



tobii

tobii pro

“Good start of the year with sales increases in all business units”

Henrik Eskilsson
VD

Interim report Q1

January–March 2019

Note: German Heart Center Berlin (picture) uses Tobii eye-tracking glasses to improve processes

FIRST QUARTER JANUARY–MARCH

- Consolidated net sales rose by 34% to SEK 393 million (294) compared with the first quarter of 2018. Adjusted for currency effects, the increase was 20%.
- The gross margin was 68% (70%).
- The Group's operating loss amounted to SEK -37 million (-37). Tobii Dynavox contributed SEK 19 million (14) and Tobii Pro SEK 23 million (15), while investments in Tobii Tech had a negative impact of SEK -80 million (-66) on the Group's operating loss.
- Earnings per share amounted to SEK -0.33 (-0.33).
- The Group is applying IFRS 16 Leasing for the first time, which has had a positive impact of SEK 7 million on consolidated EBITDA and SEK 1 million on consolidated EBIT. Please see the tables on page 16 for more information.

SIGNIFICANT EVENTS

- In conjunction with the CES tech show in January Tobii presented its new IS5 eye-tracking platform and Dell launched the Alienware Area 51-m gaming notebook as the first product with integrated IS5.
- Tobii announced a contract with HTC for delivery of eye-tracking technology for the HTC Vive Pro Eye VR headset.
- Tobii issued bonds of SEK 300 million to fund acquisitions.
- British competition authority CMA announced its intention to continue to investigate acquisition of the British company Smartbox Assistive Technology Ltd, in a Phase II investigation. Consequently, it has not been possible to begin integration.
- After the end of the quarter Tobii launched the next generation of [Tobii Aware](#), a software solution that enables more intuitive computers. Shipments of computers with Tobii Aware is expected to begin in the second quarter.

FINANCIAL OVERVIEW

SEK m (except for earnings per share)	Q1 2019	Q1 2018	Change	Currency adjusted change	Full year 2018
NET SALES					
Tobii Dynavox ¹⁾	245.5	175.1	40 %	10% ¹⁾	822.0
Tobii Pro	115.1	97.5	18 %	7 %	396.6
Tobii Tech	49.5	36.5	36 %	21 %	149.8
Eliminations and other, net	-17.1	-15.2	-	-	-66.2
Total	393.1	293.9	34 %	20 %	1,302.2
OPERATING PROFIT/LOSS (EBIT)					
Tobii Dynavox	18.6	14.2	31 %	18 %	69.0
Tobii Pro	23.0	15.3	50 %	9 %	44.9
Tobii Tech	-79.6	-66.5	-	-	-304.7
Other	1.0	0.0	-	-	0.1
Total	-36.9	-37.0	-	-	-190.7
Earnings per share (SEK)	-0.33	-0.33			-1.79

¹⁾ For Tobii Dynavox, currency adjusted change of net sales is also adjusted for acquisition.

Comments from the CEO

Tobii has had a good start of the year with sales increases in all business units. Overall, sales increased by 34 percent, and 20 percent adjusted for currency, compared with the first quarter of 2018. Sales also grew sequentially despite a strong fourth quarter in 2018. In addition, the operating margin at Tobii Pro remained high at 20% also in this quarter. With continued breakthroughs in new segments and markets, as well as operating costs that have leveled off, I am optimistic about the continuation of the year.

Tobii Dynavox increased sales an impressive 40% compared with the first quarter of 2018. The sharp increase can be explained in part by the acquisition of Smartbox and favorable currency effects. Adjusted for these factors, sales growth was 10%. Organic sales increased both for our new touchscreen products and for our eye-controlled products. We see solid growth in both established markets such as the US, Sweden and Norway, as well as in less developed markets, such as Eastern Europe. This accomplishment indicates the continued large growth potential in the market and for Tobii Dynavox as market leader. To take advantage of this potential we continue to invest in product and market development and during the quarter, we have trained about 7,000 therapists, prescribers and other key individuals all over the world.

The British competition authority CMA's review of the Smartbox acquisition is still in progress and has now entered a second phase. Consequently, non-recurring costs and the delay in beginning the integration process have had a negative impact on the financial performance for the quarter. We are cooperating with the CMA and continue to believe that the acquisition does not inhibit competition; rather, it is good for our customers, for Smartbox and for us. We look forward to a final decision from the CMA in late July so that we can continue the process.

Tobii Pro delivered yet another strong quarter with an operating margin of an impressive 20% and sales growth of 7%, adjusted for currency effects, even with a strong comparative quarter. In line with our strategy, we organized the business into the three segments "Scientific Research," "Market Research and User Experience" and "Professional Performance" during the quarter. We see favorable growth opportunities in all three segments, and the change will enable us to more effectively address the varied needs of the segments and create customized offerings of both services and products. We continue to invest in broadening and refining our product portfolio, including the launch of a new version of our software Tobii Pro Lab during the quarter. We achieved key breakthroughs in China during the quarter within Market Research, as well as in North America within Professional Performance. We also opened a new sales office in Singapore. Overall, Tobii Pro continues its high pace of business development.

In **Tobii Tech**, currency-adjusted sales towards external customers increased by 36%, and by 21% in total. The primary focus is on the three segments PC, VR and Niche applications.

Sales kicked off during the quarter for Dell's Alienware Area 51-m, the first computer with our new IS5 eye-tracking platform. We can clearly see that the IS5 design has triggered interest in eye tracking in PCs and we are currently engaged in discussions with several major OEM manufacturers. After the end of the quarter we launched a completely new generation of Tobii Aware, a software solution that makes it possible to develop more intuitive computers with for instance improved privacy and security. The first shipments of Tobii Aware enabled PCs to customers are expected in the second quarter.

Within Niche applications we added several new customers during the quarter. The segment already accounts for a substantial portion of Tobii Tech's sales and I see continued favorable growth opportunities.

Market intelligence firm IDC has updated its VR and AR market forecast and expects growth by over 50% this year to about 9 million sold units and to 70 million units by 2023. The first units with eye tracking are being launched on the market this year, but we see several clear signs that over the next few years eye tracking will become standard in VR and AR products, for instance launches by HTC and Microsoft during the quarter. Our goal is to be the market-leading eye-tracking technology provider in this field. HTC is an important early customer for us, and we are working closely with them, other customers and the ecosystem at large to drive adoption of eye tracking. As part of this effort, we also launched several new tools for development of software with eye tracking in March.

Taken together, we have achieved a good start to the year with sales increases in all three business units and, as planned, operating costs that have leveled off. We continue to be optimistic about achieving our financial goals.



Henrik Eskilsson
President and CEO, Tobii

The Tobii Group

Tobii is the world leader in eye tracking. Our vision is a world where all technology works in harmony with natural human behavior. Tobii operates in three business units: Tobii Dynavox is the world leader of assistive technology for communication, Tobii Pro in eye-tracking solutions for understanding human behavior and Tobii Tech of eye-tracking technology for volume markets such as PC, VR and Niche applications. The Group, which has about 1,000 employees, had sales of SEK 1,302 million for full year 2018.

JANUARY-MARCH

Sales

The Group's net sales during the first quarter rose by 34% to SEK 393 million (294) and all business units contributed to this growth. Adjusted for currency effects, the increase was 20%. Tobii Dynavox contributed SEK 246 million, Tobii Pro SEK 115 million and Tobii Tech SEK 49 million.

The North American market accounted for 51% (55%) of consolidated sales, the European market 28% (23%), and the rest of the world 21% (22%).

Earnings

The Group's gross margin was 68% (70%). The operating loss amounted to SEK -37 million (-37) and operating margin to -9% (-13%). Tobii Dynavox contributed SEK 19 million (14) and Tobii Pro SEK 23 million (15), while investments in Tobii Tech had a negative impact of SEK -80 million (-66) on the Group's operating loss. Non-recurring costs of SEK 9 million had a negative impact on the operating loss, primarily within Tobii Dynavox and attributable to the acquisition of Smartbox.

EBITDA was SEK 7 million (12), yielding an EBITDA margin of 2% (4%). Note that EBITDA for the current period is reported in accordance with IFRS16 Leasing, though this does not apply for the comparative quarter. The change had a positive impact on EBITDA of SEK 7 million; for more information, see the key ratios in the table on page 14. In addition, a non-recurring item of SEK 12 million related to a reversal of a contingent consideration also had a positive impact on the comparative quarter.

Pretax loss was SEK -30 million (-30). Net financial items totaled SEK 7 million (7). Net loss was SEK -33 million (-32) and earnings per share reached SEK -0.33 (-0.33).

Cash flow, liquidity and financial position

Cash flow from operating activities before changes in working capital amounted to SEK 7 million (5). The change in working capital had a negative impact on cash flow of SEK -44 million (-22).

Investing activities amounted to SEK 61 million (48), of which SEK 58 million (42) related to capitalization of R&D. Cash flow after investing activities for the first quarter was SEK -99 million (-65). The issuance of bonds by the Company had a positive impact of SEK 293 million (0) on cash flow from financing activities.

Acquisitions had an impact on cash during the quarter of SEK 0 million (-15).

At the close of the period, the Group had SEK 391 million (459) in net cash.

Personnel

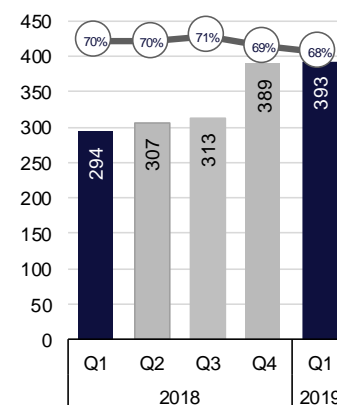
The number of employees recalculated to full-time equivalents at the close of the period was 1,027 (883), which can be compared with 1,014 at the end of 2018. The increase versus the first quarter of 2018 is mainly due to the expansion of the R&D, sales and marketing organizations, as well as the acquisition of Smartbox.

EVENTS AFTER THE END OF THE QUARTER

Tobii's co-founder Märten Skogö left his position as Chief Science Officer at and his position in Group Management. At the same time, Märten has been proposed to serve as a new member on Tobii's Board of Directors.

Tobii launched the next generation of Tobii Aware, a software solution that enables more intuitive computers. Shipments of computers with Tobii Aware is expected to begin in the second quarter.

NET SALES, SEK M, AND GROSS MARGIN



RESEARCH AND DEVELOPMENT, Q1

SEK m	2019	2018
Total R&D expenditures	-138	-106
Capitalization	58	42
Amortization	-30	-32
R&D expenses in the income statement	-110	-96

Business unit Tobii Dynavox

Tobii Dynavox is the world's leading supplier of assistive technology for communication, used by individuals with reduced ability to communicate due to conditions such as cerebral palsy, ALS, aphasia, spinal cord injuries or autism. The products include eye-controlled and touch screen communication devices and a variety of software. The long-term financial goals of the business unit are to increase revenue by an average of 10% per year with an operating margin of 15–20%.

KEY FIGURES

SEK m	Q1 2019	Q1 2018	Full year 2018
Net Sales	245.5	175.1	822.0
Gross margin	64 %	68 %	66 %
EBITDA	38.9	31.1	138.7
EBITDA margin	16 %	18 %	17 %
Operating profit/loss (EBIT)	18.6	14.2	69.0
EBIT margin	8 %	8 %	8 %

The effect from IFRS 16 Leasing, applied by the Group from the first quarter 2019, is not allocated on Business units. EBITDA och EBIT as presented above are thus comparable for all periods.

JANUARY-MARCH

- During the first quarter Tobii Dynavox delivered about 5,000 apps and assistive technology for communication, representing growth of about 25% compared with the corresponding quarter in 2018.
- Tobii Dynavox continued its major training initiatives for key individuals such as therapists and prescribers and we have trained about 7,000 of these during the quarter.
- **Smartbox Assistive Technology Ltd.** was acquired in 2018 and is consolidated in the financial outcome of Tobii Dynavox for the first quarter. This strategically important acquisition, which increases the size of business for Tobii Dynavox by about 15%, adds complementary products and expands its sales and marketing presence, is expected to create clear synergies. However, Tobii Dynavox will not begin the integration process until a final decision is received from the CMA, the local competition regulatory authority in the UK. On February 8 the CMA decided to proceed with a Phase II investigation and a final statement can be expected in late July. Tobii is cooperating with the CMA but continues to believe that the acquisition does not inhibit competition, but rather the opposite – it benefits our users.

Net sales rose by a solid 40% compared with the first quarter of 2018 to SEK 246 million (175). This surge in growth can be attributed to the acquisition of Smartbox, in part due to currency fluctuations and in part to increased sales of touchscreen-based and eye-controlled products in both the US and Europe. Adjusted for acquisitions and currency effects, the increase in sales was 10%. Thus, the positive trend that Tobii Dynavox established in 2018 continued in the first quarter with sales growth in line with its financial goals.

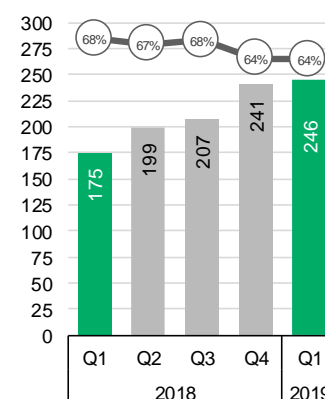
Reallocation of license costs, along with certain non-recurring costs, had a negative impact of about 1 percentage point on gross margin, which was 64% (68%). The expected synergies that could not be achieved because of the delayed integration of Smartbox also contributed to this decline. Operating profit totaled SEK 19 million (14) and the operating margin was 8% (8%). After adjustments for non-recurring costs of about SEK 8 million, mainly related to the acquisition, operating margin was 11% (8%).

TRENDS AND DEVELOPMENTS

Tobii Dynavox aims to ensure that many more people with disabilities will gain access to assistive technology for communication and is gradually working to expand by strengthening both its product offering and its sales organization. This expansion is taking place both organically and



NET SALES, SEK M, AND GROSS MARGIN



RESEARCH AND DEVELOPMENT, Q1

SEK m	2019	2018
Total R&D expenditures	-43	-31
Capitalization	25	18
Amortization	-14	-13
R&D expenses in the income statement	-33	-26

through acquisitions. For example, launches of new touchscreen-based products have resulted in strong sales growth. Tobii Dynavox is developing the market and generating increased demand for its products through extensive education initiatives and a general increase in knowledge about assistive technology for communication, with a gradual increase in sales revenue and substantially higher volumes as a result. The market for assistive technology for communication is extremely under-penetrated and Tobii Dynavox is well-positioned to continue to grow for some time to come.

Business Unit Tobii Pro

Tobii Pro is the world's leading provider of eye-tracking solutions for understanding human behavior. Over 3,500 companies and 2,500 academic institutions are Tobii Pro customers, including many large corporations such as Procter & Gamble, Ipsos and Microsoft, as well as all of the world's 50 top-ranked universities. Tobii Pro's long-term financial targets are to increase revenue on average by 15–20% per year and to reach an EBIT margin of 15% by 2020.

KEY FIGURES

SEK m	Q1 2019	Q1 2018	Full year 2018
Net Sales	115.1	97.5	396.6
Gross margin	76 %	74 %	75 %
EBITDA	30.0	38.7	100.8
EBITDA margin	26 %	40 %	25 %
Operating profit/loss (EBIT)	23.0	15.3	44.9
EBIT margin	20 %	16 %	11 %

The effect from IFRS 16 Leasing, applied by the Group from the first quarter 2019, is not allocated on Business units. EBITDA och EBIT as presented above are thus comparable for all periods.

JANUARY–MARCH

- Tobii Pro won a larger follow-up order from a global market research company regarding [Sticky](#), Tobii Pro's new SaaS solution for large-scale eye tracking tests, which was acquired in 2017.
- A new version of the analytical software application [Tobii Pro Lab](#) was launched.
- During the quarter the business was organized into the three segments "Scientific Research," "Market Research and User Experience" and "Professional Performance".
- Tobii Pro opened a new sales office in Singapore to be able to more proactively address the Southeast Asian market.

Net sales rose by 18% compared with the first quarter of 2018 to SEK 115 million (98). Adjusted for currency effects, the increase was 7%. Contributing to the favorable trend were strong sales of the business unit's flagship product Tobii Pro Glasses, as well as on some of Tobii's growth markets, such as China. Sales towards academic customers has however been somewhat dampened in the quarter affected by the American government shutdown and Brexit-related uncertainty regarding EU-funded research in the UK.

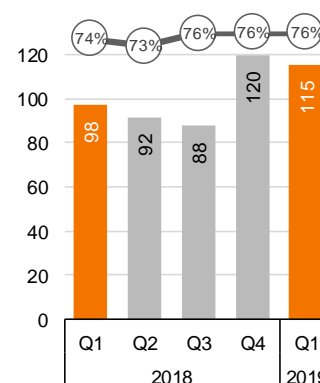
Gross margin rose to 76% (74%) and was strengthened by positive changes in the product mix and economies of scale in production-related costs. Operating profit totaled SEK 23 million (15) and the EBIT margin was 20% (16%). The seasonal pattern of the business, with strong fourth and first quarters, has thus been repeated. Operating costs grew as a result of increased investments in product development and the sales organization, as well as the Acuity acquisition in 2018.

TRENDS AND DEVELOPMENTS

Market performance for eye-tracking solutions for behavioral research studies was good across the board, with continually increasing demand worldwide. Researchers and companies in many different fields are demanding eye-tracking solutions that for instance help them to gain new insights, or that can contribute to safer, more efficient processes, increased profitability and improved ease of use. Tobii Pro is expanding by reaching new customers in current and new geographic locations, but also through an increased quantity of high-volume orders from customers who want to use eye tracking more broadly in their activities. Tobii Pro's offering consists of both services and products, and the business has grown through both organic growth and acquisitions.



NET SALES, SEK M, AND GROSS MARGIN

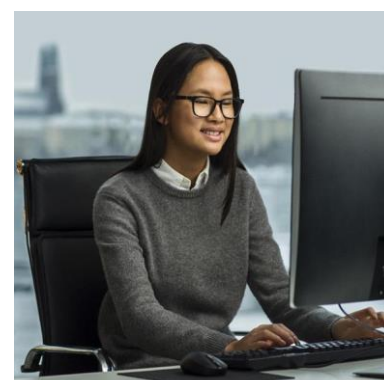


RESEARCH AND DEVELOPMENT, Q1

SEK m	2019	2018
Total R&D expenditures	-26	-19
Capitalization	16	10
Amortization	-6	-10
R&D expenses in the income statement	-16	-19

Business Unit Tobii Tech

Tobii Tech is the world-leading provider of eye-tracking technology for integration into consumer electronics and other volume products. Tobii Tech sells eye tracking technology and solutions to integration customers primarily in the sub-segments PC, VR and Niche applications. Tobii Tech's overarching objective is to maintain its world-leading position and in the long-term to achieve sales in the billions with good profitability. This development requires major investments in technological- and market development. Tobii Tech's financial target is to reach profitability in 2021.



KEY FIGURES

SEK m	Q1 2019	Q1 2018	Full year 2018
Net Sales	49.5	36.5	149.8
Gross margin	44 %	42 %	47 %
EBITDA	-70.0	-57.4	-267.1
EBITDA margin	-	-	-
Operating profit/loss (EBIT)	-79.6	-66.5	-304.7
EBIT margin	-	-	-

The effect from IFRS 16 Leasing, applied by the Group from the first quarter 2019, is not allocated on Business units. EBITDA och EBIT as presented above are thus comparable for all periods.

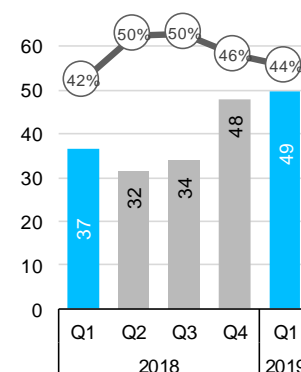
JANUARY–MARCH

- In conjunction with the CES tech show in January Tobii Tech presented its next generation IS5 eye-tracking platform and Dell launched the Alienware Area 51-m gaming notebook as the first product with integrated IS5.
- Tobii Tech announced a contract with HTC for delivery of eye tracking technology for the HTC Vive Pro Eye VR headset. Tobii is also collaborating with several other customers and partners regarding integration of eye tracking in future headsets.
- At the Game Developer's Conference (GDC) Tobii Tech launched new software development tools for developing software with eye tracking in VR, AR and PCs. These tools make it easier for developers to benefit from eye tracking and create unique experiences for the users.
- During the quarter Tobii Tech signed contracts with several additional customers in the Niche application segment, some of them medical related.
- Eye tracking is now being used on a larger scale in game streaming and eSports broadcasting. In the first quarter, over 800 "streamers" used eye tracking to create more engaging viewer experiences. These received a total of 10 million views, twice the number from the previous quarter. Chinese Alibaba's major eSports initiative "WESG – World Electronic Sports Games" also implemented Tobii eye tracking on a large scale in the final event.
- After the end of the quarter Tobii Tech launched a new generation of [Tobii Aware](#), a software solution that broadens the Tobii's addressable market in the PC segment and along with a "Windows Hello" camera, makes it possible to develop more intuitive computers with improved privacy, security, power management and convenience. Lenovo is the first OEM-customer and has integrated Tobii Aware in the All-in-One desktop PC [Yoga A940](#). Shipments are expected to begin in the second quarter.

Net sales rose by 36% compared with the first quarter of 2018 to SEK 49 million (37). Adjusted for currency effects, the increase was 21%. External sales increased by 36% adjusted for currency effects, mainly driven by customers in the segments and PC and Niche applications.

The gross margin improved to 44% (42%), despite non-recurring costs of about SEK 1 million. The operating loss amounted to SEK -80 million (-66). The loss was primarily attributable to the business unit's expanded staff, primarily in R&D and sales. The expansion rate began to level off at the end of 2018 since the organization needed to execute the strategy for Tobii Tech

NET SALES, SEK M, AND GROSS MARGIN



RESEARCH AND DEVELOPMENT, Q1

sek M	2019	2018
Total R&D expenditures	-68	-56
Capitalization	16	14
Amortization	-10	-9
R&D expenses in the income statement	-61	-52

is now essentially in place. Operating costs have therefore stabilized compared with the previous quarter.

TRENDS AND DEVELOPMENTS

Smart sensors have been introduced at a rapid pace to computers and other consumer electronics. Eye tracking is part of this trend and the Company believes that eye-tracking sensors will become standard in many products in the future, where they will make it possible to provide more natural, intuitive, engaging and effective user experiences.

In the gaming computer segment eye tracking creates enhanced gaming experiences with clear values in streaming, eSports broadcasting and as tools for game coaching. Globally, 1.7 billion people play computer games and 400 million watch eSports, including 200 million who personally participate in the sport. In ordinary PCs, eye tracking enables more intuitive interfaces, enhanced security, longer battery time and increased effectiveness.

The VR market has the initial hype behind it and the industry is now focusing on creating quality products and content for both companies and consumers. The aggregate VR and AR market are expected to grow by over 50% to almost 9 million units sold in 2019 and about 70 million units in 2023 (Source: IDC). There is strong consensus in the industry that eye tracking is a necessity to improve performance and user experiences in future generations of VR headsets. Tobii is well positioned to take a market-leading role as an eye tracking provider to the growing VR market and is working with several headset manufacturers in projects at various stages of completion.

Tobii Group

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK m	Q1 2019	Q1 2018	Full year 2018
Net sales	393.1	293.9	1,302.2
Cost of goods and services sold	-126.7	-87.3	-389.1
Gross profit	266.3	206.6	913.1
Selling expenses	-150.0	-124.3	-555.6
Research and development expenses	-110.0	-96.1	-420.8
Administrative expenses	-45.0	-38.1	-152.3
Other operating income and operating expenses ¹	1.8	14.9	24.9
Operating profit/loss	-36.9	-37.0	-190.7
Net financial items ²	7.0	6.6	24.8
Profit/loss before tax	-30.0	-30.4	-165.9
Tax ³	-2.6	-1.2	-8.4
Net profit/loss for the period	-32.6	-31.6	-174.3
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss for the period:			
Translation differences	3.4	-3.3	-18.9
Other comprehensive income for the period, net after tax	3.4	-3.3	-18.9
Total comprehensive income for the period	-29.2	-34.9	-193.2
Of which depreciation and amortization	-44.0	-37.2	-151.0
Of which write-down of non-current assets ⁴	-	-12.2	-12.2
Earnings per share, SEK	-0.33	-0.33	-1.79
Earnings per share, diluted, SEK	-0.33	-0.33	-1.79
Net profit/loss for the period attributable to:			
Parent company shareholders	-32.7	-32.4	-174.6
Non-controlling interests	0.1	0.8	0.3
Net profit/loss for the period	-32.6	-31.6	-174.3
Total comprehensive income for the period attributable to:			
Parent company shareholders	-29.3	-35.7	-193.5
Non-controlling interests	0.1	0.8	0.3
Total comprehensive income for the period	-29.2	-34.9	-193.2

1) Primarily foreign currency translation differences, with the exception of Other operating income in the amount of SEK 12 million which was recognized in the first quarter 2018 and relates to a reversal of Contingent consideration.

2) Net financial items include foreign currency translation differences totalling SEK 10 million (7) for the first quarter 2019, SEK 26 million for the Full Year 2018.

3) Tax for 2018 includes an impact from change in tax rate on deferred tax of SEK -4 million.

4) Write downs of SEK 12 million during the first quarter of 2018 relates entirely to Goodwill originating from the Sticky acquisition in 2017.

CONDENSED CONSOLIDATED BALANCE SHEET

SEK m	Mar 31 2019	Mar 31 2018	Dec 31 2018
NON-CURRENT ASSETS			
Intangible assets	698.0	460.1	659.5
Tangible fixed assets	30.9	30.7	32.0
Right-of-use assets	118.6	-	-
Financial assets	87.0	94.0	88.9
Total non-current assets	934.5	584.7	780.4
CURRENT ASSETS			
Accounts receivable	221.0	161.4	206.5
Inventories	90.0	59.5	86.9
Other current receivables	76.2	49.4	58.7
Cash and cash equivalents	391.1	459.4	192.3
Total current assets	778.4	729.7	544.4
Total assets	1,712.9	1,314.4	1,324.8
SHAREHOLDERS' EQUITY			
Shareholders' equity, Parent Company shareholders	805.3	943.7	834.2
Non-controlling interests	0.9	1.2	0.8
Total shareholders' equity	806.2	945.0	835.0
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing loans	293.2	-	-
Leasing liabilities	85.1	-	-
Other non-current liabilities	113.4	77.2	107.0
Total non-current liabilities	491.6	77.2	107.0
CURRENT LIABILITIES			
Leasing liabilities	29.3	-	-
Other current liabilities	385.7	292.3	382.8
Total current liabilities	415.0	292.3	382.8
Total liabilities	906.6	369.4	489.8
Total equity and liabilities	1,712.9	1,314.4	1,324.8

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK m	Attributable to Parent Company shareholders						Total equity
	Share capital	Other contributed capital	Reserves	Retained earnings	Total	Non-controlling interests	
Opening balance, Jan 1, 2018	0.7	1,581.5	13.7	-617.4	978.5	0.4	978.9
Comprehensive income for the period			-3.3	-31.6	-34.9	0.8	-34.0
Share based payments settled using equity instruments				0.2	0.2		0.2
Closing balance, March 31, 2018	0.7	1,581.5	10.4	-648.8	943.8	1.2	945.0
Comprehensive income for the period			-15.6	-143.0	-158.7	-0.5	-159.1
New share issue, exercise of warrants incentive programs	0.0	41.2			41.3		41.3
Sale of warrants, incentive programs		6.6			6.6		6.6
Share based payments settled using equity instruments				1.2	1.2		1.2
Closing balance, Dec 31, 2018	0.7	1,629.3	-5.3	-790.6	834.2	0.8	835.0
Comprehensive income for the period			3.4	-32.7	-29.3	0.1	-29.2
Share based payments settled using equity instruments				0.4	0.4		0.4
Closing balance, March 31, 2019	0.7	1,629.3	-1.9	-822.9	805.3	0.9	806.2

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

SEK m	Q1 2019	Q1 2018	Full year 2018
Cash flow from operating activities			
Profit/loss after financial items	-30.0	-30.4	-165.9
Adjustment for items not included in the cash flow	37.1	36.0	147.2
Taxes paid	-0.5	-0.7	-2.2
Cash flow from operating activities before change in working capital	6.6	4.8	-20.9
Cash flow from change in working capital	-44.2	-21.9	7.8
Cash flow from operating activities	-37.6	-17.1	-13.0
Investments			
Continuous investments			
Investments in intangible, tangible and financial fixed assets	-61.3	-48.0	-224.5
Cash flow after continuous investments	-98.9	-65.1	-237.5
Business combinations	-	-14.7	-158.8
Cash flow after investments	-98.9	-79.7	-396.3
Bond issue	293.2	-	-
Sale/exercise of warrants, incentive program	-	-	47.8
Cash flow from financing activities	293.2	-	47.8
Cash flow for the period	194.2	-79.7	-348.5
Foreign currency translation, cash and cash equivalents	4.6	2.4	4.0
Cash and cash equivalents at the beginning of the period	192.3	536.8	536.8
Cash and cash equivalents at the end of the period	391.1	459.4	192.3

REVENUE DISAGGREGATION

SEK m	Q1 2019	Q1 2018	Full year 2018
REVENUE BY PRODUCT CATEGORY			
Goods	355.2	250.9	1,136.9
Services	34.9	39.8	152.5
Royalties	2.9	3.2	12.9
Total revenues	393.1	293.9	1,302.2
REVENUE BY TIMING CATEGORY			
At a point in time	374.4	276.5	1,226.6
Over time	18.6	17.4	75.5
Total revenues	393.1	293.9	1,302.2
REVENUE BY GEOGRAPHIC MARKET			
Europe	110.9	67.1	303.7
North America	200.5	161.0	755.2
Other countries	81.7	65.9	243.3
Total revenues	393.1	293.9	1,302.2

CONSOLIDATED KEY RATIOS

	Q1 2019	Q1 2018	Full year 2018
Earnings per share, SEK	-0.33	-0.33	-1.79
Earnings per share, diluted ¹⁾ , SEK	-0.33	-0.33	-1.79
Equity per share, SEK	8.1	9.6	8.5
EBITDA, SEK m	7.1	12,5 ²⁾	-27.5
EBITDA; IFRS 16 Leasing excluded	0.1	12,5 ²⁾	-27.5
EBIT, SEK m	-36.9	-37.0	-190.7
Cash flow from operating activities, SEK m	-37.6	-17.1	-13.0
Cash flow after continuous investments, SEK m	-98.9	-65.1	-237.5
Working capital, SEK m	1.6	-21.8	-30.4
Total assets, SEK m	1,712.9	1,314.4	1,324.8
Net cash(+)/net debt (-), SEK m	-16.4	459.4	192.3
Net cash(+)/net debt (-); IFRS 16 Leasing excluded, SEK m	98.0	459.4	192.3
Equity, SEK m	806.2	945.0	835.0
Average equity, SEK m	825.1	948.8	889.9
Equity/assets ratio, %	47.1	71.9	63.0
Equity/assets ratio; IFRS 16 Leasing excluded, %	50.6	71.9	63.0
Debt/equity, %	50.6	-	-
Debt/equity; IFRS 16 Lesing excluded, %	36.4	-	-
Gross margin, %	67.8	70.3	70.1
EBITDA margin, %	1.8	4.3	-2.1
EBITDA margin; IFRS 16 Leasing excluded, %	0.0	4.3	-2.1
Operating margin, %	-9.4	-12.6	-14.6
Return on total equity, %	-3.9	-3.3	-19.6
Average number of outstanding shares after dilution, million	99	97	98
Average number of outstanding shares, million	99	99	98
Number of outstanding shares at period end, million	99	97	99
Number of outstanding shares after dilution at period end, million	99	99	99
Average number of employees	1,029	870	917

1) The 2018 Annual General meeting resolved to implement a long-term incentive program, LTI 2018, and to issue new shares of not more than 1,450,000 warrants, of which 1,045,519 were exercised. The program comprises two series of warrants. Series 1 entitles the warrant holder to subscribe for one Tobii AB share at a price of SEK 51.60 during a fixed period in 2021/2022. There is a total of 828,519 warrants outstanding in this series. Series 2 entitles the warrant holder to subscribe for one Tobii AB share at a price of SEK 39.7 during a fixed period in 2019/2028. There is a total of 217,000 warrants outstanding in this series. On March 31, 2019, a total of 2.9 million warrants were outstanding, which is unchanged in relation to the end of 2018. The dilution effect of warrants in all of the Company's incentive programs corresponds to a maximum of approximately 2.9%.

2) Other operating income in the amount of SEK 12 million was recognized in the first quarter 2018 relating to a reversal of Contingent consideration.

QUARTERLY DATA PER BUSINESS UNIT AND FOR THE GROUP

NET SALES, SEK m	2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Tobii Dynavox	175.1	198.9	206.6	241.4	245.5			
Tobii Pro	97.5	91.8	87.9	119.5	115.1			
Tobii Tech*	36.5	31.6	33.9	47.8	49.5			
Eliminations and other	-15.2	-15.7	-15.4	-19.9	-17.1			
The Group	293.9	306.5	312.9	388.9	393.1			
*) Of which internal sales to Tobii Dynavox och Tobii Pro	15.2	15.7	15.4	19.9	17.1			
GROSS MARGIN, %								
Tobii Dynavox	67.9	66.8	67.6	64.0	63.8			
Tobii Pro	74.4	72.5	75.8	76.4	76.0			
Tobii Tech	41.7	50.0	50.3	46.4	44.3			
The Group	70.3	70.2	71.4	68.9	67.8			
EBITDA, SEK								
Tobii Dynavox	31.1	38.9	34.8	33.8	38.9			
Tobii Pro ²	38.7	14.3	15.7	32.2	30.0			
Tobii Tech	-57.4	-73.0	-72.5	-64.3	-70.0			
Eliminations and other ¹	0.0	0.0	0.0	0.0	8.3			
The Group ¹	12.5	-19.8	-22.0	1.8	7.1			
EBIT, SEK m								
Tobii Dynavox	14.2	21.6	18.0	15.2	18.6			
Tobii Pro	15.3	1.4	4.2	24.0	23.0			
Tobii Tech	-66.5	-82.5	-81.9	-73.8	-79.6			
Eliminations and other ¹	0.0	0.0	0.0	0.0	1.0			
The Group ¹	-37.0	-59.5	-59.6	-34.6	-36.9			
OPERATING MARGIN, %								
Tobii Dynavox	8.1	10.8	8.7	6.3	7.6			
Tobii Pro	15.7	1.6	4.8	20.1	20.0			
Tobii Tech	-	-	-	-	-			
The Group	-12.6	-19.4	-19.1	-8.9	-9.4			
PROFIT/LOSS BEFORE TAX, SEK m								
The Group	-30.4	-40.9	-63.6	-31.0	-30.0			
PROFIT/LOSS FOR THE PERIOD, SEK m								
The Group	-31.6	-40.7	-68.2	-33.8	-32.6			

1) IFRS 16 Leasing is applied from 2019. The effect is reported on Consolidated Group level only and not allocated on Business units.

2) Tobii Pro's and the Group's EBITDA was positively impacted in the first quarter 2018 by a reversal of a contingent consideration in the amount of SEK 12 m.

The Parent Company

The Group's Parent Company, Tobii AB (publ), primarily focuses on Group-wide services such as over-arching management, accounting and financing, legal affairs and IT. The business has changed as a result of internal restructuring implemented on January 1, 2019. Through business transfers, the operational activities previously carried out directly by Tobii AB were transferred to three new subsidiaries that are wholly owned by Tobii AB. The change entails adapting the legal corporate structure to the operational structure of the Group. The transfer of business has not entailed any profit or loss for the Parent Company. As a result of the transfer, the Parent Company's receivables from subsidiaries increased by approximately SEK 500 million. As a result of the change, the number of employees in the Parent Company dropped from 400 to about 100 people.

On February 14, 2019, Tobii announced the issuance of three-year senior covered bonds of SEK 300 million under a framework of SEK 600 million with maturity in February 2022. The Parent Company Tobii AB is the issuer of the bond loan. The interest rate for the bond loan was set at 3 months STIBOR + 575 basis points. The debt financing existing at year-end 2018 has been settled. The remaining bond liquidity will be used to finance future acquisitions and for general business purposes. The bonds issued in accordance with the Bond Loan are secured by collateral in shares in current and future material subsidiaries and certain intra-Group loans. On March 19, 2019, a bond prospectus was published in conjunction with the application for listing of the issued bonds on Nasdaq Stockholm.

The Parent Company's net sales during the first quarter totaled SEK 34 million (204) and the operating loss was SEK -1 million (-28). At the end of the period, the Parent Company had SEK 220 million (383) in cash and cash equivalents.

CONDENSED PARENT COMPANY INCOME STATEMENT

SEK m	Q1 2019	Q1 2018	Full year 2018
Net sales	33.9	203.9	849.4
Cost of goods and services sold	-7.8	-86.7	-374.0
Gross profit	26.1	117.2	475.4
Selling expenses	-1.0	-42.7	-206.3
Research and development expenses	-1.5	-86.3	-415.1
Administrative expenses	-25.1	-30.8	-131.6
Other operating income and operating expenses	0.4	15.0	26.4
Operating profit/loss	-1.1	-27.6	-251.2
Financial items	-1.9	10.4	42.6
Profit/loss before tax	-3.0	-17.2	-208.6
Tax	-	-	-4.2
Profit/loss after tax	-3.0	-17.2	-212.8
Depreciation and amortization, total	-1.1	-44.9	-152.8

CONDENSED PARENT COMPANY BALANCE SHEET

SEK m	Mar 31 2019	Mar 31 2018	Dec 31 2018
NON-CURRENT ASSETS			
Intangible assets	33.3	379.4	434.5
Tangible fixed assets	1.1	8.6	5.0
Financial assets	1,225.1	512.6	671.8
Total non-current assets	1,259.4	900.6	1,111.3
CURRENT ASSETS			
Accounts receivable	124.1	114.9	99.8
Inventories	1.1	33.4	36.7
Other current receivables	77.5	44.8	83.1
Cash and bank balances	220.3	382.7	92.0
Total current assets	423.1	575.9	311.6
Total assets	1,682.5	1,476.5	1,422.9
SHAREHOLDERS' EQUITY			
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	328.7	-	5.1
Other non-current liabilities	9.9	13.9	23.8
Total non-current liabilities	338.6	13.9	29.0
CURRENT LIABILITIES			
Other current liabilities	196.6	166.1	244.0
Total current liabilities	196.6	166.1	244.0
Total liabilities	535.2	180.1	272.9
Total equity and liabilities	1,682.5	1,476.5	1,422.9

Notes

Note 1. Accounting principles

The Interim Report complies with the provisions of IAS 34, and the report for the Parent Company has been prepared pursuant to the provisions of the Swedish Annual Accounts Act and RFR 2. In addition to the financial statements, disclosures under 34.16A also appear in other parts of the interim report. The accounting principles of the Parent Company and the Group, and the calculation principles used in the report, are unchanged from those used in the most recently published Annual Report, with the exception of the application of new standards as described below.

NEW ACCOUNTING PRINCIPLES

IFRS 16 for leases went into effect from January 1, 2019. The standard replaces IAS 17 Leases and eliminates the classification of leases as either an operating or finance lease for the lessee. Instead, IFRS 16 introduces a common model for recognition of all leases.

For the transition to IFRS 16 on January 1, 2019 Tobii has applied IFRS 16 according to the simplified transition approach, which means that the 2018 financial year is not restated, but the accumulated effect of the transition is recognized as an opening balance adjustment. The lease liability is the sum of the present value of all future payments until the lease expires. The practical expedient to set the right of use asset (before adjustments for any prepayments) equal to the lease liability has been applied for the transition. The discount rate is the Tobii Group's incremental borrowing rate with consideration taken to the term of the lease.

Tobii applies practical solutions that are permitted at the first application of IFRS 16 according to the following:

No reassessment has been carried out regarding whether a contract is, or contains, a lease at the date of transition to IFRS 16. This means that the standard is applied to all contracts of higher value that were identified as leases under IAS 17 and IFRIC 4. The practical expedient for definition of a lease has been applied, which means that all components within a lease have been considered as a lease component.

Operating leases with a remaining lease term of less than 12 months as at January 1, 2019, are accounted for as short-term leases, which means they will not be recognized on the balance sheet at transition.

The short-term lease exception and the asset of low value exception have also been applied.

The opening balance of the right-of-use assets is about SEK 121 million and the opening balance of the lease liability is about SEK 116 million for current leases. The difference between the opening balance for assets and liabilities is prepaid lease payments.

The largest asset classes for the leases are offices and cars.

Note 2. Business combinations

No business combinations were made during the first quarter of 2019.

During the first quarter of 2018, Tobii acquired all shares in the British companies Acuity ETS Ltd and Acuity Intelligence Ltd as part of

an initiative aimed at strengthening Tobii Pro by enabling direct sales of products and services in the UK.

On October 1, 2018, Tobii acquired all shares in Smartbox Assistive Technology Ltd and Sensory Software International Ltd, both of which are based in the UK. The acquisition is intended to complement the Tobii Dynavox product portfolio, strengthen its sales presence in important geographic markets and accelerate the rate of innovation. The British competition regulator CMA is currently conducting an investigation of the effects of the completed acquisition, for which reason Tobii is waiting before beginning to work on the integration.

Note 3. Financial Instruments

SEK m	Mar 31 2019		Mar 31 2018		Dec 31 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities measured at amortized cost for which fair value is disclosed for information purposes						
Bond issue	293.2	300.0	-	-	-	-
Financial liabilities measured at fair value						
Contingent considerations	15.4	15.4	10.2	10.2	15.0	15.0

Fair value for interest-bearing loans is calculated for disclosure purposes by discounting future cash flows at the current interest rate for the remaining maturity.

The Group classifies financial assets and financial liabilities measured at fair value in a fair value hierarchy based on the information used in the valuation of each asset or liability. For financial instruments in level 3, information that is material to the fair value of the asset or liability is not observable and the Group's own assessments are applied. Both interest-bearing loans and liabilities for contingent considerations are classified under level 3.

The contingent consideration in conjunction with the Acuity acquisition in February 2018 is measured at fair value at SEK 5.9 million as of March 31, 2019 and the contingent consideration for Smartbox Assistive Technology Ltd is measured at fair value at SEK 9.4 million. The table below shows the change in fair value of the item during the period.

Change in contingent consideration

SEK m	Mar 31 2019
Opening balance January 1, 2019	15.0
Acquisitions during the year	-
Payments	-
Change in fair value reported as other operational income/loss	-
Translation differences	0.4
Closing balance March 31, 2019	15.3

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

IMPAIRMENT OF GOODWILL

The impairment testing for goodwill carried out in the first quarter of 2018 related to the Sticky acquisition, which was carried out in May 2017, resulted in a charge of SEK 12 million. The impairment charge was the result of a new assessment of the future cash flows of the cash-generating unit and was carried out by using a discount rate of 10%, which was relevant for this cash-generating unit.

There are no indicators that would have led to impairment testing of goodwill during the first quarter of 2019

Note 4. Pledged assets and contingent liabilities

On February 14, 2019, Tobii announced the issuance of three-year senior covered bonds of SEK 300 million within a loan facility of SEK 600 million with maturity in February 2022. The Parent Company Tobii AB is the issuer of the bond loan. The bonds issued in accordance with the Bond Loan are secured by collateral in shares in Tobii Dynavox AB, Tobii Pro AB and Tobii Tech AB

Other information**RISKS AND UNCERTAINTY FACTORS**

Tobii's business risks include the economic climate, the competitive situation, currency risks, credit risks in relation to customers, financing risks, the risk of impairment write-downs of capitalized R&D and other intangible assets, and regulatory risks (Tobii Dynavox in the U.S. is under the supervisory control of the U.S. Food and Drug Administration (FDA)). The Group's risks and risk management are described in greater detail in the Directors' Report section and note 3 of Tobii's 2018 Annual Report. Tobii is of the opinion that this risk description remains correct.

TRANSACTIONS WITH RELATED PARTIES

No transactions have occurred between Tobii and related parties that have materially affected the Company's position and earnings.

DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASURES (APM) NOT DEFINED BY IFRS

Alternative Performance Measures, (APMs), are financial measures of financial performance, financial position, or cash flows, other than those defined in the applicable financial reporting framework (IFRS). These are considered to be important supplemental measures of the company's performance. These measures may not be comparable to

measures used by other companies, since not all companies calculate financial measures in the same way. The key ratios and alternative performance measures that Tobii uses are defined on page 111 of the 2018 annual report.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

This section presents only the reconciliation of alternative performance measures that cannot be calculated from information in financial reports in this interim report.

OPERATING PROFIT/LOSS BEFORE DEPRECIATION, AMORTIZATION AND IMPAIRMENT, EBITDA

SEK m	Q1 2019	Q1 2018	Full year 2018
Operating profit/loss before depreciation, amortization and impairment, (EBITDA)	7.1	12.5	-27.5
Amortization and impairment	-31.9	-44.1	-141.4
Depreciation	-12.1	-5.4	-21.8
<i>of which Right-of-use assets (IFRS 16 Leasing)</i>	-6.9	-	-
Operating profit/loss (EBIT)	-36.9	-37.0	-190.7

Danderyd, April 26, 2019

Kent Sander
Chairman of the Board

Heli Arantola
Board member

Nils Bernhard
Board member

John Elvesjö
Board member

Charlotta Falvin
Board member

Åsa Hedin
Board member

Jan Wäreby
Board member

Henrik Eskilsson
CEO

The report has not been subject to review by the Company's auditors.

This information is information that Tobii AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted, through the agency of the contact person set out below, for publication April 26, 2019 at 7:30 a.m. CET.

Contact person: Ola Elmeland, Investor Relations
email: ola.elmeland@tobii.com, phone: +46 (0) 734 409 862

This is a translation of the Swedish original. In case of any inconsistency between the Swedish and English version, the Swedish version shall prevail.

Information to shareholders

TELECONFERENCE AND PRESENTATION

A conference call and online presentation will be held in English today at 1:00 p.m. (CET). Go to www.tobii.com to follow the conference online or for the phone number you need to participate. The slides from the presentation will be available for download from the website afterwards.

CONTACT DETAILS

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FINANCIAL CALENDAR

Interim report Q1, 2019	April 26, 2019
Annual General Meeting, 2019	May 9, 2019
Interim report Q2, 2019	July 19, 2019
Interim report Q3, 2019	October 24, 2019
Interim report Q4, 2019	February 4, 2020