million to SEK 187 million, of which SEK 158 million referred to capitalization of R&D expenditures.

The acquisition of Sticky in the second quarter had a negative impact on cash flow of SEK -24 million and cash flow after investments for 2017 was SEK -245 million (-75). At the close of the period, the Group had SEK 537 million (772) in net cash.

RESEARCH AND DEVELOPMENT

To preserve and further strengthen the Group's leading position, each business unit invests significant resources in research and development (R&D). Of the Group's approximately 900 employees as per December 31, 2017, nearly 320 worked in R&D. The R&D organization also includes some 40 consultants.

The Group's total R&D expenditures rose by SEK 92 million to SEK 420 million (328), of which SEK 158 million (121) or 37% (37%) was capitalized in the balance sheet, while R&D amortization rose by SEK 25 million to SEK 119 million (94). Consequently, R&D expenses reported in the income statement rose to SEK 382 million (302), corresponding to 35% (29%) of net sales.

EMPLOYEES

The average number of employees in the Group in 2017 grew by 97 to 779. The number of employees recalculated to full-time equivalents at the close of the period was 842. Compared with the same time in the previous year, the number of employees increased by 123, or 17%, through increased initiatives in the 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 55-59. 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 2016-2017 are presented in Note 8.

SUSTAINABILITY

In 2017 Tobii's sustainability group worked with the various functions of the organization to monitor, measure, and set targets for the Group's sustainability efforts. The Board of Directors approved the company's sustainability agenda for 2017. A description of Tobii's sustainability efforts can be found in the sustainability report on page 36-51 of this annual report. The sustainability report for 2017 was prepared in accordance with GRI Standards at the Core level.

THE PARENT COMPANY

The Group's Parent Company, Tobii AB (publ) with more than 390 employees, is involved in sales, marketing, R&D, procurement, manufacturing, technical support and IT. Net sales for the full year amounted to SEK 745 million (633) and operating loss to SEK -209 million (-50). At the end of the period, the Parent Company had SEK 470 million (685) in cash and cash equivalents, as well as unutilized bank overdraft facilities in the amount of SEK 0 million (170).

CHANGES IN THE BOARD

At the Annual General Meeting on May 9, 2017, Kent Sander, John Elvesjö, Nils Bernhard, Åsa Hedin, Heli Arantola and Jan Wäreby were re-elected to serve as members of Tobii's Board of Directors. Kent Sander was re-elected as Chairman of the Board. Martin Gren declined re-election.

EVENTS AFTER THE END OF THE REPORTING PERIOD

In February 2018, Tobii announced updated financial targets to provide the stock market with an updated view of the company's direction within the three business areas, reflecting the company's current position and market development. The targets reflect the company's ambition for the coming three-year period.

In February, Tobii acquired Acuity ETS, the largest reseller of Tobii Pro's research solutions, and Acuity Intelligence, a neuroscience-based research and consultancy firm. The acquisition is aimed at strengthening Tobii Pro by enabling direct sales of products and services in the UK.

In March, Tobii announced a collaboration with Qualcomm Technologies, Inc. to make eye-tracking technology available for mobile VR/AR head-mounted displays (HMDs).

In March, John Elvesjö announced that he is stepping down from his position of Deputy CEO of Tobii in 2018 thereby relinquishing his position in the Group Management team. John will, however, continue to be a member of Tobii's Board of Directors.

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 establish eye tracking in new areas.

The business units' long-term financial targets are described on page 15.

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	1,576,213
Retained earnings	-273,166
Loss for the year	-185,888
Total	1,117,159

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

Amount carried forward	1,117,159
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Corporate Governance Report

Tobii AB (publ) is a Swedish public limited liability company with its registered office in Danderyd, Sweden. The Company's shares have been 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.

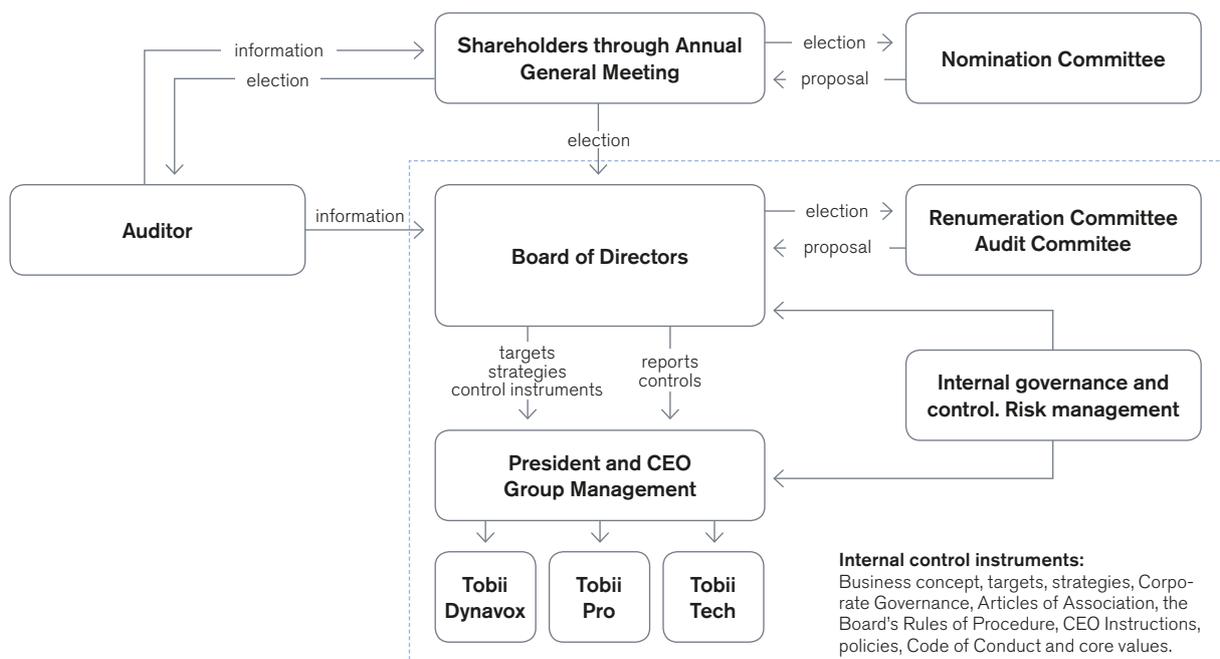
PRINCIPLES FOR TOBII'S CORPORATE GOVERNANCE

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.

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 December 1, 2016, 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 one deviation from the Code in 2017, as the company does not have a review function in the form of internal audit, see more under Monitoring on page 59.

Corporate governance structure



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, as well as ISO and FDA certifications.

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 pages 30-31 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.

ANNUAL GENERAL MEETING

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 2017 ANNUAL GENERAL MEETING

At the 2017 Annual General Meeting held on May 9 in the presence of 80 shareholders, directly or through proxy, and the Company's auditor, it was decided that the Company's Board should comprise six ordinary members, and no alternate board members. Kent Sander was re-elected Chairman of the Board and Nils Bernhard, John Elvesjö, Åsa Hedin, Heli Arantola and Jan Wäreby were re-elected members of the Board. Johan Engstam was appointed to serve as the new auditor in charge from PwC.

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.

TOBII'S 2018 ANNUAL GENERAL MEETING

Tobii AB will hold its Annual General Meeting on May 8, 2018 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. In nomination, the Nomination Committee takes into account the members' versatility and breadth regarding competence, experience and background.

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 Märten

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 2018 Annual General Meeting, the Nomination Committee was appointed in accordance with the above principles.

The Nomination Committee has had four recorded meetings, three in the fall of 2017 and one in January 2018. Tobii's Nomination Committee fulfills the requirement for independence.

The table below presents the members of the Nomination Committee and the owners who appointed them.

NOMINATION COMMITTEE AHEAD OF THE 2018 ANNUAL GENERAL MEETING

Member	Appointed by	Share of votes
Jan Andersson	Swedbank Robur	9.49%
Carl Cederschiöld	Handelsbanken	6.33%
Ingemar Skogö	Tobii's three founders	9.89%
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 nomination.committee@tobii.com.

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 six ordinary members. When composing the Board, consideration has been given to the requirement for diversity and breadth and to striving for gender equality. 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 60.

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 in the table below.

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 9, 2017.

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 2017. Key issues during the year concerned strategy, market position, product development and significant risks.

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

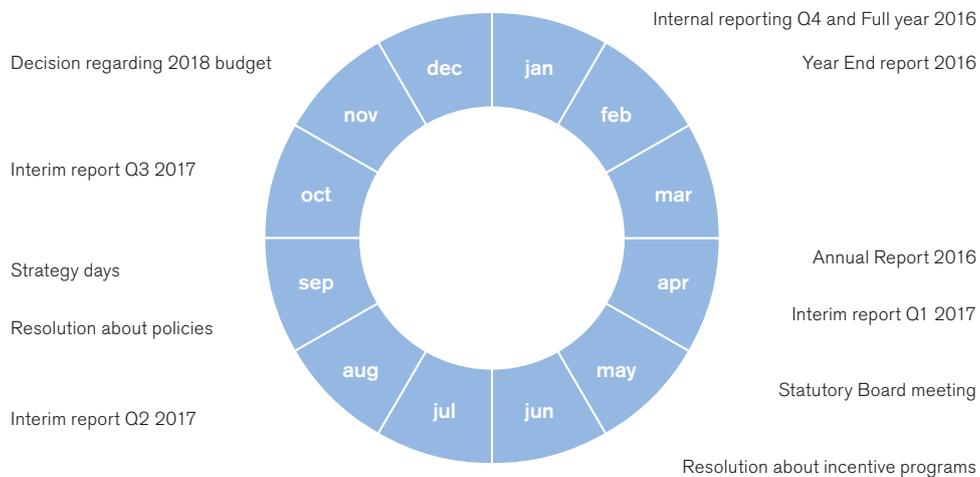
EVALUATION OF THE WORK OF THE BOARD

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. In 2017, this evaluation was carried out through an externally developed questionnaire. The results were presented at the Board meeting in December 2017.

COMPOSITION OF THE BOARD OF DIRECTORS, COMMITTEES AND MEETING ATTENDANCE

Board members elected by the AGM	Elected	Born	Independent		Attendance		
			of the Company	of the largest shareholders	Board Meetings	Audit committee	Remuneration committee
Kent Sander, chair	2014	1953	Yes	Yes	19/19	X	X
Heli Arantola	2016	1969	Yes	Yes	14/19		
Nils Bernhard	2004	1947	Yes	Yes	18/19	X	
John Elvesjö	2006	1977	No	No	19/19		
Martin Gren (resigned April 2017)	2007	1962	Yes	Yes	4/19		X (until April 2017)
Åsa Hedin	2015	1962	Yes	Yes	18/19	X	X (from May 2017)
Jan Wäreby	2016	1956	Yes	Yes	19/19		X

Board's work year

**THE BOARD'S WORK YEAR**

The Board held 19 recorded meetings in 2017, one of which was the statutory Board meeting. The many meetings reflect an intensive business year. In 2017, the Board addressed the issues shown in the illustration above:

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.

THE AUDIT COMMITTEE

On behalf of the Board, the Audit Committee shall, 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
- 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. The Audit Committee is appointed annually by the Board. In 2017, the Committee was made up of Asa Hedin, Chairman, and members Kent Sander and Nils Bernhard.

The Audit Committee has had 4 recorded meetings in 2017.

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 2017, the Committee was made up of Kent Sander, Chairman, and members Åsa Hedin (from the 2017 AGM) and Jan Wäreby. The Committee held two recorded meetings in 2017.

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 2017 Annual General Meeting resolved that Board fees would amount to SEK 1,539,000 to be allocated as SEK 500,000 for the Chairman of the Board and SEK 200,000 each for other Board members. The maximum fees for Committee work will amount to a total of SEK 239,000, allocated as SEK 160,000 for the Audit Committee and SEK 79,000 for the Remuneration Committee. Remuneration to the Board is presented in detail in Note 8.

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 9, 2017. 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, HR Director and CSO are members 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 61.

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 2017, total remuneration to the CEO and senior executives amounted to approximately SEK 20 million.

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

AUDITOR

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 2017 Annual General Meeting through to the 2018 Annual General Meeting. Auditor in charge is Authorized Public Accountant Johan Engstam.

REMUNERATION TO AUDITORS

The 2017 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 the section under the "Audit Committee" heading 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.

Tobii does not have a review function in the form of internal audit. The board has deemed that monitoring of internal control which is carried out by the Board and Group management make up a sufficient control function when considering the company's operations and size.

EVENTS AND ACTIVITIES 2017

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 2017, 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.

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 Serneke Group AB, 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 of Transmode.

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



HELI ARANTOLA

Elected: 2016

Born: 1969

Education: PhD in Economics

Main assignments and experience: Executive Vice President Categories Concepts of HK Scan. Many years of experience from executive positions in 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.



NILS BERNHARD

Elected: 2004

Born: 1947

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

Main assignments and experience: Chairman of the Board of Pajeb Kvarter AB and Ortivus AB, Board member of Alfa Invest AB. Founder of Precise Biometrics AB and Dannemora 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: 2,205,000 shares directly and indirectly through companies and 28,000 warrants.



JOHN ELVESJÖ

Elected: 2001

Born: 1977

Education: Studies in Engineering Physics.

Main assignments and experience: Vice President and cofounder of Tobii AB, CTO through 2015. Board member of The Incredible Machine of Sweden AB and Vinnova. Formerly board member of Timpen Capital AB, HolidayPhone AB, Sticky Inc. and Moor&Moor AB.

Shareholding in Tobii: 2,731,501 shares, 40,000 employee stock options and 184,000 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 Microtechnology and Nanoscience at Chalmers AB. Board member of C-rad AB, Nolato AB, Fingerprint Cards AB, Cellavision AB, Immunovia AB and E. Öhman Jor Fonder AB. Formerly CEO of Elekta Instrument AB and Business Unit President of Elekta Neuroscience.

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



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 GapWaves AB, Incell International AB, and 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: John Elvesjö, Cecilia Eriksson, Johan Wilsby, Henrik Eskilsson, Tom Englund, Fredrik Ruben, Oscar Werner and Mårten Skogö.

HENRIK ESKILSSON

President and CEO, co-founder of Tobii

Employed: 2001
Born: 1974

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

Shareholding in Tobii: 4,291,071 shares, 60,000 employee stock options and 316,000 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

Employed: 2011
Born: 1983

BSc in Human Resources and Behavioral 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: 30,350 warrants.

JOHN ELVESJÖ

Deputy CEO and co-founder of Tobii

Employed: 2004
Born: 1977

Member of Tobii's Board since 2001. For more details, see Board of Directors on page 60.

MÅRTEN SKOGÖ

CSO and co-founder of Tobii

Employed: 2001
Born: 1977

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 95,000 warrants.

FREDRIK RUBEN

President of the Tobii Dynavox business unit

Employed: 2014
Born: 1977

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

Shareholding in Tobii: 19,950 shares, 50,000 employee stock options and 251,000 warrants.

TOM ENGLUND

President of the Tobii Pro business unit

Employed: 2009
Born: 1976

MSc in Industrial Engineering and Management, Linköping University. Studies at École Polytechnique Fédérale de Lausanne and HEC in Lausanne. International experience from executive positions in Atlas Copco and Management Consultant at Accenture.

Shareholding in Tobii: 37,620 shares, 35,000 employee stock options and 201,000 warrants.

OSCAR WERNER

President of the Tobii Tech business unit

Employed: 2010
Born: 1974

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: 68,426 shares, 145,000 employee stock options and 390,000 warrants.

JOHAN WILSBY

CFO

Employed: 2017 (June)
Born: 1966

BSc in Business Administration, Stockholm School of Economics. Formerly CFO of Fingerprint Cards and Transmode, finance director at Hewlett-Packard in the Nordic and Baltic countries and finance director for Western Europe at Microsoft.

Shareholding in Tobii: 10,253 shares and 44,000 warrants.

Multi-year overview, Group

SEK million	2017	2016	2015	2014	2013
Net Sales, SEK m	1,084.3	1,053.3	967.3	620.6	412.1
EBITDA, SEK m	-46.9	50.3	81.1	5.6	26.5
EBIT, SEK m	-185.9	-67.0	-35.7	-68.9	-37.5
Net Profit/Loss for the year, SEK m	-186.5	-49.8	-24.6	-50.9	-45.1
Gross margin, %	70.9	72.3	74.8	70.8	65.2
EBITDA margin, %	-4.3	4.8	8.4	0.9	6.4
EBIT margin, %	-17.1	-6.4	-3.7	-11.1	-9.1
Cash flow from operating activities	-34.9	67.6	79.9	0.7	48.2
Cash flow after continuous investments, SEK m	-221.4	-74.5	-40.7	-117.7	-61.8
Earnings per share, SEK	-1.92	-0.57	-0.30	-0.82	-0.76
Earnings per share, diluted, SEK	-1.92	-0.57	-0.30	-0.82	-0.76
Equity per share, SEK	10.9	12.5	9.1	5.6	4.6
Working capital, SEK m	-5.1	16.8	22.9	18.7	25.5
Total assets, SEK m	1,342.7	1,486.6	1,035.4	752.9	386.5
Net cash (+)/net debt (-), SEK m	536.8	771.7	370.9	-15.1	39.2
Equity, SEK m	1,058.6	1,215.1	793.8	389.0	275.6
Equity/assets ratio, %	78.8	81.7	76.7	51.7	71.3
Net debt/equity, %	neg	neg	neg	3.9	neg
Return on total equity, %	-16.8	-6.2	-3.6	-17.2	-15.0
Average number of shares, million	97.1	87.9	81.8	61.9	59.5
Number of outstanding shares at period-end, million	97.3	97.0	87.6	68.9	59.5
Average number of employees	779	682	582	467	372

Multi-year overview, Business units

SEK million	2017	2016	2015	2014	2013
Net sales					
Tobii Dynavox	713.4	761.7	740.3	441.7	233.9
Tobii Pro	304.4	244.9	209.5	167.3	170.9
Tobii Tech	120.6	96.4	58.6	36.6	20.5
Other and eliminations ¹⁾	-54.0	-49.7	-41.1	-25.0	-13.2
Group	1,084.3	1,053.3	967.3	620.6	412.1
Gross margin, %					
Tobii Dynavox	68.7	70.9	72.9	68.3	61.3
Tobii Pro	74.2	73.5	75.1	71.6	68.3
Tobii Tech	43.4	43.4	45.8	44.5	38.0
Group	70.9	72.3	74.8	70.8	65.2
EBITDA					
Tobii Dynavox	140.3	184.9	182.1	74.4	46.7
Tobii Pro	65.9	45.1	44.3	23.6	39.2
Tobii Tech	-253.2	-179.7	-145.2	-90.6	-67.8
Other and eliminations ¹⁾	0.0	0.0	-0.2	-1.9	8.4
Group	-46.9	50.3	81.1	5.6	26.5
EBITDA margin, %					
Tobii Dynavox	19.7	24.3	24.6	16.9	20.0
Tobii Pro	21.6	18.4	21.2	14.1	22.9
Tobii Tech	neg	neg	neg	neg	neg
Group	-4.3	4.8	8.4	0.9	6.4
Operating profit/loss (EBIT)					
Tobii Dynavox	78.7	124.7	119.0	41.9	20.6
Tobii Pro	26.1	15.5	21.2	12.9	18.6
Tobii Tech	-290.8	-207.2	-175.7	-121.6	-84.9
Other and eliminations ¹⁾	0.0	0.0	-0.2	-2.0	8.3
Group	-185.9	-67.0	-35.7	-68.9	-37.5
EBIT margin, %					
Tobii Dynavox	11.0	16.4	16.1	9.5	8.8
Tobii Pro	8.6	6.3	10.1	7.7	10.9
Tobii Tech	neg	neg	neg	neg	neg
Group	-17.1	-6.4	-3.7	-11.1	-9.1

¹⁾ Other and eliminations refers entirely to internal sales from Tobii Tech to Tobii Dynavox and Tobii Pro.

Consolidated statement of comprehensive income

SEK million	Note	2017	2016
Net sales	5	1,084.3	1,053.3
Cost of goods and services sold		-315.7	-291.5
Gross profit		768.6	761.8
Selling expenses		-462.7	-429.1
Research and development expenses		-382.5	-301.8
Administrative expenses	7	-103.1	-101.6
Other operating income and operating expenses	11	-6.3	3.6
Operating profit/loss	5, 6, 7, 8, 9, 10	-185.9	-67.0
<i>Profit/loss from financial items</i>			
Financial income	12	4.2	38.2
Financial expenses	12	-37.9	-18.8
Total financial income and expenses		-33.7	19.4
Profit/Loss before tax		-219.6	-47.6
Taxes	13	33.1	-2.2
Profit/Loss for the year		-186.5	-49.8
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange rate differences		13.1	-0.7
Other comprehensive income, net after tax		13.1	-0.7
Total comprehensive income for the year		-173.4	-50.5
<i>Attributable to:</i>			
Parent company shareholders		-186.7	-49.7
Non-controlling interests		0.1	-0.1
Total Loss for the year		-186.5	-49.8
<i>Attributable to:</i>			
Parent company shareholders		-173.6	-50.4
Non-controlling interests		0.1	-0.1
Total comprehensive income for the year		-173.4	-50.5
Basic earnings per share, SEK	14	-1.92	-0.57
Earnings per share after dilution, SEK	14	-1.92	-0.57
Average number of outstanding shares, (thousands)	14	97,080.0	87,927.0
Average number of outstanding shares after dilution, (thousands)	14	99,062.1	91,589.0

Consolidated balance sheet

SEK million	Note	2017	2016
Non-current assets			
Goodwill	15	30.0	0.3
Capitalized expenses for product development	15	292.6	255.2
Trademarks	15	93.6	102.5
Other intangible assets	15	19.3	12.4
Property, plant and equipment	16	31.0	28.1
<i>Financial assets</i>			
Deferred tax assets	13	90.1	54.9
Other financial assets		3.5	3.5
Total non-current assets		560.1	456.8
Current assets			
Accounts receivable	18	145.9	151.7
Inventories	19	59.4	67.3
Other receivables		10.9	13.6
Prepaid expenses and accrued income	20	29.6	25.6
Cash and cash equivalents	21	536.8	771.7
Total current assets		782.6	1,029.8
Total assets		1,342.7	1,486.6
Equity			
Share capital	23	0.7	0.7
Other paid-in capital		1,581.5	1,566.2
Reserves	24	11.5	-1.6
Retained earnings		-535.5	-350.5
Total equity attributable to parent company's shareholders		1,058.1	1,214.8
Non-controlling interests		0.4	0.3
Total equity		1,058.6	1,215.1
Non-current liabilities			
Deferred tax liabilities	13	0.3	0.3
Provisions	25	2.2	8.4
Other non-current liabilities		30.8	21.6
Total non-current liabilities		33.2	30.2
Current liabilities			
Accounts payable	26	61.9	59.0
Other liabilities	26	27.9	22.7
Accrued expenses and deferred income	27	161.1	159.5
Total current liabilities		250.9	241.3
Total liabilities		284.1	271.5
Total equity and liabilities		1,342.7	1,486.6

Consolidated statement of changes in equity

SEK million	Note	Attributable to parent company shareholders				Total	Non-controlling interest	Total equity
		Share capital	Other paid-in capital	Reserves	Accumulated retained earnings			
Opening balance Jan 1, 2016		0.6	1,095.2	-0.9	-301.4	793.5	0.3	793.8
Profit/loss for the year					-49.7	-49.7	0.0	
Other comprehensive income				-0.7		-0.7	0.0	
Comprehensive income for the year				-0.7	-49.7	-50.4	0.0	
Rights issue		0.1	458.3			458.3		
Expenses related to rights issue			-9.4			-9.4		
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
Profit/loss for the year					-186.7	-186.7	0.1	
Other comprehensive income				13.1		13.1	0.1	
Comprehensive income for the year				13.1	-186.7	-173.6	0.1	
New share issue, exercise of warrants incentive program		0.0	10.0			10.0		
Sale of warrants, incentive program			5.3			5.3		
Equity-settled share-based payment transactions under IFRS 2	8				1.6	1.6		
Closing balance Dec 31, 2017		0.7	1,581.5	11.5	-535.5	1,058.1	0.4	1,058.6

Consolidated cash flow statement

SEK million	Note	2017	2016
Cash flow from operating activities			
Profit/loss after financial items		-219.6	-47.6
Adjustment for items not included in the cash flow:			
Amortization and write downs on intangible assets	9	119.4	94.4
Amortization and write downs on property, plant and equipment	9	19.6	22.9
Unrealized exchange rate differences		35.0	-19.3
Changes in provisions		-6.2	6.9
Other items not affecting the cash flow		-4.8	3.8
Taxes paid		0.6	-3.8
Cash flow from operating activities before change in working capital		-55.9	57.3
Cash flow from change in working capital			
Increase(-)/Decrease(+) in inventories		4.6	-19.6
Increase(-)/Decrease(+) in operating receivables		-4.5	16.5
Increase(+)/Decrease(-) in operating liabilities		21.0	13.4
Cash flow from operating activities		-34.9	67.6
Investments			
Continuous investments			
Investments in intangible assets	15	-159.4	-120.9
Investments in property, plant and equipment	16	-26.9	-19.4
Investments in financial fixed assets		-0.2	-1.7
Cash flow after continuous investments		-221.4	-74.5
Acquisition of subsidiary company		-23.7	-
Cash flow after investments		-245.0	-74.5
Financing activities			
Rights issue		-	458.3
Expenses related to rights issue		-	-9.4
Sale/exercise of warrants, incentive program		15.3	22.1
Cash flow from financing activities		15.3	471.1
Cash flow for the year		-229.7	396.6
Exchange rate differences in cash and cash equivalents		-5.2	4.2
Cash and cash equivalents at the beginning of the year		771.7	370.9
Cash and cash equivalents at year-end	21	536.8	771.7

Parent company income statement

SEK million	Note	2017	2016
Net sales		745.1	632.9
Cost of goods and services sold		-313.1	-274.0
Gross profit		432.0	358.9
Selling expenses		-190.5	-135.0
Research and development expenses		-371.0	-225.1
Administrative expenses	7	-76.3	-55.9
Other operating income	11	39.4	36.9
Other operating expenses	11	-42.9	-30.1
Operating profit/loss	5, 6, 7, 8, 9, 10	-209.4	-50.3
<i>Profit/Loss from financial items</i>			
Interest income and similar items	12	27.1	60.0
Interest expense and similar items	12	-37.2	-13.9
Total financial income and expenses		-10.1	46.1
Profit/Loss before tax		-219.4	-4.2
Taxes	13	33.5	4.3
Profit/Loss for the year		-185.9	0.1

The parent company has no items 2017 or 2016 reported in Other comprehensive income. The 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	2017	2016
Non-current assets			
Goodwill	15	26.8	0.0
Capitalized expenses for product development	15	283.7	180.2
Trademarks	15	49.7	0.0
Other intangible assets	15	19.3	12.4
Property, plant and equipment	16	9.9	7.7
<i>Financial assets</i>			
Participations in Group companies	17	157.3	157.2
Deferred tax assets	13	65.9	32.4
Receivables from Group companies	30	283.5	373.0
Other financial assets		0.0	1.8
Total non-current assets		896.0	764.7
Current assets			
Accounts receivable	18	52.9	48.5
Receivables from Group companies	30	117.1	100.3
Inventories	19	36.1	43.7
Other receivables		6.9	9.5
Prepaid expenses and accrued income	20	13.6	10.9
Cash and cash equivalents	21	470.1	685.7
Total current assets		696.6	898.6
Total assets		1,592.6	1,663.3

SEK million	Note	2017	2016
Equity			
Share capital	23	0.7	0.7
Statutory reserve		5.3	5.3
Reserve for development expenditures		207.7	80.4
Total restricted equity		213.7	86.4
Premium reserve		1,576.2	1,560.9
Retained earnings		-273.2	-147.6
Profit/Loss for the year		-185.9	0.1
Total non-restricted equity		1,117.1	1,413.4
Total equity		1,330.9	1,499.8
Provisions	25	2.2	8.3
Non-current liabilities			
Other non-current liabilities		16.0	3.7
Total non-current liabilities		16.0	3.7
Current liabilities			
Accounts payable	26	45.1	38.2
Liabilities to Group companies	30	105.5	20.0
Other liabilities	26	18.4	18.7
Accrued expenses and deferred income	27	74.6	74.6
Total current liabilities		243.6	151.4
Total liabilities		261.7	163.5
Total equity and liabilities		1,592.6	1,663.3

Parent company statement of changes in equity

SEK million	Note	Restricted equity				Accumulated retained earnings	Total equity
		Share capital	Reserve fund	Fund for development expenditures	Paid in capital		
Opening balance Jan 1, 2016		0.6	5.3	0.0	1,089.9	-67.7	1,028.1
Profit/loss for the year						0.1	0.1
Transfer from unrestricted to restricted equity				80.4		-80.4	-
Transactions with shareholders							
Rights issue		0.1			458.3		458.3
Expenses related to rights issue					-9.4		-9.4
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	471.6
Closing balance Dec 31, 2016		0.7	5.3	80.4	1,560.9	-147.5	1,499.8
Profit/loss for the year						-185.9	-185.9
Transfer from unrestricted to restricted equity				127.3		-127.3	-
Transactions with shareholders							
New share issue, exercise of warrants incentive program		0.0			10.0		10.0
Sale of warrants, incentive program					5.3		5.3
Equity-settled share-based payment transactions under IFRS 2	8					1.6	1.6
Total transactions with shareholders		0.0			15.3	1.6	16.9
Closing balance Dec 31, 2017		0.7	5.3	207.7	1,576.2	-459.1	1,330.9

Parent company cash flow statement

SEK million	Note	2017	2016
Cash flow from operating activities			
Profit/loss after financial items		-219.4	-4.2
Adjustment for items not included in the cash flow:			
Amortization and write downs on intangible assets	9	114.4	62.3
Amortization and write downs on property, plant and equipment	9	6.9	6.8
Unrealized exchange rate differences		37.0	-24.0
Changes in provisions		-6.2	6.9
Other items not affecting the cash flow		-2.7	2.1
Taxes paid		0.0	-
Cash flow from operating activities before change in working capital		-69.9	49.9
Cash flow from change in working capital			
Increase(-)/Decrease(+) in inventory		7.6	-19.0
Increase(-)/Decrease(+) in operating receivables		-19.5	3.0
Increase(+)/Decrease(-) in operating liabilities		92.1	34.7
Cash flow from operating activities		10.4	68.6
Investments			
Continuous investments			
Investments in intangible assets	15	-261.8	-86.2
Investments in property, plant and equipment	16	-10.0	-8.8
Investments in financial fixed assets		54.3	-43.0
Cash flow after continuous investments		-207.1	-69.4
Acquisition of subsidiary company		-23.7	-
Cash flow after investments		-230.8	-69.4
Financing activities			
Rights issue		-	458.3
Expenses related to rights issue		-	-9.4
Sale/exercise of warrants, incentive program		15.3	22.2
Cash flow from financing activities		15.3	471.1
Cash flow for the year		-215.5	401.7
Cash and cash equivalents at the beginning of the year		685.7	283.9
Cash and cash equivalents at year-end	21	470.1	685.7

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 Parent company's financial reports have been prepared in accordance with the Swedish Annual Accounts Act and standard RFR 2, Accounting for legal entities.

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, 2017

No new standards with material impact on the financial reports have been applied from January 1, 2017. A number of new standards and interpretations come into effect for the fiscal year starting after January 1, 2018 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 "Finansiella instruments" replaces IAS 39 Finansiella instruments from 2018. The standard deals with the classification, valuation and resolution of financial assets and liabilities, introduces new rules for hedge accounting and a new model for impairment of financial assets. Tobii's assessment is that the new standard will not have a significant impact on the Group's classification and valuation of financial instruments. Tobii does not use hedge accounting. The new model for calculating credit loss reserves is based on expected credit losses rather than realized credit losses, however this is deemed not to have an impact on the Group's credit loss reserve. The transition to IFRS 9 will not have a significant impact on the Group and therefore there is no opening balance adjustment for 2018.

IFRS 15, "Revenue from contracts with customers" goes into effect on January 1, 2018 and replaces the current IFRS standards and interpretations for revenue recognition. The new standard shall be applied for fiscal years starting January 1, 2018 or later. The standard and its clarifications have been endorsed by the EU. Tobii has not applied early adoption of the standard.

The Tobii Dynavox business unit sells certain products as packages comprised partly of computer products that are delivered to customers at date of sale, and partly as service commitments in the form of enhanced warranties and customer support which are fulfilled in future periods after the date of sale. In accordance with current standards, Tobii recognizes revenue for the complete package in the reporting period in which the product is delivered. IFRS 15 states that revenue shall be recognized in the period that Tobii fulfills its commitment to customers for each part of the package. Compliance with the new standard impacts Tobii's 2017 proforma revenues negatively by 0.5%. The Tobii Pro business unit is affected to a lesser extent by the new standard.

Tobii applies IFRS 15 full retrospective method for transition to the new standard and has restated 2017 income statement and balance sheet. The impact is an opening balance adjustment of SEK 80 million as at January 1, 2017, which is reported as a decrease in equity and an increase in the liability contracts with customers. The values presented are before tax. Tobii's 2017 proforma revenues were negatively impacted by SEK -6 million. The opening balance refers to warranties and customer support commitments which Tobii has sold in earlier years but has not yet fulfilled as at January 1, 2017.

SEK million	Retained earnings	Liability: Contracts with customers
Opening balance Jan 1, 2017	-80.1	80.1
Income statement and balance sheet impact during the year	-5.5	5.5
Currency valuation effect for the year	5.8	-5.8
Closing balance Dec 31, 2017	-79.8	79.8

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.

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 10-27.

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.

SEK million	Closing rate		Average rate	
	2017	2016	2017	2016
EUR	9.850	9.567	9.635	9.466
USD	8.232	9.097	8.533	8.566
JPY	0.073	0.078	0.076	0.079

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.

REVENUE RECOGNITION

General

The Group recognizes revenue in the income statement 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 revenue from goods consists primarily of the sale of self-manufactured products at fixed prices. Revenue 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

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

Rental revenue

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

Royalty revenue

Revenue 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 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.

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

A financial asset or a financial liability is reported in the balance sheet when the Company becomes party to the contractual terms and conditions of the instrument. Accounts receivable is reported in the balance sheet when an invoice is sent. A liability is reported in the balance sheet when the counterpart has performed and there is a contractual obligation to pay even if the invoice has not yet been sent. Supplier invoices are reported as a liability when the invoice is received. A financial asset is derecognized from the balance sheet when the rights in the contract are realized, expired or the Company loses control over them.

Financial assets and liabilities are classified in the following categories in compliance with IAS 39:

Accounts and loan receivables:

Accounts and loan receivables are non-derivative financial assets with defined or definable payments that are not listed on

an active market. These instruments are valued at accrued cost. Accrued cost is determined based on the effective interest which is calculated at acquisition date. Assets with short maturities are recognized at nominal amount with no discounts.

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 a current investment in a Swedish fixed income fund with insignificant risk of value fluctuation and access to funds within 2 to 3 bank days.

Financial liabilities

Financial liabilities recognized at fair value through the income statement

Contingent consideration is included in this category and is continuously measured at fair value in net income.

Other financial liabilities

Financial liabilities not held for trading are measured at accrued acquisition value in periods after the acquisition. Accounts payable and other liabilities are included in this category.

The Tobii group has no long-term or current interest-bearing liabilities.

Accounts payable

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 units 2 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 substantially independent cash flow to an individual asset when testing for impairment, then

assets are to be grouped at the lowest level at which substantially 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 2010 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.

Expenses related to the acquisition of a subsidiary are included in goodwill. Goodwill recognized in the parent company is amortized over five years.

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. 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.

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

Net exposure per currency in the Group's balance sheet

MSEK	2017	2016
USD	302	435
EUR	33	435
JPY	20	435
Other	21	435
Total	376	502

A change in the exchange rate in relation to SEK by +/- 10 percent in USD, EUR, JPY and other currencies in the Group's balance sheet would impact the balance sheet by +/- SEK 38 (50) 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. The Group had no current or long-term debt at December 31, 2017 which means that Tobii is not exposed to risk caused by changes in interest rates.

Based on the interest-bearing assets and liabilities at the close of 2017, an increase of 1 percentage (100 basis points) is calculated to have reduced the Group's profit before tax by SEK 1.9 million in 2017 and 7.7 in 2016.

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 maximum exposure to credit risks regarding financial assets is equivalent to the reported value of each category, in note 22.

Financial credit risk

Tobii's cash and cash equivalents at December 31, 2017 amounted to SEK 537 (772) million. Of this, 351 (0) was placed in a quoted Swedish fixed income fund, which is a risk category 1 on a scale of 1 – 5 where category 1 is a risk-free investment. Other cash amounts are placed in bank accounts in accordance with Tobii's placement policy which among other things, requires a maximum amount to be placed at a single financial institution and only allows placement with highly regarded financial institutions with high credit ratings.

Credit risk in accounts receivable

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 amount of the credit risk is assessed for each customer and outstanding accounts receivable is reviewed regularly. Total accounts receivables at December 31, 2017 amounted to SEK 168 (194) million. No single customer accounted for 10 percent or more of Tobii's total accounts receivables. The maturity profile of outstanding accounts receivable is presented in note 18.

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 but Tobii's assessment is that the company is fully financed to carry out the current business plan and a financial target for the Group is to achieve profitability in 2020. Tobii's has an active acquisition strategy in all three business units and potential acquisitions may require individual financing.

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 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 2017, Tobii had unutilized credit facilities for a total of SEK 0 million (170). 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 15.

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 90.1 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 million	2017	2016
Tobii Dynavox	713.4	761.7
Tobii Pro	304.4	244.9
Tobii Tech	120.6	96.4
Other	0.0	0.0
Eliminations ¹⁾	-54.0	-49.7
Group	1,084.3	1,053.3

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 million	2017	2016
Tobii Dynavox	140.3	184.9
Tobii Pro	65.9	45.1
Tobii Tech	-253.2	-179.7
Other	0.0	0.0
Group	-46.9	50.3

OPERATING PROFIT/LOSS (EBIT)

SEK million	2017	2016
Tobii Dynavox	78.7	124.7
Tobii Pro	26.1	15.5
Tobii Tech	-290.8	-207.2
Other	0.0	0.0
Group	-185.9	-67.0
Financial items, net*	-33.7	19.4
Profit/loss before tax	-219.6	-47.6
Tax*	33.1	-2.2
Profit/loss for the year	-186.5	-49.8

*Financial items and tax are not reported by business unit

NET SALES BY GEOGRAPHIC MARKET

Net sales by geographic market is based on the customers location. There are no individual customers who represent more than 10 percent of Net sales.

SEK million	2017	2016
Sweden	16.8	18.1
Europe	219.5	217.4
USA	648.7	650.2
Other countries	199.3	167.6
Total	1,084.3	1,053.3

NET SALES BY CATEGORY

SEK million	2017	2016
Goods	993.9	974.1
Services	76.6	68.7
Royalties	13.8	10.5
Total	1,084.3	1,053.3

R&D PER BUSINESS UNIT

SEK million 2017	Total R&D expenditures	Capitalized R&D	R&D amortization and impairments	R&D expenses net, as in income statement
Tobii Dynavox	-114.6	60.9	-46.6	-100.4
Tobii Pro	-67.8	49.1	-36.1	-54.8
Tobii Tech	-237.9	47.6	-36.9	-227.2
Group	-420.3	157.5	-119.7	-382.5

SEK million 2016	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	-41.7	-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	-94.8	-301.8

NON-CURRENT ASSETS BY COUNTRY

SEK million	2017	2016
Sweden	462.1	235.8
USA	81.8	198.0
Other countries	16.2	23.0
Total	560.1	456.8

Note 6. Rental commitments and significant leasing commitments

SEK million	Group		Parent company	
	2017	2016	2017	2016
Within 1 year	23.4	22.3	10.5	11.1
Between 2 - 5 years	38.4	44.0	0.5	11.3
Later than 5 years	17.0	24.4	0.0	0.0
Total commitments	78.8	90.7	10.9	22.5

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

This year's cost for operating leases:	25.8	25.1	12.2	10.8
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Note 7. Auditor's fees

SEK million	Group		Parent company	
	2017	2016	2017	2016
Pricewaterhouse-Coopers, Swedem				
Audit engagement	2.2	2.4	1.1	1.2
Audit activities not included in audit engagement	0.0	0.5	0.0	0.5
Tax consultancy services	0.0	0.0	0.0	0.0
Other services	1.4	0.3	1.4	0.3
Total	3.6	3.1	2.5	2.0
Other auditors				
Audit engagement	0.7	0.6	0.0	-
Audit activities not included in audit engagement	0.0	0.0	0.0	-
Tax advice	1.2	1.5	0.1	-
Other services	0.7	0.6	0.0	-
Total	2.6	2.6	0.1	-
Total audit fees	6.2	5.8	2.6	2.0

Note 8. Employees and personnel costs

Average no. Employees	2017	Of which women, %	2016	Of which women, %
Parent company				
Sweden	329	27%	270	25%
Other countries				
Parent company total	329	27%	270	25%
Average no. Employees				
Subsidiaries				
USA	329	49%	309	53%
Norway	16	17%	14	11%
UK	10	60%	9	47%
Germany	10	0%	10	0%
Japan	26	32%	21	46%
China	52	50%	47	50%
Taiwan	6	18%	2	21%
South Korea	2	33%	2	33%
Subsidiaries total	450	45%	413	49%
Total average no. of employees	779	38%	683	40%

SALARIES, REMUNERATIONS AND SOCIAL COSTS

Salaries and remunerations	Group		Parent company	
	2017	2016	2017	2016
SEK million				
Board, CEO and other senior executives	17.8	17.4	17.8	17.4
Other employees	505.4	400.9	200.6	145.3
Total salaries and remunerations	523.2	418.4	218.4	162.7
Defined-contribution retirement expenses	33.2	27.3	24.6	19.7
Other social costs*	99.5	104.6	66.7	56.4
Total social costs	132.7	131.9	91.2	76.1
Total salaries, remunerations and social costs	655.9	550.2	309.6	238.9

* The item Other social costs includes accrued social costs related to the Group's incentive program.

REMUNERATION TO THE PARENT COMPANY'S BOARD OF DIRECTORS, CEO AND OTHER SENIOR EXECUTIVES

SEK million 2017	Board fee/ Basic salary	Defined-contribution benefits	Tobii's Long-term incentive program	Variable remuneration	Employee stock options (IFRS 2)	Total
Kent Sander	0.7	-	-	-	-	0.7
Heli Arantola	0.3	-	-	-	-	0.3
Åsa Hedin	0.4	-	-	-	-	0.4
Martin Gren ¹⁾	0.1	-	-	-	-	0.1
Nils Bernhard	0.3	-	-	-	-	0.3
Jan Wäreby	0.3	-	-	-	-	0.3
John Elvesjö, Styrelseledamot	-	-	-	-	-	-
Total, Board of Directors	2.0	-	-	-	-	2.0
Henrik Eskilsson, CEO	2.6	0.9	0.4	0.0	0.0	3.9
John Elvesjö, vice VD	1.9	0.7	0.2	0.0	0.0	2.8
Senior executives (6 individuals)	8.4	2.3	1.1	1.2	0.3	13.2
Total, senior executives	12.9	3.9	1.7	1.3	0.3	20.0
Total remuneration to the Parent Company's Board of Directors.	14.9	3.9	1.7	1.3	0.3	22.0

¹⁾ Martin Gren resigned from his position as board member at the AGM 2017.

REMUNERATION TO THE PARENT COMPANY'S BOARD OF DIRECTORS, CEO AND OTHER SENIOR EXECUTIVES

SEK million 2016	Board fee/ Basic salary	Defined- contribution benefits	Tobii's Long- term incentive program	Variable remuneration	Employee stock options (IFRS 2)	Total
Kent Sander	0.6					0.6
Heli Arantola	0.1					0.1
Åsa Hedin	0.3					0.3
Martin Green	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, Styrelseledamot	-					-
Total, Board of Directors	2.0	-	-	-	-	2.0
Henrik Eskilsson, CEO	2.6	0.5	0.5	-	0.2	3.8
John Elvesjö, vice VD	1.8	0.4	0.3	-	0.2	2.6
Senior executives (5 individuals)	7.1	1.4	1.4	1.9	0.2	11.9
Total, senior executives	11.5	2.3	2.1	1.9	0.6	18.3
Total remuneration to the Parent Company's Board of Directors.	13.5	2.3	2.1	1.9	0.6	20.3

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

**CHANGES IN THE NUMBER OF OUTSTANDING
OPTIONS IN INCENTIVE PROGRAM (THOUSANDS)**

SEK million	Warrants		Employee stock options	
	2017	2016	2017	2016
At beginning of year	2,235	2,441	1,081	806
Allocated	800	730	169	140
Exercised	-128	-190	-215	-364
Forfeited	-260	-130	-134	-117
Reclassification	-	-616	-	616
At year-end	2,647	2,235	901	1,081

INCENTIVE PROGRAM

Tobii has an incentive program for senior executives and a small group of key employees in the Group. The program includes 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 1 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. At January 1, 2017 there were a total of 169,000 employee stock options outstanding in the series of which 84,500 were exercised on December 20, 2017. The weighted average share price on December 20 was

SEK 36.74. There is a total of 84,500 employee stock options outstanding in this 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. At January 1, 2017 there were a total of 60,000 warrants outstanding in the series and on March 17, 2017 all 60,000 warrants were exercised. The weighted average share price on March 17 was SEK 58.38.

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. At January 1, 2017 there were a total of 78,000 employee stock options outstanding in the series and on March 17 all 78,000 were exercised. The weighted average share price on March 17 was SEK 58.38.

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. At January 1, 2017 there were a total of 40,000 warrants outstanding in the series and on December 29 all 40,000 warrants were exercised. The weighted average share price on December 29 was 34.96.

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. At January 1, 2017 there were a total of 52,000 employee stock options outstanding in the series and on December 29 all 52,000 were exercised. The weighted average share price on December 29 was 34.96.

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. During 2017 175,250 were forfeited and on December 31, 2017 there were a total of 1,481,751 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 is 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. At January 1, 2017 there were a total of 200,000 warrants outstanding in the series and 74,750 were forfeited during 2017. At December 31, 2017 there were a total of 125,250 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. At January 1, 2017 there were a total of 164,000 warrants outstanding in this series and on May 31 28,000 were exercised. The weighted average share price on May 31 was 49.29. There is a total of 136,000 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 73.30 per share during a fixed period in 2019/2020. During the year 130,400 were forfeited and at December 31, 2017 there was a total of 599,600 warrants outstanding in this series.

LTI 2016:2 series entitles the employee stock option holder to subscribe for one Tobii AB share at a price of SEK 67.60 per share during a fixed period between 2020 och 2026. During the year 14,000 were forfeited and there is a total of 126,000 employee stock options outstanding in this series.

LTI 2017:1 series entitles the warrant holder to subscribe for one Tobii AB share at a price of SEK 60.90 per share during a fixed period in 2020/2021. There is a total of 800,000 warrants outstanding in this series.

LTI 2017:2 series entitles the employee stock option holder to subscribe for one Tobii AB share at a price of SEK 56.20 per share during a fixed period in 2021/2027. There is a total of 169,000 employee stock options outstanding in this series.

During the year the average number of potential outstanding shares amounted to 1,981,685. When calculating the average number of potential outstanding shares only those with a lower exercise price than the average share price during the year are included. The average share price during 2017 was 47.83. The average number of outstanding shares during the year was 97,080,407 and the average number of outstanding shares after dilution was 99,062,092. Full utilization of outstanding incentive programs in the Group will entail a maximum dilution effect of approximately 3.7% 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.

Severance pay

The CEO as well as some senior executives 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 up to six months, or longer period of notice that follows according to law. 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	
	2017	2016	2017	2016
Intangible assets (Note 15)	119.4	94.4	114.3	62.3
Tangible assets (Note 16)	19.6	22.9	6.9	6.8
Total depreciation/amortization	139.0	117.3	121.4	69.0
Impairment	-	-	-	-
Total depreciation/amortization/impairment	139.0	117.3	121.4	69.0

Note 10. Expenses by type

SEK million	Group		Parent company	
	2017	2016	2017	2016
Cost for materials and changes in inventory	176.8	160.6	247.4	214.3
Costs for employee remuneration (Note 8)	655.9	550.2	309.7	238.9
Other external expenses	292.6	296.5	272.1	167.9
Depreciation, amortization and impairments (Note 9)	139.0	117.3	121.4	69.0
Total expenses	1,264.3	1,124.6	950.5	690.1

Note 11. Other operating income and operating expenses

SEK million	Group		Parent company	
	2017	2016	2017	2016
Other operating income				
Exchange rate differences in operating receivables and liabilities	38.3	35.2	37.6	35.1
Other income	0.7	2.2	1.8	1.8
Total other operating income	39.0	37.6	39.4	36.9
Other operating expenses				
Exchange rate differences in operating receivables and liabilities	-44.8	-32.7	-42.9	-30.1
Capital loss on sale of equipment	-	-0.4	-	-
Other expenses	-0.5	-0.9	0.0	0.0
Total other operating expenses	-45.3	-34.0	-42.9	-30.1
Total other income and expenses	-6.3	3.6	-3.5	6.8

Note 12. Financial income and expenses

SEK million	Group		Parent company	
	2017	2016	2017	2016
Financial income				
Interest income and similar profit/loss items	4.2	0.3	3.9	0.1
Interest income, subsidiaries	-	-	23.2	22.0
Exchange rate differences	0.0	37.9	0.0	37.9
Total financial income	4.2	38.2	27.1	60.0
Financial expenses				
Interest expenses and similar profit/loss items	-0.8	-0.1	-0.1	0.0
Exchange rate differences	-37.1	-18.6	-37.0	-13.9
Other	-0.1	0.0	0.0	0.0
Total financial expenses	-37.9	-18.8	-37.2	-13.9
Total financial income and expenses	-33.7	19.4	-10.1	46.1

Note 13. Tax

SEK million	Group		Parent company	
	2017	2016	2017	2016
Current tax	-2.2	-1.4	-	-
Current tax attributable to previous years	0.0	0.0	-	-
Total current tax	-2.2	-1.4	-	-
<i>Deferred tax</i>				
Attributable to deferred tax assets	35.2	-1.4	33.5	4.3
Attributable to deferred tax liabilities	0.0	0.6	-	-
Total deferred tax	35.2	-0.8	33.5	4.3
Total tax	33.1	-2.2	33.5	4.3
<i>Deferred tax assets</i>				
Inventories	3.7	2.0	-	-
Fixed assets	3.0	2.4	-	-
Current liabilities	0.0	0.0	-	-
Loss carry-forwards	83.4	50.4	65.9	32.4
Total deferred tax assets	90.1	54.9	65.9	32.4
<i>Deferred tax liabilities</i>				
Other	0.3	0.3	-	-
Total deferred tax liabilities	0.3	0.3	0.0	0.0

The Group's unused loss carry-forwards for which no deferred tax assets are recognized amounted to SEK 218.1 million and SEK 199.1 million at the close of 2017 and 2016 respectively. None of the unused loss carry-forwards expire within the coming 5-year period. The unused loss carry-forwards referring to subsidiaries in the US amount to 155 MSEK and there is a 20-year utilization period after the year in which the loss occurred. Subsequently, these loss carry-forwards expire between the years 2032 and 2037. Unused Loss carry-forwards relating to the parent company amount to 63 MSEK and have no expiration date.

RECONCILIATION OF EFFECTIVE TAX

SEK million	Group		Parent company	
	2017	2016	2017	2016
Reported profit/loss before tax	-219.6	-47.6	-219.4	-4.2
Tax according to current tax rate	48.3	10.5	48.3	0.9
Difference in tax rate in foreign operations	-0.8	6.8	-	-
Tax effect of non-deductible expenses	-0.5	-1.3	-0.5	-0.1
Tax effect of non-taxable income	0.3	0.3	0.0	0.0
Tax effect of rights issue expenses direct to equity	-	3.5	-	3.5
Deficit without corresponding tax asset	-15.3	-21.2	-14.2	-
Use of previous year's deficit without tax asset	0.9	0.0	-	-
Adjustment of taxes attributable to previous years	-	-0.5	-	-
Other	0.1	-0.2	-	-
Total reported tax expense(-)/tax income (+)	33.1	-2.2	33.5	4.3
Effective tax rate	15%	5%	15%	102%

Note 14. Earnings per share

	2017	2016
Earnings per share, basic		
Net loss for the year attributable to parent company shareholders	-186.7	-49.7
Weighted average number of outstanding shares during the year	97,080,407	87,926,968
Earnings per share, basic SEK	-1.92	-0.57
Earnings per share, diluted		
Net loss for the year attributable to parent company shareholders	-186.7	-49.7
Weighted average number of outstanding shares during the year, after dilution	99,062,092	91,589,124
Earnings per share, diluted ¹⁾	-1.92	-0.57

¹⁾ Dilution occurs when earnings per share is negatively affected by outstanding potential shares. Due to the Group's Net loss for the year, both in 2016 and 2017, the calculated dilution effect would be a positive outcome for the shareholders. In such circumstances, the reported amount for earnings per share before dilution is the same as earnings per share after dilution.

WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES, AFTER DILUTION

	2017	2016
Weighted average number of outstanding shares, before dilution	97,080,407	87,926,968
Effect of outstanding potential shares in The Group's long-term incentive program (Note 8)	1,981,685	3,662,156
Weighted average number of outstanding shares, after dilution	99,062,092	91,589,124

Note 15. Intangible assets**GOODWILL**

SEK million	Group		Parent company	
	2017	2016	2017	2016
Opening acquisition cost	12.8	11.7	-	-
Acquisitions	29.7	-	30.3	-
Translation differences	-0.9	1.1	-	-
Closing acquisition cost	41.7	12.8	30.3	-
Opening accumulated amortization	-12.6	-11.5	-	-
Amortization for the year (Note 9)	-	-	-3.5	-
Translation differences	0.9	-1.1	-	-
Closing accumulated amortization	-11.7	-12.6	-3.5	-
Net carrying amount	30.0	0.3	26.8	-

Goodwill acquisition in the amount of SEK 29,7 million refers entirely to the acquisition of Sticky in 2017. For further information see note 31 Business combinations.

CAPITALIZED EXPENSES FOR PRODUCT DEVELOPMENT

SEK million	Group		Parent company	
	2017	2016	2017	2016
Opening acquisition cost	693.0	566.5	511.6	432.7
Investments	148.9	113.7	146.4	78.9
Investments through business combinations	8.5	-	8.5	-
Disposals	-29.9	-	-	-
Reclassifications ¹⁾	-	-	88.1	-
Translation differences	-12.4	12.9	-	-
Closing acquisition cost	808.1	693.0	754.6	511.6
Opening accumulated amortization	-437.8	-343.5	-331.4	-276.6
Disposals	29.9	-	-	-
Amortization through business combinations	-	-	-	-
Amortization for the year (Note 9)	-114.5	-86.9	-106.0	-54.8
Impairment for the year	-	-	-	-
Reclassifications ¹⁾	-	-	-33.5	-
Translation differences	7.0	-7.4	-	-
Closing accumulated amortization	-515.5	-437.8	-471.0	-331.4
Net carrying amount	292.6	255.2	283.7	180.2

¹⁾ Tobii AB purchased Capitalized expenses for product development from another subsidiary in the Tobii Group in 2017.

OTHER INTANGIBLE ASSETS ¹⁾

SEK million	Group		Parent company	
	2017	2016	2017	2016
Opening acquisition cost	36.4	29.1	36.3	29.0
Investments	10.5	7.3	10.5	7.3
Acquisitions	1.3	0.0	1.3	0.0
Translation differences	0.0	0.0	0.0	0.0
Closing acquisition cost	48.2	36.4	48.1	36.3
Opening accumulated amortization	-24.0	-16.5	-23.9	-16.4
Amortization for the year (Note 9)	-4.9	-7.5	-4.9	-7.5
Translation differences	0.0	0.0	0.0	0.0
Closing accumulated amortization	-28.9	-24.0	-28.8	-23.9
Net carrying amount	19.3	12.4	19.3	12.4

¹⁾ Other intangible assets are comprised primarily 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 expectations 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.

Impairment test are carried out by each business unit using the following assumptions:

Tobii Dynavox

Cash flow forecasts for years 2-5 are based on an annual growth rate of 11 (10) percent. Cash flows beyond the five-year period are extrapolated using an estimated long-term growth rate of 2 (2) percent. The discount rate used for calculating recoverable amounts is a between 9 and 14 (9 and 14) percent before tax.

Tobii Pro

Cash flow forecasts for years 2-5 are based on an annual growth rate of 18 (17) percent. Cash flows beyond the five-year period are extrapolated using an estimated long-term growth rate of 2 (2) percent. The discount rate used for calculating recoverable amounts is a between 9 (9) percent before tax.

Tobii Tech

Cash flow forecasts for years 2-4 are based on an annual growth rate of 102 (114) percent. Cash flows beyond the four-year period are extrapolated using an estimated long-term growth rate of 2 (2) percent. The discount rate used for calculating recoverable amounts is a between 9 and 11 (9 and 11) 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 for impairment of intangible assets with indeterminate useful lives as per December 31, 2017.

Sensitivity analysis

A sensitivity analysis shows that in all three business units: a two percent increase in the discount rate would not indicate a need for impairment; a two percent decrease in growth rate would not indicate a need for impairment; and a two percent decrease in EBITA margin (operating margin before amortization and impairments of intangible assets) would not indicate a need for impairment.

TRADEMARKS

SEK million	Group		Parent company	
	2017	2016	2017	2016
Opening acquisition cost	102.5	95.8	-	-
Investments	-	-	49.7	-
Translation differences	-8.8	6.6	-	-
Closing acquisition cost	93.6	102.5	49.7	-
Net carrying amount	93.6	102.5	49.7	-

GOODWILL AND TRADEMARKS WITH INDETERMINABLE USEFUL LIVES AND CAPITALIZED DEVELOPMENT EXPENSES WHERE AMORTIZATION HAS NOT COMMENCED

SEK million	2017	2016
Tobii Dynavox	133.1	152.6
Tobii Pro	57.3	18.0
Tobii Tech	63.0	31.8
Total intangible assets subject to testing for impairment:	253.4	202.3

Note 16. Property, plant and equipment

SEK million	Group		Parent company	
	2017	2016	2017	2016
Opening acquisition cost	192.3	213.4	54.8	49.0
Investments	26.9	19.4	10.0	8.8
Investments through business combinations	-	-	-	-
Sale/disposal	-36.0	-49.5	-1.6	-2.9
Reclassifications	0.0	-0.1	-	-
Translation differences	-12.5	9.1	-	-
Closing acquisition cost	170.8	192.3	63.1	54.8
Opening accumulated depreciation	-164.3	-181.6	-47.0	-41.6
Sale/disposal	34.7	47.4	0.7	1.3
Depreciation through business combinations	-	-	-	-
Depreciation for the year (Note 9)	-19.6	-22.9	-6.9	-6.8
Impairment for the year (Note 9)	-	-	-	-
Reclassifications	-0.2	0.0	-	-
Translation differences	9.5	-7.2	-	-
Closing accumulated depreciation	-139.8	-164.3	-53.3	-47.0
Net carrying amount	31.0	28.1	9.9	7.7

Note 17. Participations in Group companies

SEK million	Parent company	
	2017	2016
Acquisition cost	-	-
Opening value at the beginning of the year	157,2	155,9
Acquisitions	0,1	1,3
Total acquisition cost	157,3	157,2

Subsidiary to Parent company	No. of shares	Participating interest, %	Carrying amount	
			Dec 31, 2017	Dec 31, 2016
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 Co., Ltd., 4309404695, Taipei, Taiwan	1	100	1.3	1.3
Tobii Electronics Trading Suzhou Co., Ltd., 913205945725628424, Suzhou, China	1	100	2.2	2.2
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
Tobii Holding AB, 559104-1040, Stockholm, Sweden	50,000	100	0.1	-
T Eyetracking Integration AB, 559104-1081, Stockholm, Sweden	50,000	100	0.1	-
Total acquisition cost in subsidiaries			157.3	157.2

Note 18. Accounts receivable

SEK million	Group		Parent company	
	2017	2016	2017	2016
Accounts receivable	167.8	193.9	56.9	52.9
Accounts receivable, subsidiaries	0.0	0.0	67.6	49.6
Bad debts provision	-21.9	-42.2	-4.1	-4.4
Total accounts receivable	145.9	151.7	120.5	98.1

Maturity analysis

Not yet due	122.8	135.1	42.5	41.4
1-30 days overdue	15.9	15.8	8.3	6.4
31-60 days overdue	6.9	5.3	2.4	0.1
61-90 days overdue	3.2	5.2	0.5	0.4
Over 90 days overdue	19.1	32.4	3.2	4.6
Closing balance	167.8	193.9	56.9	52.9

Changes in the reserve for doubtful accounts receivable:

As at January 1	42.2	55.3	4.4	5.2
Provision for bad debts	13.4	28.0	0.6	0.8
Receivables written off during the year as uncollectible	-13.7	-31.3	0.0	0.0
Reversal of unused amount	-16.5	-8.0	-1.1	-1.5
Exchange rate effect	-3.5	-1.8	0.1	-0.1
At December 31	21.9	42.2	4.1	4.4

No single customer accounts for more than 10 percent of the Group's total Accounts receivable at Dec 31, 2017.

Note 19. Inventories

SEK million	Group		Parent company	
	2017	2016	2017	2016
Raw materials and consumables	34.1	46.4	22.2	30.1
Finished products	21.1	12.2	12.5	9.2
Work in process	2.1	4.8	1.4	4.4
Advances to suppliers	2.1	3.9	-	-
Total inventories	59.4	67.3	36.1	43.7

Costs for inventory which has been expensed are included in the item Cost of good sold and amount to SEK 175.1 m (160.6 in 2016).

Note 20. Prepaid expenses and accrued income

SEK million	Group		Parent company	
	2017	2016	2017	2016
Prepaid royalties	1.4	1.1	0.0	0.0
Prepaid rent/leasing	4.2	3.3	3.5	2.9
Prepaid insurance	6.5	6.1	0.9	0.6
Prepaid license fees	7.7	7.6	4.7	4.5
Other items	9.8	7.5	4.5	2.8
Total prepaid expenses, accrued income	29.6	25.6	13.6	10.9

Note 21. Cash and cash equivalents

SEK million	Group		Parent company	
	2017	2016	2017	2016
Current investments ¹⁾	351.3	-	351.3	-
Cash and bank balances	185.5	771.7	118.8	685.7
Total cash and cash equivalents	536.8	771.7	470.1	685.7

¹⁾ Current investments are comprised of funds that are placed in a quoted Swedish fixed income fund with an insignificant risk of value fluctuation and access to the funds occurs within 2 to 3 bank days.

Note 22. Financial instruments by category in the Group

The table below represents the carrying amount and fair value for the Group's financial assets and financial liabilities by category.

SEK million	Note	2017		2016	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Accounts and loan receivables					
Other financial assets		3.5	3.5	3.5	3w.5
Accounts receivable	18	145.9	145.9	151.7	151.7
Other receivables		10.9	10.9	13.6	13.6
Cash and cash equivalents	21	536.8	536.8	771.7	771.7
Total accounts and loan receivables		697.1	697.1	940.4	940.4
Financial liabilities					
Financial liabilities recognized at fair value through the income statement:					
Other liabilities contingent consideration (level 3)	26, 31	12.3	12.3	-	-
Accounts payable		61.9	61.9	59.0	59.0
Other liabilities, non-interest bearing	26	33.1	33.1	25.8	25.8
Total financial liabilities		95.0	95.0	84.8	84.8

Financial assets and liabilities recognized at fair are classified by hierarchy level in accordance with IAS 39.

Level 3 Data based on non-observable data. The contingent consideration is measured at fair value based on available data such as conditions stipulated in the purchase agreement and current assessments of the estimated fulfillment of those conditions.

MOVEMENTS IN CONTINGENT CONSIDERATION, LEVEL 3

SEK million	2017	2016
Opening balance January 1, 2017	-	-
Acquisitions during the year	13.2	-
Change in fair value reported through the income statement	-	-
Translation differences	-1.0	-
Closing balance December 31, 2017	12.3	-

Note 23. Development of share capital

Development of share capital TSEK	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 Bonds issue	156	500	68,886,883
2015 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
2017 New share issue exercise of warrants	2	706	97,304,052

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 97,304,052 with a quotient value of SEK 0.0073 at December 31, 2017.

Reserves

Reserves comprise translation reserves that include all exchange rate differences that arise on translation to Swedish kronor (SEK) of foreign operations's 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 2017.

Note 24. Reserves in equity

The item Reserves in equity refers entirely to translation differences.

Note 25. Provisions

SEK million	Group		Parent company	
	2017	2016	2017	2016
<i>Provisions for guarantees</i>				
At beginning of year	2.0	1.5	1.9	1.4
Provisions during the year	0.2	0.5	0.2	0.5
Utilized during the year	0.0	0.0	-	-
Translation differences	-	-	-	-
Total provisions for guarantees	2.2	2.0	2.1	1.9
<i>Other provisions</i>				
At beginning of year	6.4	-	6.4	-
Provisions during the year	-	6.4	-	6.4
Reversals during the year	-6.4	-	-6.4	-
Translation differences	-	-	-	-
Total other provisions	0.0	6.4	0.0	6.4
Total provisions	2.2	8.4	2.1	8.3

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 26. Other liabilities

SEK million	Group		Parent company	
	2017	2016	2017	2016
Interest-bearing liabilities				
The Group and the parent company have no interest-bearing liabilities in 2016 and 2017.				
Non interest-bearing liabilities				
<i>Non-current non interest-bearing liabilities</i>				
Deferred income, non current portion	13.2	18.4	3.7	3.7
Contingent consideration (Note 26, 31)	12.3	-	12.3	-
Other non-current non interest-bearing liabilities	5.3	3.1	-	-
Total non current non interest-bearing liabilities	30.8	21.6	16.0	3.7
<i>Current non interest-bearing liabilities</i>				
Accounts payable	61.9	59.0	45.1	38.2
Accounts payable, subsidiaries	-	-	105.5	20.0
Other non interest-bearing liabilities	27.9	22.7	18.4	18.6
Total current non interest-bearing liabilities	89.8	81.7	168.9	76.9
Total non interest-bearing liabilities	120.5	103.2	185.0	80.6
Total other liabilities	120.5	103.2	185.0	80.6

¹⁾ Unutilized credit facilities amounted to SEK 0 million and SEK 170 million at the close of 2017 and 2016 respectively and refer entirely to the parent company. See Note 3 for information about the Group's financial liabilities.

Note 27. Accrued expenses and deferred income

SEK million	Group		Parent company	
	2017	2016	2017	2016
Deferred income, current portion	58.0	58.0	15.8	19.2
Accrued personnel expenses	70.1	55.5	46.3	32.9
Accrued commission, resellers	0.2	4.8	0.2	4.8
Other accrued expenses	32.7	41.3	12.3	17.6
Total accrued expenses and deferred income	161.1	159.6	74.6	74.6

Note 28. Pledged assets and contingent liabilities

SEK million	Group		Parent company	
	2017	2016	2017	2016
Pledged assets	0.1	135.1	0.1	85.2
Contingent liabilities	-	-	-	-

Pledged assets refer to floating charges on collateral. Tobii has closed these in 2017.

Note 29. Supplementary disclosures to the cash flow statement

SEK million	Group		Parent company	
	2017	2016	2017	2016
Interest paid and received				
Interest received	0.4	0.3	23.3	22.1
Interest paid	-0.8	0.0	-0.1	0.0
Total interest paid and received	-0.4	0.3	23.2	22.1

Note 30. 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. No related-party transactions have taken place during the 2017 period. 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. The same price setting principles applied for transactions with external parties apply also for intra-group purchases and sales.

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	
	2017	2016	2017	2016
Sales to related parties, subsidiaries	-	-	427.3	291.0
Purchase from related parties, subsidiaries	-	-	285.5	94.1
Receivables from related parties, subsidiaries	-	-	400.6	473.4
Liabilities to related parties, subsidiaries	-	-	105.5	20.0

Note 31. Business combinations

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

PURCHASE PRICE OF ASSETS

SEK million	30 jun 2017
Cash	28.1
Contingent consideration	13.2
Total purchase price	41.2
Fair value of acquired assets	-11.5
Goodwill	29.7
Acquired assets:	
Intangible assets (excl. goodwill)	9.8
Trade receivables	1.7
Total fair value of acquired assets	11.5

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

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

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

Revenue from Sticky operations during the period from acquisition date until December 31, 2017 was SEK 5 million, and corresponding operating profit (EBIT) for the same period was SEK -1 million. The consolidated revenue calculated as if Sticky operations were included in the Tobii Group from January 1, 2017 until December 31, 2017 is approximately SEK 1,095 million and the consolidated operating profit (EBIT) from January 1, 2017 until December 31, 2017 is approximately SEK -196 million.

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

Note 32. Events after the end of the reporting period

In February, Tobii acquired Acuity ETS, the largest retailer of Tobii Pro's research solutions, and Acuity Intelligence, a neuroscience-based research and consultancy firm. The acquisition is aimed at strengthening Tobii Pro by enabling direct sales of products and services in the UK. Acquisition analyses have not yet been prepared for these acquisitions.

In March, Tobii announced a collaboration with Qualcomm Technologies, Inc. to make eye-tracking technology available for mobile VR/AR head-mounted displays (HMDs).

In March, John Elvesjö announced that he intends to leave the position of Deputy CEO of Tobii in 2018. He will thereby also leave his position in the management team of Tobii AB (publ). Elvesjö will continue on the Board of Directors.

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 12, 2018
Tobii AB

Kent Sander
Chairman of the Board

Heli Arantola
Board member

Nils Bernhard
Board member

John Elvesjö
Board member

Åsa Hedin
Board member

Jan Wäreby
Board member

Henrik Eskilsson
CEO

Our auditor's report was submitted on April 12, 2018

PricewaterhouseCoopers AB

Johan Engstam
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 8, 2018.

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 12, 2018.

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 2017 with the exception of the corporate governance report on pages 55-61. The annual accounts and consolidated accounts of the company are included on pages 62-94 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 2017 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 2017 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. Our opinion does not cover the corporate governance report on pages 55-61. 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.

Our opinion in this report on the annual accounts and consolidated accounts is consistent with the content of the supplementary report that has been submitted to the parent company's and the group's audit committee in accordance with Article 11 of the Auditors regulation (537/2014).

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. It means that, based on our best knowledge and belief, no prohibited services referred to in Article 5.1 of the Auditors Regulation (537/2014) have been provided to the audited company or, as the case may be, its parent company or its controlled company in the EU.

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

Our audit activities

Overview



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 Tobii AB and all significant subsidiaries.

Key audit matters

- Valuation of capitalized development costs
- Items impacted by management's judgements, primarily valuation of deferred tax assets
- Revenue recognition – cut-off

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 (10)
How we determined this level	The materiality level is based on 1 percent of the Group's net sales
	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.
Motivation behind the determination of the materiality level	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 development costs

We refer to Notes 2 Summary of important accounting principles, 4 Important estimates and assessments when applying the accounting policies, and 15 Intangible assets.

Capitalised expenses for product development in the amount of MSEK 292.6 comprise a significant portion of Tobii Group's balance sheet as at the end of December 2017. 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 exists.

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).

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

In evaluating the assumptions, as reported in Note 15, we have undertaken the following audit measures to assess the valuation of such assumptions and model:

- We have tested and evaluated management's assumptions regarding the discount rate, growth and margins. We test the assumptions based on what is included in the budgets and business plans, the results of the units and our knowledge of the Tobii group's development. 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. In terms of discount rate, this is based on our review of the company's calculation of WACC and the assessment of the inherent risk of operating in current markets.
- 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 if the accounting principles and disclosures in the annual report are correct and in accordance with IFRS.

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 2 Summary of important accounting principles, 4 Important estimates and assessments when applying the accounting policies, and 13 Taxes

The deferred tax asset amounted to MSEK 90.1 as at the end of December 2017. 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 utilized or that the right to utilize the losses carry forward will be lost, as a result of changes in legislation, tax inspections, restructuring within the group and the acquisition and sale of operations, and therefore there is a risk of impairment.

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.

Assessment of the amount of tax losses which can be utilized includes significant assumptions and 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.

Revenue recognition – cut-off

We refer to the Notes 2 Summary of important accounting principles, 4 Important estimates and assessments when applying the accounting policies, 5 Net Sales and income per business area, 18 Accounts receivable and 27 Accrued expenses and deferred income.

The Group's revenue amounts to MSEK 1,084 in 2017. The majority of Tobii Group's revenue consists of sale of goods and services. 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 provided. Tobii also has rental income from products. 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 Tobii Group also has royalty revenues. These are recognized in accordance with the economic implications of the agreements in place.

The risk is that there can exist a difference between the point in time when Tobii provides goods or services and when the risk is transferred to clients. When the goods or services are seen to have been provided to the clients, and when revenues can, then, be reported, is based on the contractual stipulations found in the established agreements.

There are manual components in the invoicing routines and there are a large number of transactions, which result in an increased risk of error. It is the operational manager who is responsible for the invoicing documentation, while the invoicing is executed by a central function with detailed knowledge of what is stipulated in the agreements. The risk regarding the invoicing process is that accounts receivable or deferred revenue are reported in a wrong amount.

In our audit, we have assessed the valuation of losses carry forward and that deferred tax on these losses has been calculated according to the regulations in place. The audit procedures included, amongst other:

- We evaluated the management's assumptions regarding assessed future results in conjunction with a review and analysis of the 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 utilized.
- 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' Report.
- The audit also includes the follow-up of possible ongoing tax audits and changes in tax legislation which impact the losses carry forward.
- We have also assessed if the accounting principles and disclosures in the annual report are correct and in accordance with IFRS.

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

In our audit, we have analyzed Tobii's processes and controls regarding revenue recognition in order to obtain an understanding of how they operate and where potential errors could occur. This analysis has been performed to enable us to focus our substantive procedures on the right areas.

Our audit procedures included the following:

- Analysis of revenues as compared with the prior period and the expectation.
- We have tested, on a random basis, the reported revenue against agreements to determine if these items have been reported in the correct amounts in the correct periods.
- On a sample basis, we have confirmed outstanding receivables directly with customers. We have also tested a sample of receivables against payments received after the year end.
- We have also by analyses of values accounted for tested that deferred revenue is recognized in the correct amount.
- We have also assessed if the accounting principles and disclosures in the annual report are correct and in accordance with IFRS.

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

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 1-61 and 100-101. 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 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

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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website:

http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

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 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.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Audit of the corporate governance report

It is the board of directors who is responsible for the corporate governance statement on pages 55-61 and that it has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement 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 the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed as Tobii AB's auditor on the Annual General Meeting on 09 May 2017 and has been the company's auditor since 18 April 2005.

Stockholm, 12 April, 2018

PricewaterhouseCoopers AB

Johan Engstam

Authorised Public Accountant
Auditor in Charge

Definitions

Tobii adopted the new European guidelines for alternative performance measures as of July 3, 2016. Tobii's key performance measures, definitions and purposes, as presented below are not defined in accordance with IFRS. These measures as defined by Tobii should not be seen as a replacement for terms and concepts in accordance with IFRS and may not be comparable to similar performance measures used by other companies. The Company

believes that these financial performance measures provide a better understanding of trends relating to financial results and that these alternative performance measures are useful information to Tobii's management, investors and other stakeholders when used in conjunction with other performance measures that are defined in accordance with IFRS.

Key performance measure	Definition	Purpose
Gross margin	Gross profit relative to net sales.	Gross margin is used to measure production profitability.
EBITDA	Operating profit/loss before depreciation, amortization and impairment	EBITDA is used to measure earnings from operating activities excluding depreciation, amortization and impairment.
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	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.
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.
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.
Net cash (+)/net debt (-)	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.
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.
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.

RECONCILIATION OF KEY PERFORMANCE MEASURES ¹⁾

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

SEK m	2017	2016
Operating profit/loss before depreciation, amortization and impairment, EBITDA	-46.9	50.3
Amortization and impairment on intangible fixed assets	-119.4	-94.4
Depreciation and write down on property, plant and equipment	-19.6	-22.9
Operating profit/loss, EBIT	-185.9	-67.0

¹⁾ This section presents reconciliation of only those key performance measures that are not possible to calculate from information in the financial reports in this Annual Report.

Other information

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 revised annual report for Tobii AB (publ) 556613-9654 consists of the Director's report and the accompanying Financial Statement on pages 53-93. The statutory sustainability report consists of pages 36-51.

ORDERING OF ANNUAL REPORT

The annual report is published in Swedish and English and can be downloaded at www.tobii.com. The Swedish version is original version. The printed annual report can be ordered by the contact person below.

ANNUAL GENERAL MEETING

The Annual General Meeting 2018 is scheduled to be held on May 8, 5 p.m. CET at Bygget Fest och Konferens in Stockholm. Notice is available at www.tobii.com. Notification of participation in the meeting must be received by the company no later than May 2, 2018 by mail or email.

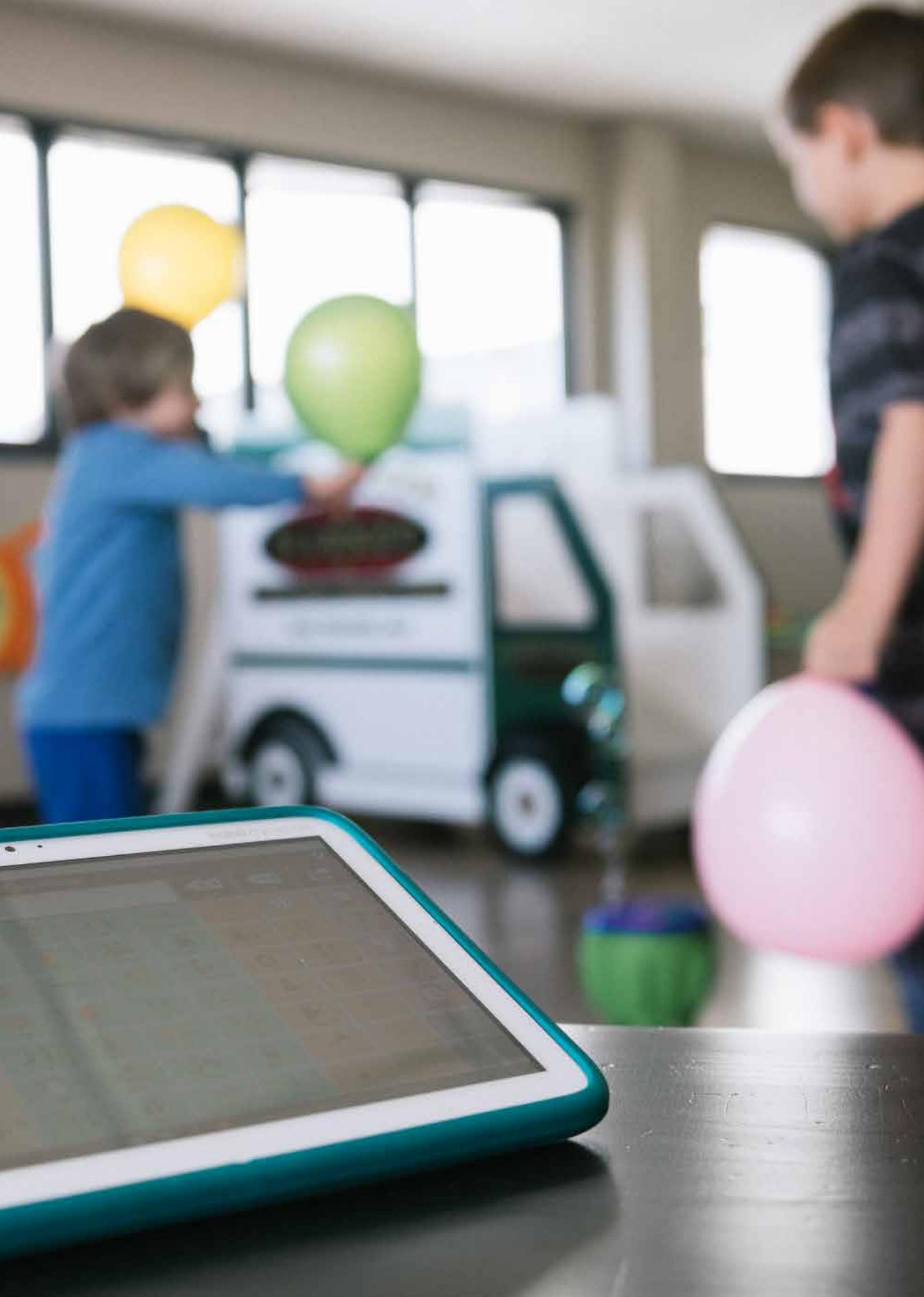
Mail: "Annual General Meeting", Tobii AB, Box 743, 182 17 Danderyd

Email: generalmeeting@tobii.com

Web: www.tobii.com

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