

BOARD OF DIRECTORS' COMPLETE PROPOSAL FOR INCENTIVE PROGRAMME 2018 IN TOBII AB (PUBL) AND ISSUE OF WARRANTS

The board of directors proposes that the annual general meeting resolves to implement a long term incentive program for employees within the Tobii group ("LTI 2018") in accordance with items 15 (a) – 15 (d) below. The resolutions under items 15 (a) – 15 (d) below are proposed to be conditional upon each other and for that reason it is proposed that all resolutions are to be passed as one resolution. LTI 2018 is proposed to include up to approximately 120 employees within the Tobii group.

Proposal regarding the adoption of LTI 2018 (item 15 (a))

LTI 2018 comprises two series. Series 1 consists of warrants to be transferred to employees and the warrants have a vesting period of at least 3 years after which the holders is entitled to exercise the warrants to subscribe for shares during a period of six months. Series 2 comprise of employee stock options vested linearly over a period of 3.5-4 years. The employee stock options may, following such vesting, be exercised for subscription of shares until 31 May 2028.

The board therefore proposes the meeting to resolve to issue new shares of not more than 1,450,000 warrants, of which not more than 1,000,000 may be issued in Series 1 and not more than 450,000 warrants may be issued in Series 2, to be distributed between Series 2A and Series 2B. The subscription right in respect of warrants of Series 1, Series 2A and Series 2B shall be able to be subscribed for by the wholly-owned subsidiary Tobii Technology Options AB, which shall transfer the options of Series 1 to employees of the group and hold warrants of Series 2A and Series 2B to ensure delivery of shares upon exercise of employee stock options in Series 2. Each warrant entitles the holder to subscribe for one share. The warrants shall be issued free of charge to Tobii Technology Options AB.

Below is a description of the terms and conditions for each of the option series.

Series 1 – Warrants

The company will transfer the warrants in Series 1 to the participants at a price corresponding to the market value of the warrant (i.e. the warrant premium). Warrants of Series 1 may be transferred to employees not employed by the company's U.S. business. The board of directors may derogate from this limitation if it can be considered beneficial to the company and the participant. The warrants may be transferred to participants, current or new employees, at one or several occasions from and including 20 May 2018 until 30 November 2018.

Each warrant shall, during the period commencing on 1 December 2021 and up to and including 31 May 2022, entitle the holder to subscribe for one new share in Tobii at an exercise price corresponding to 130 per cent of the average volume weighted Tobii share price as quoted on Nasdaq Stockholm during the period 10 trading days calculated as from and including 4 May 2018.

The issued warrants of Series 1 shall, with disapplication from pre-emption rights, be able to be subscribed for by Tobii Technology Options AB – a wholly owned subsidiary to Tobii – whereafter this company shall offer the warrants to the participants. The transfer of the warrants in Series 1 shall be made at a price corresponding to the market value of the warrants (the warrant premium), calculated according to the Black & Scholes valuation model. The valuation of the warrants shall be made by an independent appraiser or auditor firm. The company shall in connection with the transfer of the warrants to the participants reserve a pre-emption right regarding the warrants if the participant's employment or assignment within the group is terminated or if the participant wishes to transfer its warrants.

The transfer of the warrants in accordance with the above-mentioned proposal may take place only to the extent that the total number of warrants does not exceed 1,000,000 warrants.

Series 2 – Employee stock options (with warrants as hedging arrangement)

The company will allot employee stock options to employees within the company’s U.S. business. Each option entitles the employee to acquire one share in Tobii in accordance with the following terms and conditions:

- The employee stock options will be granted free of charge.
- The stock options may be transferred to participants, current or new employees, during the period 20 May - 31 July 2018 (the “First Allocation”) or the period 10-30 November 2018 (the “Second Allocation”).
- Each employee stock option that is transferred within the First Allocation entitles the holder to acquire one share in the company at an exercise price corresponding to the average volume weighted Tobii share price as quoted on Nasdaq Stockholm during the period 10 trading days calculated as from and including 4 May 2018 and each employee stock option that is transferred within the Second Allocation entitles the holder to acquire one share in the company at an exercise price corresponding to the average volume weighted Tobii share price as quoted on Nasdaq Stockholm during the period 10 trading days calculated as from and including 26 October 2018.
- The employee stock options are vested over a period of four years, of which one quarter of the options granted shall be deemed vested on 31 May 2019, 2020, 2021 and 2022, respectively. The employee stock options may, following vesting in accordance with the above, be exercised for subscription of shares until 31 May 2028.
- The employee stock options may not be transferred or pledged.
- The employee stock options shall only be available to be exercised if the holder is still an employee within the group, or for a short period following termination of the employment agreement.

Recalculation due to split, consolidation, new share issue, etc.

The exercise price for Series 1 and Series 2, determined as set out above, shall be rounded to the nearest SEK 0.10, whereby SEK 0.05 shall be rounded downwards. The exercise price and the number of shares that each employee stock option entitles to subscription for shall be recalculated in the event of a split, consolidation, new share issue etc. in accordance with market practice. If the warrants are completely exercised the share capital will increase by SEK 10,522.551900.

Allocation of warrants

The right to receive warrants shall accrue to employees not employed by the company’s U.S. business, which have entered into a pre-emption agreement with Tobii, and the right to receive employee stock options shall accrue to employees within the company’s U.S. business. The board of directors may derogate from this limitation if it can be considered beneficial to the company and the participant. The maximum allocation per person shall be 170,000 warrants or stock options for level 1-employees (“Category 1”) and 25,000 warrants or stock options for other employees (“Category 2”), as applicable.

Category	Maximum number of persons	Maximum number of warrants or stock options	Maximum number of warrants or stock options per person within the category
Category 1	8	700.000	170.000
Category 2	112	750.000	25.000

Board members shall not be eligible to participate in LTI 2018.

Costs

The transfer of the warrants in Series 1 shall be made at a price corresponding to the market value of the warrants and therefore no social security contributions are to be paid by the group in relation to the issue and transfer of the warrants. The market value of the warrants is, in accordance with a preliminary valuation made based on a market value on the underlying share corresponding to SEK 35, SEK 7.25 per warrant, assuming an exercise price of SEK 45.50 per share. The Black & Scholes valuation model has been used for valuing the warrants, assuming a risk free interest of -0.2 per cent and a volatility of 38 per cent.

To encourage participation in the LTI 2018, the intention is that employees who choose to participate in the program will receive a premium subsidy in the form of extra salary of an amount after tax, calculated by applying a tax rate of 50 percent, equivalent to 50 percent of the option premium paid. Tobii costs of above extra salary payments amounts to approximately SEK 9.5 million.

Costs related to the employee stock options in Series 2 will be accounted for in accordance with IFRS 2 which stipulates that the employee stock options should be recorded as a personnel expense in the income statement during the vesting period. The total costs for the employee stock options are expected to amount to SEK 5.1 million during the term of the programme.

The total costs, excluding other expenses for LTI 2018 related to fees to external advisors and costs for administration of the programme, are estimated to amount to approximately SEK 14.6 million during the term of the programme, under the assumption of a share price of SEK 35.

Effect on important key ratios

The costs for LTI 2018 amount to approximately 1.35 per cent of Tobii's revenues for the financial year 2017 and approximately 1.9 per cent of Tobii's planned salary costs for the financial year 2018.

Dilution of existing shares and votes

Based on the number of shares and votes outstanding in the company, LTI 2018 implies, upon exercise of all 1,450,000 warrants in Series 1, Series 2A and Series 2B, a full dilution corresponding to approximately 1.49 per cent of the total number of shares and votes outstanding in the company. In this context, it should be noted that the total number of warrants in Series 2A and Series 2B will not exceed 450,000 warrants, which depends on the results from the employee stock options. If all outstanding incentive programmes in the company are included in the calculation, the corresponding maximum level of dilution at the time of the annual general meeting amounts to approximately 5.1 per cent.

Information about Tobii's current incentive programmes is available in the annual report for the financial year 2017, note 8, and on the company's website, www.tobii.com.

The background and rationale for the proposal

The rationale for the proposal is to create opportunities to increase retention and motivation among strategic key employees of the group, and to increase the group's ability to attract top talent to strategic positions. The board of directors considers that the adoption of the incentive programme as described above is in the favour of the group and the shareholders in the company.

Preparation of the proposal

In accordance with guidelines provided by the board of directors, LTI 2018 has been prepared by

the company's management team in consultation with external advisors and has been reviewed by the remuneration committee held in October 2017 and March 2018 and at the meeting of the board of directors held on 19 March and 4 April 2018 in Danderyd.

Majority Requirement

A resolution to approve LTI 2018 is valid only where supported by shareholders holding not less than nine-tenths of both the shares voted and of the shares represented at the Meeting.

Proposal regarding issue of warrants in Series 1 (item 15 (b))

The board of directors proposes that the company shall issue not more than 1,000,000 warrants for subscription of shares, whereby the company's share capital may be increased by not more than SEK 7,256.932345, at full subscription corresponding to approximately 1,03 per cent of the total share capital and the total number of votes in Tobii.

The right to subscribe for warrants for subscription only accrues to the subsidiary Tobii Technology Options AB, with the right and obligation to dispose of the warrants as described above. Each warrant entitles the holder to subscribe for one share. The warrants shall be issued free of charge to Tobii Technology Options AB. There can be no over-allotment. The warrants are otherwise subject to the terms and conditions set forth in Appendix A.

Proposal regarding issue of warrants in Series 2A (item 15 (c))

The board of directors proposes that the company shall issue not more than 450,000 warrants for subscription of shares, whereby the company's share capital may be increased by not more than SEK 3,265.619556, at full subscription corresponding to approximately 0.46 per cent of the total share capital and the total number of votes in Tobii.

The right to subscribe for warrants for subscription only accrues to the subsidiary Tobii Technology Options AB, with the right and obligation to dispose of the warrants as described above. Each warrant entitles the holder to subscribe for one share. The warrants shall be issued free of charge to Tobii Technology Options AB. There can be no over-allotment. The warrants are otherwise subject to the terms and conditions set forth in Appendix B.

Proposal regarding issue of warrants in Series 2B (item 15 (d))

The board of directors proposes that the company shall issue not more than 450,000 warrants for subscription of shares, whereby the company's share capital may be increased by not more than SEK 3,265.619556, at full subscription corresponding to approximately 0.46 per cent of the total share capital and the total number of votes in Tobii.

The right to subscribe for warrants for subscription only accrues to the subsidiary Tobii Technology Options AB, with the right and obligation to dispose of the warrants as described above. Each warrant entitles the holder to subscribe for one share. The warrants shall be issued free of charge to Tobii Technology Options AB. There can be no over-allotment. The warrants are otherwise subject to the terms and conditions set forth in Appendix C.

LTI 2018 – issue of warrants in Series 1

The board of directors proposes that the shareholders' meeting resolves to issue not more than 1,000,000 warrants.

1. With deviation from the shareholders' pre-emptive rights, Tobii Technology Options AB, a wholly owned subsidiary of Tobii AB (publ) shall be entitled to subscribe for the warrants.
2. Each warrant shall, during the period commencing on 1 December 2021 and up to and including 31 May 2022, entitle the holder to subscribe for one new share in Tobii AB (publ) at an exercise price corresponding to 130 per cent of the average volume weighted Tobii share price as quoted on Nasdaq Stockholm during the period 10 trading days calculated as from and including 4 May 2018. The exercise price, determined as set out above, shall be rounded to the nearest SEK 0.10, whereby SEK 0.05 shall be rounded downwards. The exercise price and the number of shares that each warrant entitles to subscription for shall be recalculated in the event of a split, consolidation, new share issue etc. in accordance with market practice. If the warrants are completely exercised the share capital will increase by SEK 7,256.932345.
3. The subscription for warrants shall be made no later than 18 May 2018. However, the board of directors shall be entitled to extend the subscription period.
4. The warrants shall be issued free of charge.
5. The warrants shall in all other respects be governed by the terms and conditions set forth in Appendix A.1.

It is further proposed that the CEO should be authorised to undertake such minor adjustments in the decision that may be required for the registration with the Companies Registration Office and Euroclear Sweden AB.

There can be no over-subscription.

The reason for the deviation from the shareholders' pre-emptive rights is to implement an incentive programme for the management and key employees in the company.

LTI 2018 – issue of warrants in Series 2A

The board of directors proposes that the shareholders' meeting resolves to issue not more than 450,000 warrants.

1. With deviation from the shareholders' pre-emptive rights, Tobii Technology Options AB, a wholly owned subsidiary of Tobii AB (publ) shall be entitled to subscribe for the warrants.
2. Each warrant shall, during the period commencing on 31 May 2019 and up to and including 31 May 2028, entitle the holder to subscribe for one new share in Tobii AB (publ) at an exercise price corresponding to the average volume weighted Tobii share price as quoted on Nasdaq Stockholm during the period 10 trading days calculated as from and including 4 May 2018. The exercise price, determined as set out above, shall be rounded to the nearest SEK 0.10, whereby SEK 0.05 shall be rounded downwards. The exercise price and the number of shares that each warrant entitles to subscription for shall be recalculated in the event of a split, consolidation, new share issue etc. in accordance with market practice. If the warrants are completely exercised the share capital will increase by SEK 3,265.619556.
3. The subscription for warrants shall be made no later than 18 May 2018. However, the board of directors shall be entitled to extend the subscription period.
4. The warrants shall be issued free of charge.
5. The warrants shall in all other respects be governed by the terms and conditions set forth in Appendix B.1.

It is further proposed that the CEO should be authorised to undertake such minor adjustments in the decision that may be required for the registration with the Companies Registration Office and Euroclear Sweden AB.

There can be no over-subscription.

The reason for the deviation from the shareholders' pre-emptive rights is to implement an incentive programme for the management and key employees in the company.

LTI 2018 – issue of warrants in Series 2B

The board of directors proposes that the shareholders' meeting resolves to issue not more than 450,000 warrants.

1. With deviation from the shareholders' pre-emptive rights, Tobii Technology Options AB, a wholly owned subsidiary of Tobii AB (publ) shall be entitled to subscribe for the warrants.
2. Each warrant shall, during the period commencing on 31 May 2019 and up to and including 31 May 2028, entitle the holder to subscribe for one new share in Tobii AB (publ) at an exercise price corresponding to the average volume weighted Tobii share price as quoted on Nasdaq Stockholm during the period 10 trading days calculated as from and including 26 October 2018. The exercise price, determined as set out above, shall be rounded to the nearest SEK 0.10, whereby SEK 0.05 shall be rounded downwards. The exercise price and the number of shares that each warrant entitles to subscription for shall be recalculated in the event of a split, consolidation, new share issue etc. in accordance with market practice. If the warrants are completely exercised the share capital will increase by SEK 3,265.619556.
3. The subscription for warrants shall be made no later than 18 May 2018. However, the board of directors shall be entitled to extend the subscription period.
4. The warrants shall be issued free of charge.
5. The warrants shall in all other respects be governed by the terms and conditions set forth in Appendix C.1.

It is further proposed that the CEO should be authorised to undertake such minor adjustments in the decision that may be required for the registration with the Companies Registration Office and Euroclear Sweden AB.

There can be no over-subscription.

The reason for the deviation from the shareholders' pre-emptive rights is to implement an incentive programme for the management and key employees in the company.