



Interim Report Q3 2020

January–September 2020

“We continue to make progress with key partnerships, product launches and improved operating results despite the pandemic”

Henrik Eskilsson
CEO

Photo: HP launched its new VR headset, the HP Reverb G2 Omnicept Edition, equipped with Tobii Eye Tracking.

JULY - SEPTEMBER

- Consolidated revenue fell by 12% to SEK 317 million (359) compared with the third quarter of 2019. Organically¹, revenue declined by 4%. The covid-19 pandemic continued to have a strong negative impact on revenue in the third quarter, but this was largely offset by the positive momentum in our business.
- Gross margin was 69% (69%).
- The Group's operating loss was SEK -27 million (-32). Tobii Dynavox contributed SEK 26 million (30) and Tobii Pro SEK 1 million (13) to earnings, while investments in Tobii Tech had an impact of SEK -56 million (-73) on the Group's operating result.
- Earnings per share amounted to SEK -0.50 (-0.32).

IMPORTANT EVENTS

- After the end of the quarter, Tobii Dynavox announced a new [collaboration with Google](#). Tobii and Google have worked together to integrate Google Assistant into Tobii's Snap Core First software, as well as Tobii's picture communication symbols into Google's Android Action blocks.
- HP launched its new VR headset, the [HP Reverb G2 Omnicept Edition](#), which is equipped with Tobii Eye Tracking to enhance the user experience, provide new analytics capabilities, and improve the product's graphics performance.
- Tobii has [divested Smartbox](#) after the end of the quarter. The expected purchase consideration is equal to the price Tobii paid for Smartbox in 2018. The transaction is not expected to result in any significant impact on Tobii's earnings and it will lower Tobii's net debt by SEK 114 million.

FINANCIAL OVERVIEW

SEK m (except for earnings per share)	Q3 2020	Q3 2019	Change	Organic change	Nine months 2020	Nine months 2019	Change	Organic change	Full year 2019
REVENUE									
Tobii Dynavox	203.5	219.1	-7 %	2 %	661.2	655.4	1 %	2 %	906.3
Tobii Pro	82.4	103.3	-20 %	-14 %	242.0	311.6	-22 %	-22 %	442.9
Tobii Tech	43.9	48.6	-10 %	-1 %	169.7	147.6	15 %	15 %	221.7
Eliminations and other, net	-12.3	-11.5	-	-	-43.3	-46.2	-	-	-69.5
Total	317.5	359.5	-12 %	-4 %	1,029.6	1,068.4	-4 %	-3 %	1,501.3
OPERATING PROFIT/LOSS (EBIT)									
Tobii Dynavox	26.5	29.8	-11 %	-21 %	90.9	71.9	26 %	23 %	99.5
Tobii Pro	1.4	13.1	-89 %	-91 %	-21.8	33.5	-	-	53.8
Tobii Tech	-56.5	-73.0	-	-	-166.8	-224.3	-	-	-293.8
Other	1.7	-1.5	-	-	2.8	1.4	-	-	2.4
Operating profit/loss from continuing operations	-26.9	-31.6	-	-	-94.9	-117.5	-	-	-138.1
Profit/loss from discontinued operations	-1.0	-2.3	-	-	-3.7	-3.6	-	-	-11.9
Net profit/loss for the period	-48.6	-31.5	-	-	-138.1	-122.6	-	-	-171.2
Earnings per share (SEK)	-0.50	-0.32			-1.42	-1.24			-1.73

¹Tobii strives to continuously improve its financial disclosure. As an example of this, Tobii now switches its primary revenue growth metric to organic growth, defined as growth adjusted for currency effects and structural changes

Comments from the CEO

The pandemic had a negative impact on all three divisions in the quarter. However, the new I-Series continued as a major sales driver and the new Pro Glasses 3 is a success in the market. Despite covid-19 our strong teamwork, an updated product portfolio and good cost control led to a clearly improved operating result, both sequentially and compared with the previous year. Tobii made clear progress during the quarter with several key product launches, design wins and strategic collaborations with companies such as HP and Google. We see steadily increasing interest in eye tracking and are optimistic about the future.

Tobii Dynavox sales continued to be negatively impacted by the covid-19 situation, especially in the US where it has been difficult to reach prescribers and people in need of assistive technology for communication. This has been offset by strong momentum in the business, with the new I-Series once again serving as a major driver. Outside of the US, Tobii Dynavox saw strong growth in most markets. Overall, revenue grew 2 percent organically¹ and we achieved an operating margin of 13%.

After the quarter, Tobii and Google announced a collaboration, in which we have worked together to integrate Google Assistant into our Snap Core First software, as well as our picture communication symbols into Android Action blocks. This is an important piece of the puzzle in our product offering since the ability to control smart home. We also consolidated the position of our picture communication symbols -library as industry standard, which makes our communications and education software more attractive.

Over the past few quarters, we have made essential hardware and software upgrades that have introduced many new innovative features to our users, including accessibility apps, outdoor eye control in sunlight and control of smart home devices. These additions facilitate quality of life improvements for our users by promoting independence and providing the opportunity for increased participation. With this progress, we are confident that we are consolidating our position as a market leader and we believe this will help drive increased market penetration and pace of upgrades.

Tobii Pro continued to experience strong negative impact from covid-19 during the quarter. We did, however, see a gradual recovery. Revenue fell 14 percent organically compared with the third quarter of 2019 but increased significantly compared with the previous quarter. Together with well-implemented cost reduction measures, this enabled the business unit to again deliver an operating profit.

Our new product Pro Glasses 3 was very well received in the market and we expect that this flagship product will contribute to good sales growth in future years. An interesting development following the Pro Glasses 3 launch is that during the quarter we have seen increased interest related to studies in the home, where our customers want a better understanding of how different products and services are used and experienced visually.

In the short term, we expect the pandemic to continue to have a negative impact, but the division will continue its gradual recovery.

Tobii Tech's total revenue was on par with the same quarter last year. However, revenue from external customers decreased by 7 percent organically. Revenue from development projects with customers tends to vary considerably from quarter to quarter, depending on when milestones are reached. In the second quarter, such revenue was substantially higher than usual, while in the third quarter they were lower. We also see negative effects of covid-19, as it has been more difficult to do business development, some customers have postponed projects and several established customers have had lower sales volumes recently.

During the quarter, we announced the integration of Tobii eye tracking into the HP Reverb G2 Omnicept Edition VR headset. This collaboration is another important strategic step toward establishing eye tracking as a fundamental technology in VR and demonstrates Tobii's position as the leading provider of eye tracking technology for the VR market. We now have all the leading manufacturers of enterprise VR headsets as established customers — HTC, HP and Pico.



Henrik Eskilsson
President and CEO, Tobii

Read more:

[Dynavox collaboration with Google](#)

[HP Reverb G2 Omnicept Edition](#)

[Divestiture of Smartbox](#)

[Launch of new PCEye](#)

“Tobii Dynavox’s strength is not one product or one platform. They have this incredible wealth of tech expertise from eye gaze, speech generation and language systems.” said Ajit Narayanan, Head of Cognitive Accessibility at Google.

“HP is focused on bringing the best, most transformative XR technologies to market today. By integrating Tobii eyetracking in the HP Reverb G2 Omnicept Edition, it brings new advanced capabilities that will benefit usage areas such as training, collaboration, wellbeing and creation.” said Joey Gardea, Head of VR Engineering at HP.

¹Tobii strives to continuously improve its financial disclosure. As an example of this, Tobii now switches its primary revenue growth metric to organic growth, defined as growth adjusted for currency effects and structural changes

In addition to the HP deal, this quarter we also achieved several other design wins, including in application areas such as 3D displays, touch-free information kiosks and pediatric vision examinations.

Tobii Tech's cost reduction program, which included a reduction of about sixty consultants and employees, was well implemented. Along with temporarily lower costs owing to covid-19, the division achieved a reduction of over 30 percent in operating expenses compared with the same quarter the previous year.

For the Tobii Group as a whole, covid-19 continued to have a strong negative impact on business during the quarter. Thanks to good underlying demand, strong efforts from our employees and good products, sales held up well, and while we saw an organic decline in sales for the Group, it was only 4 percent.

I am pleased with the ability of the divisions to adjust costs given the current covid-19 situation. The cost-cutting measures we launched in the second quarter were well implemented. Our third quarter operating expenses decreased 16 percent organically compared with the same quarter last year. Earnings for the Group improved to SEK -27 million, thereby clearly continuing in the right direction toward profitability.

After the end of the quarter, we completed the sale of Smartbox. We are pleased that we sold Smartbox to a responsible owner at a price that is expected to return the purchase consideration that we paid and is not expected to result in any significant impact on Tobii's earnings. With this deal, Tobii has strengthened our robust cash position.

We have handled the pandemic well, while taking clear steps forward in our product offering. We are well positioned to maintain our world-leading position and with an updated product portfolio, we are optimistic about the prospects of returning to good growth and achieving profitability once the effects of the pandemic subside.

Henrik Eskilsson
CEO

The Tobii Group

Tobii is the world leader in eye tracking. Our vision is a world where all technology works in complete harmony with natural human behavior. Tobii operates in three divisions: Tobii Dynavox is the world leader in assistive technology for communication, Tobii Pro is the world leader in eye-tracking solutions used to study human behavior and Tobii Tech is the world-lead supplier in eye-tracking technology for integration customers in fields such as PC, VR and Niche Applications. The Group, which has about 1,000 employees, had sales of SEK 1,501 million for full-year 2019.

KEY RATIOS*

SEK m	Q3 2020	Q3 2019	Nine months 2020	Nine months 2019	Full year 2019
Revenue	317.5	359.5	1,029.6	1,068.4	1,501.3
Revenue change:	-12%		-4%		
- of which organic	-4%		-3%		
- of which currency	-8%		0%		
Gross margin	69 %	69 %	68 %	69 %	69 %
EBITDA	28.1	8.4	65.2	4.2	32.3
EBITDA margin	9 %	2 %	6 %	0 %	2 %
Operating profit/loss (EBIT)	-26.9	-31.6	-94.9	-117.5	-138.1
EBIT change	-		-		
EBIT margin	-8 %	-9 %	-9 %	-11 %	-9 %

* Continuing operations, not including Smartbox

JULY - SEPTEMBER

Revenue

The Group's revenue declined by 12% during the quarter to SEK 317 million (359). Organically, revenue declined by 4%. The covid-19 pandemic had a clear negative impact on the business, but this was offset by positive momentum in large parts of the business.

The North American market accounted for 59% (62%) of consolidated revenue, the European market 20% (16%), and the rest of the world 21% (22%).

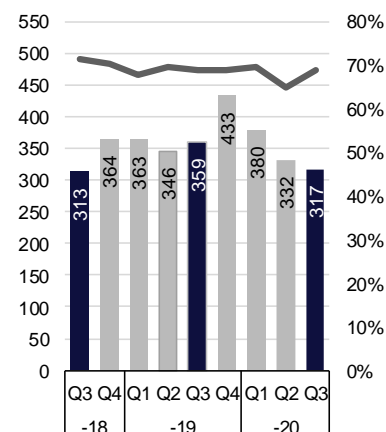
Earnings

The Group's gross margin was 69% (69%). The operating loss for the Group improved to SEK -27 million (-32) and operating margin was -8% (-9%). The cost-cutting measures announced in April, as well as SEK 3 million in government support related to covid-19 had a positive impact on earnings. Operating costs were reduced by 16% organically compared with the same period the previous year.

Capitalization of R&D for the quarter was lower than in the comparison quarter, while R&D amortization and depreciation increased. This difference provided a SEK 15 million negative impact on earnings relative to the comparison quarter. In addition, earnings were negatively impacted by SEK 5 million due to non-recurring currency effects, while in the comparison quarter it was positively impacted by SEK 7 million.

Pretax loss was SEK -44 million (-27). Net financial items amounted to SEK -17 million (5) and mainly include SEK 11 million in negative non-recurring currency effects, interest expenses attributable to bond loans and finance leases in accordance with IFRS 16 of SEK -8 million (-6). Profit/loss from discontinued operations was SEK -1 million (-2). The result for the period was SEK -49 million (-32) and earnings per share reached SEK -0.50 (-0.32).

REVENUE, SEK M AND GROSS MARGIN, %

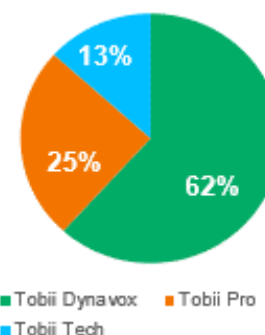


RESEARCH AND DEVELOPMENT, Q3

SEK m	2020	2019
Total R&D expenditures	-90	-121
Capitalization	41	44
Amortization	-41	-29
R&D expenses in the income statement	-90	-106

The information is pertaining to Continuing operations only.

PERCENTAGE OF GROSS REVENUE PER DIVISION Q3



Cash flow, liquidity and financial position

Cash flow from operating activities before changes in working capital amounted to SEK 23 million (2). The change in working capital had a positive impact on cash flow of SEK 34 million (-3). Deferred payment of taxes and fees in Sweden, which are part of the government support measures for covid-19, had a positive impact on working capital in the period of SEK 38 million.

Continuous investments amounted to SEK 46 million (54), of which SEK 41 million (44) related to capitalization of R&D. Cash flow after continuous investments was SEK 11 million (-54).

At the end of the period the Group held SEK 323 million (257) in cash, including SEK 25 million (23) attributable to held for sale assets. Consolidated net debt totaled SEK 269 million (165), SEK 102 million (105) of which was IFRS 16 finance leases.

JANUARY - SEPTEMBER**Revenue**

The Group's revenue for the first nine months of 2020 fell to SEK 1,030 million (1,068). Organically, revenue declined by 3%. The covid-19 pandemic had a clear negative impact on the business, but this was largely offset by positive momentum in large parts of the business.

During the period, the North American market accounted for 60% (61%) of the Group's sales, the European market for 19% (19%), and the rest of the world for 21% (20%).

Earnings

The Group's gross margin was 68% (69%). The operating loss for the Group was SEK -95 million (-117) and the operating margin was -9% (-11%). The cost-reduction measures announced in April, as well as SEK 25 million in government support related to covid-19 had a positive impact on earnings during the first nine months of the year. Operating costs were reduced by 15% organically compared with the same period the previous year.

Capitalization of R&D for the period was lower than in the comparison period, while R&D amortization and depreciation increased. The difference provided a SEK 65 million negative impact on earnings relative to the comparison period. In addition, the result was negatively impacted by non-recurring currency effects of SEK 7 million, while in the comparison period it was positively impacted by SEK 12 million.

Pre-tax loss was SEK -130 million (-114). Net financial items amounted to SEK -35 million (3), consisting of interest expenses attributable to the bond loan and finance leases in accordance with IFRS 16 of SEK -22 million (-15) and negative non-recurring currency effects.

Net loss for the period was SEK -138 million (-123) and earnings per share reached SEK -1.42 (-1.24).

Cash flow, liquidity and financial position

Cash flow from operating activities before changes in working capital was SEK 36 million (-3), while the change in working capital contributed SEK 81 million (-42). Deferred payment of taxes and fees in Sweden, part of the government support measures for covid-19, accounted for SEK 55 million of the positive effect. Continuous investments decreased by SEK 25 million to SEK 152 million, of which SEK 137 million (161) related to capitalization of R&D. Cash flow after continuous investments was SEK -35 million (-223). The issuance of bonds in the first quarter had a positive impact of SEK 153 million (293) on cash flow from financing activities.

Organization

The number of employees recalculated to full-time equivalents at the close of the period was 960 (1,011).

EVENTS AFTER THE END OF THE PERIOD

Tobii divested Smartbox after the end of the quarter. The maximum purchase consideration amounts to GBP 13.4 million, of which GBP 3.55 million is an earnout and GBP 2.8 million is an adjustment for net cash and working capital. The expected purchase consideration corresponds to the price Tobii paid for Smartbox in 2018 and the transaction is not expected to result in any significant impact on Tobii's earnings. The initial cash payment strengthened the Tobii Group's available cash position by SEK 114 million. Based on the September 30, 2020 balance sheet date, Tobii's cash position was strengthened to SEK 412 million and Tobii's net debt was reduced to SEK 155 million.

Tobii Dynavox

Tobii Dynavox is the world's leading provider of assistive technology for people with impaired ability to communicate due to conditions such as ALS, autism, aphasia, cerebral palsy, or spinal cord injuries. The products include eye-controlled and touchscreen-based assistive technology for communication, as well as a variety of software.

KEY RATIOS*

SEK m	Q3 2020	Q3 2019	Nine months 2020	Nine months 2019	Full year 2019
Revenue	203.5	219.1	661.2	655.4	906.3
Revenue change:	-7%		1%		
- of which organic	2%		2%		
- of which currency	-9%		-1%		
Gross margin	67 %	68 %	66 %	66 %	66 %
EBITDA	43.9	45.8	148.8	123.4	169.6
EBITDA margin	22 %	21 %	23 %	19 %	19 %
Operating profit/loss (EBIT)	26.5	29.8	90.9	71.9	99.5
EBIT change	-11 %		26 %		
EBIT margin	13 %	14 %	14 %	11 %	11 %

* Continuing operations, not including Smartbox

JULY - SEPTEMBER

- Tobii Dynavox has announced a [new collaboration with Google](#) to integrate Google Assistant into its devices via the Snap Core First communication software. Google is also integrating Tobii Dynavox's library of picture communication symbols into Android Action Blocks. The collaboration makes it easy for people with disabilities to use all Google Assistant features, including for entertainment and the ability to control smart devices. The integration is a first step in the collaboration between the two companies to create better access to technology and information for their users.
- Tobii Dynavox has [launched the new PCEye](#) — the world's first standalone eyetracker that works outdoors, even in bright sunlight. The new eyetracker enables people with disabilities to control a PC or tablet using just their eyes, wherever they may be. As a result, these users are also given a significant improvement in the quality of life, similar to what the users of the new I-Series received earlier in the summer.

Revenue declined by 7% to SEK 203 million (219). Organically, revenue rose 2%. Restrictions around important functions in society, including schools and care facilities, had a negative impact on revenue, especially in the US, which was offset by continued strong sales of the new I-Series.

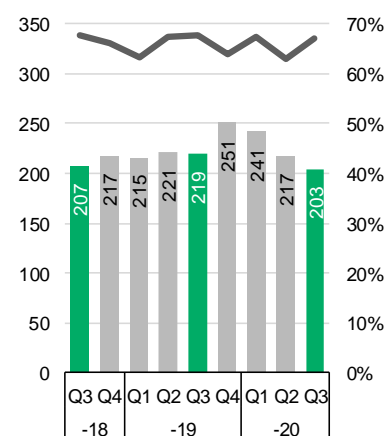
Gross margin was 67% (68%).

The operating profit was SEK 26 million (30) and the operating margin was 13% (14%). The decline in operating margin is fully attributable to negative non-recurring currency effects.



Tobii Dynavox announced a new collaboration with Google to integrate Google Assistant into its assistive technology via the Snap Core First communications software. The collaboration makes it easy for people with disabilities to use all Google Assistant features, including for entertainment and the ability to control smart devices.

REVENUE, SEK M AND GROSS MARGIN, %



RESEARCH AND DEVELOPMENT, Q3

SEK m	2020	2019
Total R&D expenditures	-33	-36
Capitalization	21	20
Amortization	-13	-13
R&D expenses in the income statement	-25	-29

The information is pertaining to Continuing operations only.

JANUARY - SEPTEMBER

Revenue rose by 1% to SEK 661 million (655). Organic growth was 2%. The new I-Series has been a strong engine for sales throughout the first nine months of the year, but shutdowns and restrictions, including schools and care facilities, had a substantial negative impact on the division.

Gross margin was 66% (66%). Operating profit rose 26% to SEK 91 million (72) and the operating margin increased to 14% (11%). The improved operating margin is attributable to the strong performance of the new I-Series. In addition, the division was able to offset the negative impact of covid-19 with good cost control and government support, mainly in the US. Non-recurring currency effects totaling SEK 7 million have had a negative impact on the operating margin during the period.

TRENDS AND DEVELOPMENTS

Globally, more than 50 million people need assistive technology for communication. However, the market is grossly under-penetrated and only about 2% currently have access to good assistive technology. "Inclusion of all people" is a strong global trend in society and as knowledge grows and the health insurance system gradually develops, the market for Tobii Dynavox is expected to grow at a good pace and over a long period of time. The ambition of this division continues to be profitable growth by providing many more people with disabilities access to good assistive technology for communication. The operation is expanding by strengthening both the product offering and the sales organization, both organically and through acquisitions. As the market leader, Tobii Dynavox also invests in market development through extensive training programs for therapists and prescribers, as well as through activities to generally increase awareness of assistive technology for communication in the community.

Tobii Pro

Tobii Pro is the world's leading provider of eye-tracking solutions for studying human behavior. Over 3,500 companies and 2,500 research institutions are Tobii Pro customers, including several leading corporations such as Procter & Gamble, Facebook, Ipsos and Toyota, as well as all of the world's 50 top-ranked universities.



Tobii Pro has introduced the option to evaluate emotional reactions using its Sticky software. Analyzing human emotional reactions combined with eye tracking reveals what they are feeling and exactly what they are looking at.

KEY RATIOS

SEK m	Q3 2020	Q3 2019	Nine months 2020	Nine months 2019	Full year 2019
Revenue	82.4	103.3	242.0	311.6	442.9
Revenue change:	-20%		-22%		
- of which organic	-14%		-22%		
- of which currency	-6%		0%		
Gross margin	75 %	76 %	73 %	75 %	75 %
EBITDA	17.4	22.1	18.9	58.4	91.2
EBITDA margin	21 %	21 %	8 %	19 %	21 %
Operating profit/loss (EBIT)	1.4	13.1	-21.8	33.5	53.8
EBIT change	-89 %		-		
EBIT margin	2 %	13 %	-9 %	11 %	12 %

JULY - SEPTEMBER

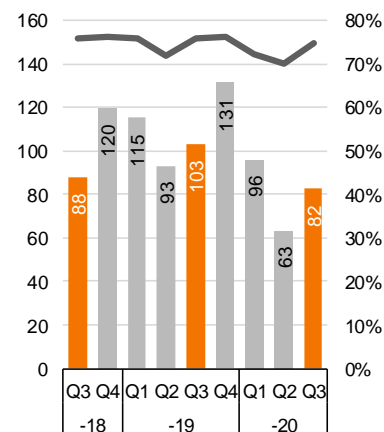
- The new product Pro Glasses 3, which was launched in June, has been well received by the market, with excellent customer reviews and clear interest from both existing and new customers in both established and new areas of applications. Pro Glasses 3 is the flagship product of the division and we expect that as the market normalizes, the product will drive strong sales growth for several years.

Revenue declined by 20% to SEK 82 million (103). Organically, the decline was 14%. A gradual recovery was clear throughout the quarter and revenues increased significantly compared with Q2 2020. The inability of customers to pursue research, studies and education, had a sharp negative impact on Tobii Pro's sales, which has affected revenue across most customer segments, product categories, and geographic markets.

Gross margin was 75% (76%).

The operating profit was SEK 1 million (13) and the operating margin was 2% (13%). The decrease in operating margin is mainly attributable to lower revenue. The cost reduction measures that were implemented helped the division to return to profitability. Some of the cost-reduction measures in Tobii Pro are structural in nature and will therefore in part be maintained over future quarters.

REVENUE, SEK M AND GROSS MARGIN, %



RESEARCH AND DEVELOPMENT, Q3

SEK m	2020	2019
Total R&D expenditures	-20	-19
Capitalization	15	11
Amortization	-14	-8
R&D expenses in the income statement	-19	-17

JANUARY - SEPTEMBER

Revenue declined by 22% to SEK 242 million (312). Organically, the decline was 22%. The covid-19 pandemic, which in most markets clearly affected the ability of customers to pursue research, studies and education, had a sharp negative impact on Tobii Pro's revenue. The situation has negatively impacted revenue in academic research, as well as among commercial customers.

Gross margin was 73% (75%), driven by lower revenue. The operating loss was SEK -22 million (33) and the operating margin was -9% (11%). The decrease in operating margin is mainly attributable to lower revenue.

TRENDS AND DEVELOPMENTS

The market for eye-tracking solutions used in behavioral studies is growing steadily. Researchers and companies in many different fields are demanding eye-tracking solutions that, for example, help them to gain new insights, or can contribute to safer, more efficient processes, increased profitability and more user-friendly products. Tobii Pro has chosen to address the three segments "Scientific Research," "Professional Performance," and "Market Research and User Experience." The division 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.

Tobii Tech

Tobii Tech is the world's leading provider of eye-tracking technology for integration into consumer electronics and other products. Customers are found primarily in the PC, VR and Niche Applications segments. Tobii Tech's overarching objective is to maintain its world-leading position and in the long-term to achieve revenue in the billions of SEK with good profitability. This development requires major investments in technology and market development.

KEY RATIOS

SEK m	Q3 2020	Q3 2019	Nine months 2020	Nine months 2019	Full year 2019
Revenue	43.9	48.6	169.7	147.6	221.7
Revenue change:	-10%		15%		
- of which organic	-1%		15%		
- of which currency	-9%		0%		
Gross margin	46 %	45 %	51 %	45 %	47 %
EBITDA	-42.5	-65.3	-128.1	-200.8	-260.2
EBITDA margin	-97 %	-134 %	-75 %	-136 %	-117 %
Operating profit/loss (EBIT)	-56.5	-73.0	-166.8	-224.3	-293.8
EBIT change	-		-		
EBIT margin	-129 %	-150 %	-98 %	-152 %	-133 %

JULY - SEPTEMBER

- [HP launched](#) its new VR headset, the HP Reverb G2 Omnicept Edition, which is equipped with Tobii Eye Tracking to enhance the user experience, provide new analytics capabilities, and improve the product's graphics performance. The product is aimed at enterprise customers who use VR for purposes such as training, collaboration, health and creation. The new headset builds on the success of the HP Reverb G2, which was unveiled earlier this year in partnership with Valve and Microsoft. The headset benefits from the full Tobii Eye Tracking system and includes Tobii's dedicated ASIC for eye tracking - Tobii EyeChip™.
- Tobii Tech has won and begun a handful of new projects during the quarter, in areas such as 3D displays, touch-free information terminals and pediatric vision examinations.

External revenue declined by 15% to SEK 32 million (37). Organically, the decline was 7%. Internal revenue rose by 6% to SEK 12 million (12). Organically, internal revenue rose by 20%. In total, revenue declined 10% to SEK 44 million (49). Organically, the decline was 1%. External revenue declined as a result of lower revenue in PC, XR and Niche applications. Revenue from development projects with customers tends to vary considerably from quarter to quarter, depending on when milestones are reached. In the second quarter, such revenue was substantially higher than usual, while in the third quarter they were lower than usual. The decline is also partly an effect of covid-19, since it has been more difficult to pursue business development activities, some customers have postponed projects and several established customers have had lower sales volumes.

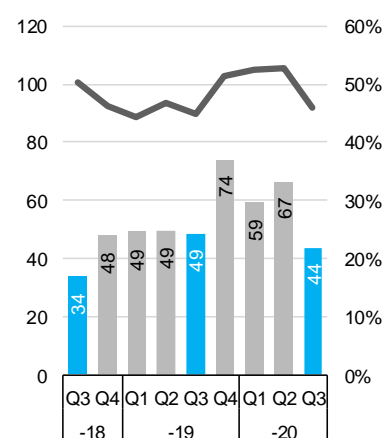
The gross margin rose slightly to 46% (45%).

The operating loss was SEK -56 million (-73), which is a significant improvement driven by the cost reduction program implemented during the second quarter.



HP launched its new VR headset, the HP Reverb G2 Omnicept Edition, which is equipped with Tobii Eye Tracking to enhance the user experience, provide new analytics capabilities, and streamline VR systems for operations in areas such as education, collaboration, health and design.

REVENUE, SEK M AND GROSS MARGIN, %



RESEARCH AND DEVELOPMENT, Q3

SEK m	2020	2019
Total R&D expenditures	-37	-64
Capitalization	5	12
Amortization	-14	-8
R&D expenses in the income statement	-46	-60

JANUARY - SEPTEMBER

External revenue rose 25% to SEK 126 million (101). Organically, the increase was 25%. Internal revenue dropped to SEK 43 million (46). Revenue rose a total of 15% to SEK 170 million (148). Organically, the increase was 15%.

Gross margin was 51% (45%). The operating loss improved to SEK -167 million (-224), driven by increased sales, a higher gross margin and the implemented cost reduction program.

TRENDS AND DEVELOPMENTS

Smart sensors are being introduced at a rapid pace in computers and other consumer electronics. Eye tracking is part of this trend, and enables a broad array of innovations within fields such as computer interaction, virtual reality, vehicle safety and healthcare. The company holds the opinion that eye-tracking sensors will be a given in many products in the future.

In computers, eye tracking offers benefits such as more intuitive interfaces, higher security, longer battery time and increased effectiveness. In gaming computers, eye tracking also allows enhanced gaming experiences with clear values in streaming and game training. Players such as Intel and Microsoft are drivers in the development of computers that increasingly understand the user, such as the Intel Athena initiative and the integration of eye tracking in Microsoft Windows.

The first VR and AR products with integrated eye tracking were recently launched and there is strong consensus in the industry that eye tracking is a necessity for creating outstanding performance and user experiences in future generations of headsets. The market for VR and AR is growing at a rapid pace and independent industry analysts estimate ten-fold growth, from just over 5 million units sold in 2019 to more than 60 million in 2023.

New areas of application for eye tracking are constantly being identified in innovative niche applications, especially in healthcare where several pioneering products have been launched or are under development. For example, eye tracking is used to detect concussions and Parkinson's disease, to treat strabismus, and to improve safety in robotic surgery.

Tobii Tech is the leading provider of eye-tracking technology for integration into consumer electronics and other products. The division is therefore extremely well positioned to be able to leverage the great potential for eye tracking.

Group

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK m	Q3 2020	Q3 2019	Nine months 2020	Nine months 2019	Full year 2019
Continuing operations					
Revenue	317.5	359.5	1,029.6	1,068.4	1,501.3
Cost of goods and services sold	-99.0	-112.2	-331.6	-334.6	-469.6
Gross profit	218.5	247.3	698.0	733.8	1,031.7
Selling expenses	-121.0	-147.8	-398.8	-440.8	-596.7
Research and development expenses	-89.9	-105.2	-299.3	-315.3	-438.3
Administrative expenses	-31.5	-35.9	-100.3	-111.6	-146.4
Other operating income and operating expenses ¹	-3.0	10.0	5.5	16.5	11.6
Operating profit/loss	-26.9	-31.6	-94.9	-117.5	-138.1
Net financial items ²	-16.7	5.0	-34.7	3.5	-12.2
Profit/loss before tax	-43.6	-26.6	-129.6	-114.0	-150.3
Tax	-4.1	-2.6	-4.8	-5.1	-9.0
Net profit/loss for the period from continuing operations	-47.7	-29.2	-134.4	-119.1	-159.4
Discontinued operations					
Net profit/loss for the period from discontinued operations	-1.0	-2.3	-3.7	-3.6	-11.9
Net profit/loss for the period	-48.6	-31.5	-138.1	-122.6	-171.2
Other comprehensive income					
Items that may subsequently be reclassified to profit or loss for the period:					
Translation differences	7.8	-6.7	-5.6	-8.0	3.5
Other comprehensive income for the period, net after tax	7.8	-6.7	-5.6	-8.0	3.5
Total comprehensive income for the period	-40.8	-38.2	-143.7	-130.6	-167.8
Of which depreciation and amortization, continuing operations	-52.2	-40.1	-154.1	-121.6	-170.4
Of which write-down of non-current assets, continuing operations ³	-2.8	-	-6.0	-	-
Earnings per share, SEK	-0.50	-0.32	-1.42	-1.24	-1.73
Earnings per share, diluted, SEK	-0.50	-0.32	-1.42	-1.24	-1.73
Net profit/loss for the period attributable to:					
Parent company shareholders	-49.6	-32.1	-140.9	-123.1	-171.4
Non-controlling interests	0.9	0.6	2.8	0.4	0.2
Net profit/loss for the period	-48.6	-31.5	-138.1	-122.6	-171.2
Total comprehensive income for the period attributable to:					
Parent company shareholders	-41.8	-38.8	-146.5	-131.1	-168.0
Non-controlling interests	0.9	0.6	2.8	0.4	0.2
Total comprehensive income for the period	-40.8	-38.2	-143.7	-130.6	-167.8

1) For the third quarter, the largest sub-items consist of currency translation differences of SEK -5 million and a reversal of contingent considerations of SEK 2 million. The comparison quarter mainly included currency translation differences. For the nine month period, the largest sub-items consist of public support received without any direct connection to cost items of SEK 9 million, the reversal of contingent purchase considerations of SEK 3 million and currency translation differences of SEK -7 million. For the comparison period, as well as for full-year 2019 this item primarily related to currency translation differences, as well as SEK 3 million related to the reversal of contingent purchase considerations.

2) Financial items for the third quarter include interest expenses related to bond loans and finance leases in accordance with IFRS 16 of SEK -8 million (-6). The item otherwise essentially consists of negative currency translation differences on receivables denominated primarily in USD, which weakened against the SEK during the quarter by 3.8%, as opposed to a 5.7% gain in the comparison quarter. For the nine month period, corresponding interest expenses amount to SEK -22 million (-15) and the remainder of the item consists of currency translation differences on receivables, denominated mainly in USD, which weakened over the period against the SEK by 3.5%, while the corresponding change in the exchange rate during the comparison period was a gain by the USD of 9.5%.

3) The non-recurring impairment charges during the period relate to certain patents held by the Group's parent company Tobii AB. The same applies for the nine-month period.

CONDENSED CONSOLIDATED BALANCE SHEET

SEK m	Sept 30 2020	Sept 30 2019	Dec 31 2019
NON-CURRENT ASSETS			
Intangible assets	614.9	612.8	611.4
Tangible fixed assets	49.8	30.6	48.6
Right-of-use assets	101.4	107.6	97.0
Financial and other non-current assets	87.0	86.0	86.0
Total non-current assets	853.1	837.1	843.0
CURRENT ASSETS			
Accounts receivable	185.1	231.5	242.2
Inventories	94.9	83.2	97.1
Other current receivables	69.9	76.7	68.0
Cash and cash equivalents	297.7	233.7	185.2
Assets held for sale	190.0	184.9	194.4
Total current assets	837.6	809.9	786.9
Total assets	1,690.6	1,647.0	1,629.9
SHAREHOLDERS' EQUITY			
Shareholders' equity, Parent Company shareholders	537.0	710.2	675.1
Non-controlling interests	3.7	1.3	0.9
Total shareholders' equity	540.6	711.4	676.1
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing loans	464.8	293.7	294.0
Leasing liabilities	71.9	75.5	66.6
Other non-current liabilities	112.4	115.5	116.4
Total non-current liabilities	649.0	484.7	477.0
CURRENT LIABILITIES			
Leasing liabilities	30.0	29.8	28.7
Other current liabilities	432.9	391.6	413.4
Liabilities directly related to assets held for sale	38.1	29.5	34.6
Total current liabilities	501.0	450.9	476.8
Total liabilities	1,150.0	935.5	953.8
Total equity and liabilities	1,690.6	1,647.0	1,629.9

CONDENSED CONSOLIDATED STATEMENT of CHANGES IN EQUITY

SEK m	Attributable to Parent Company shareholders						Non-controlling interests	Total equity
	Share capital	Other contributed capital	Reserves	Retained earnings	Total			
Opening balance, Jan 1, 2019	0.7	1,629.3	-5.3	-790.6	834.2		0.8	835.0
Comprehensive income for the period			-8.0	-123.1	-131.1		0.4	-130.6
Sale of warrants, incentive programs		5.6			5.6			5.6
Share based payments settled using equity instruments				1.4	1.4			1.4
Closing balance, September 30, 2019	0.7	1,634.9	-13.3	-912.3	710.2		1.3	711.4
Opening balance, Jan 1, 2020	0.7	1,635.9	-1.8	-959.8	675.1		0.9	676.1
Comprehensive income for the period			-5.6	-140.9	-146.5		2.8	-143.7
New share issue, exercise of warrants incentive programs	0.0				0.0			0.0
Sale of warrants, incentive programs		3.5			3.5			3.5
Share based payments settled using equity instruments				4.8	4.8			4.8
Closing balance, September 30, 2020	0.7	1,639.4	-7.4	-1,095.9	536.9		3.7	540.6

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

SEK m	Q3 2020	Q3 2019	Nine months 2020	Nine months 2019	Full year 2019
Cash flow from operating activities					
Profit/loss after financial items, continuing operations	-43.6	-26.0	-129.6	-114.0	-150.3
Profit/loss discontinued operations	-1.0	-2.2	-0.1	-3.6	-11.5
Adjustment for items not included in the cash flow	72.1	30.8	173.0	115.5	180.4
Taxes paid	-4.4	-0.5	-7.0	-1.1	-0.7
Cash flow from operating activities before change in working capital	23.2	2.1	36.3	-3.1	17.9
Cash flow from change in working capital	33.8	-2.7	81.1	-41.9	-31.3
Cash flow from operating activities	56.9	-0.6	117.3	-45.0	-13.4
Investments					
Continuous investments					
Investments in intangible, tangible and financial fixed assets	-46.4	-53.6	-152.2	-176.8	-248.8
Cash flow after continuous investments	10.6	-54.3	-34.8	-221.8	-262.2
Business combinations	-	-0.6	-	-1.4	-1.5
Cash flow after investments	10.6	-54.9	-34.8	-223.2	-263.7
Interest-bearing debt, including Bond issue	0.0	0.0	171.2	293.2	293.2
Sale/exercise of warrants, incentive program	-	-	3.5	5.6	6.6
Instalments of leasing liability IFRS 16	-6.4	-6.3	-19.9	-19.1	-24.7
Cash flow from financing activities	-6.4	-6.3	154.9	279.7	275.1
Cash flow for the period	4.1	-61.1	120.0	56.5	11.4
Foreign currency translation, cash and cash equivalents	-2.0	4.4	-4.3	8.3	4.8
Cash and cash equivalents at the beginning of the period	298.8	313.8	185.2	192.3	192.3
Change in Cash and cash equivalents classified as Assets held for sale	-3.2	-23.4	-3.2	-23.4	-
Cash and cash equivalents reclassified as Assets held for sale	-	-	-	-	-23.3
Cash and cash equivalents at the end of the period*	297.7	233.7	297.7	233.7	185.1

* Cash and cash equivalents included in Assets held for sale amount to MSEK 25.0 at September 30, 2020 and are not included in the amount. As at September 30, 2019, such cash and cash equivalents totalled MSEK 23.4, and the end of 2019 the amount was MSEK 23.3.

BREAKDOWN OF REVENUE

SEK m	Q3 2020	Q3 2019	Nine months 2020	Nine months 2019	Full year 2019
REVENUE BY PRODUCT CATEGORY					
Goods	275.9	316.1	875.0	941.3	1,317.0
Services	39.1	37.9	142.2	114.8	167.2
Royalties	2.5	5.5	12.4	12.3	17.0
Total revenues	317.5	359.5	1,029.6	1,068.4	1,501.3
REVENUE BY TIMING CATEGORY					
At a point in time	297.6	338.4	964.8	1,008.1	1,418.0
Over time	19.9	21.1	64.7	60.3	83.4
Total revenues	317.5	359.5	1,029.6	1,068.4	1,501.3
REVENUE BY GEOGRAPHIC MARKET					
Europe	63.6	57.4	199.3	206.0	311.1
North America	185.7	222.5	610.2	645.4	886.7
Other countries	68.2	79.7	220.1	217.1	303.5
Total revenues	317.5	359.5	1,029.6	1,068.4	1,501.3

CONSOLIDATED KEY RATIOS

	Q3 2020	Q3 2019	Nine months 2020	Nine months 2019	Full year 2019
Earnings per share, SEK	-0.50	-0.32	-1.42	-1.24	-1.73
Earnings per share, diluted ¹⁾ , SEK	-0.50	-0.32	-1.42	-1.24	-1.73
Equity per share, SEK	5.4	7.2	5.4	7.2	6.8
EBITDA, continuing operations, SEK m	28.1	8.4	65.2	4.2	32.3
EBITDA continuing operations; IFRS 16 Leasing excluded	20.9	1.5	43.8	-16.8	4.4
EBIT, continuing operations, SEK m	-26.9	-31.6	-94.9	-117.5	-138.1
Cash flow from operating activities, SEK m	56.9	-0.6	117.3	-45.0	-13.4
Cash flow after continuous investments, SEK m	10.6	-54.3	-34.8	-221.8	-262.2
Working capital, SEK m ¹⁾	-83.0	-0.2	-83.0	-0.2	-6.1
Total assets, SEK m	1,690.6	1,647.0	1,690.6	1,647.0	1,629.9
Net cash(+)/net debt (-), SEK m ¹⁾	-269.1	-165.2	-269.1	-165.2	-204.2
Net cash(+)/net debt (-); IFRS 16 Leasing excluded, SEK m ¹⁾	-167.1	-60.0	-167.1	-60.0	-108.9
Equity, SEK m	540.6	711.4	540.6	711.4	676.1
Average equity, SEK m	547.8	726.7	601.0	774.3	751.9
Equity/assets ratio, %	32.0	43.2	32.0	43.2	41.5
Equity/assets ratio; IFRS 16 Leasing excluded, %	34.0	46.2	34.0	46.2	44.1
Debt/equity, %	104.8	56.1	104.8	56.1	57.6
Debt/equity; IFRS 16 Leasing excluded, %	86.0	41.3	86.0	41.3	43.5
Gross margin, continuing operations, %	68.8	68.8	67.8	68.7	68.7
EBITDA margin, continuing operations, %	8.8	2.3	6.3	0.4	2.2
EBITDA margin continuing operations; IFRS 16 Leasing excluded, %	6.6	0.4	4.3	-1.6	0.3
Operating margin, continuing operations, %	-8.5	-8.8	-9.2	-11.0	-9.2
Return on total equity, %	-8.9	-4.3	-23.0	-15.8	-22.8
Average number of outstanding shares after dilution, million	99.1	98.9	99.0	98.9	98.9
Average number of outstanding shares, million	100.7	99.5	100.7	99.3	99.4
Number of outstanding shares at period end, million	99.1	98.9	99.1	98.9	98.9
Number of outstanding shares after dilution at period end, million	101.6	99.5	101.6	99.5	99.5
Average number of employees	971	996	1,003	981	986

¹⁾ Excluding assets held for sale and related liabilities

*) The 2020 Annual General Meeting resolved to introduce a new long-term incentive program, LTI 2020, and to allocate a maximum of 736,000 stock units, of which up to 368,000 are contingent synthetic restricted stock units that are issued to cover costs for taxes for participants. On September 30, 2020 a total of 3.5 million warrants and stock units were outstanding, which is a reduction of 0.4 million since the end of 2019 because of the redemption of 136,000 warrants within the framework of the 2015 warrant program – 2015/2020:1 and allotment of 367,940 stock units under LTI 2020, at the same time that 599,600 options under LTI 2016 matured. The dilution effect of warrants in all of the Company's incentive programs and maximum issuance under LTI 2020 corresponds to a maximum of approximately 3.5%.

QUARTERLY DATA PER DIVISION AND FOR THE GROUP

DATA RELATE TO REMAINING OPERATIONS UNLESS OTHERWISE SPECIFIED

	2018				2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
REVENUE, SEK m											
Tobii Dynavox	175.1	198.9	206.6	217.0	215.1	221.2	219.1	250.8	241.2	216.5	203.5
Tobii Pro	97.5	91.8	87.9	119.5	115.1	93.1	103.3	131.4	96.1	63.4	82.4
Tobii Tech*	36.5	31.6	33.9	47.8	49.5	49.4	48.6	74.1	59.2	66.6	43.9
Eliminations and other	-15.2	-15.7	-15.4	-19.9	-17.1	-17.6	-11.5	-23.4	-16.9	-14.1	-12.3
The Group	293.9	306.5	312.9	364.5	362.7	346.2	359.5	432.9	379.6	332.5	317.5
*) Of which revenue from sales to Tobii Dynavox och Tobii Pro	15.2	15.7	15.4	19.9	17.1	17.6	11.5	23.4	16.9	14.1	12.3
GROSS MARGIN, %											
Tobii Dynavox	67.9	66.8	67.6	66.0	63.4	67.3	67.6	63.9	67.5	62.9	67.2
Tobii Pro	74.4	72.5	75.8	76.4	76.0	71.8	75.8	76.3	72.4	69.9	74.7
Tobii Tech	41.7	50.0	50.3	46.4	44.3	46.9	44.9	51.4	52.5	52.8	46.0
The Group	70.3	70.2	71.4	70.5	67.8	69.5	68.8	68.8	69.4	64.9	68.8
EBITDA, SEK											
Tobii Dynavox	31.1	38.9	34.8	33.1	35.4	42.1	45.8	46.2	57.3	47.6	43.9
Tobii Pro ²	38.7	14.3	15.7	32.2	30.0	6.3	22.1	32.8	13.2	-11.7	17.4
Tobii Tech	-57.4	-73.0	-72.5	-64.3	-70.0	-65.5	-65.3	-59.4	-50.4	-35.2	-42.5
Eliminations and other ¹	0.0	0.0	0.1	0.1	8.3	9.2	5.8	8.5	8.3	8.0	9.3
The Group ¹	12.5	-19.8	-22.0	1.1	3.6	-7.9	8.4	28.2	28.4	8.7	28.1
EBIT, SEK m											
Tobii Dynavox	14.2	21.6	18.0	17.1	17.2	24.9	29.8	27.6	36.4	28.1	26.5
Tobii Pro	15.3	1.4	4.2	24.0	23.0	-2.5	13.1	20.2	1.2	-24.4	1.4
Tobii Tech	-66.5	-82.5	-81.9	-73.8	-79.6	-71.6	-73.0	-69.5	-60.8	-49.5	-56.5
Eliminations and other ¹	0.0	0.0	0.0	0.0	1.0	1.8	-1.5	1.1	0.7	0.4	1.7
The Group ¹	-37.0	-59.5	-59.6	-32.7	-38.3	-47.5	-31.6	-20.6	-22.6	-45.4	-26.9
OPERATING MARGIN, %											
Tobii Dynavox	8.1	10.8	8.7	7.9	8.0	11.3	13.6	11.0	15.1	13.0	13.0
Tobii Pro	15.7	1.6	4.8	20.1	20.0	-2.7	12.7	15.4	1.2	-38.5	1.7
Tobii Tech	-	-	-	-	-	-	-	-	-	-	-
The Group	-12.6	-19.4	-19.1	-9.0	-10.6	-13.7	-8.8	-4.8	-5.9	-13.7	-8.5
PROFIT/LOSS BEFORE TAX, SEK m											
The Group	-30.4	-40.9	-63.6	-29.1	-31.5	-55.9	-26.6	-36.3	-15.4	-70.7	-43.6
PROFIT/LOSS FOR THE PERIOD, INCLUDING DISCONTINUED OPERATIONS, SEK m											
The Group	-31.6	-40.7	-68.2	-33.8	-32.6	-58.6	-31.5	-48.6	-15.9	-73.5	-48.6

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

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), has primarily focused on Group-wide services such as overarching management, business and funding, legal affairs and IT since January 1, 2019. The number of employees in the Parent Company is approximately 100.

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 Company's bonds are listed on Nasdaq Stockholm. 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. On February 10, 2020, Tobii announced that additional bonds of SEK 150 million had been issued under the same loan framework. The issue was oversubscribed, and the bond price was set at 103.75, which corresponds to an interest rate of 3 months STIBOR + 384 basis points for the period to maturity.

The 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.

In January 2020, Tobii entered into a loan agreement for SEK 50 million, intended to cover the Group's working capital needs. The loan facility matures on June 30, 2021.

On October 6, 2020, after the end of the third quarter of 2020, Tobii announced that certain subsidiaries, collectively referred to as Smartbox, were sold to an external buyer. Refer to page 5 in this report for further information. The transaction entails divesting of all shares in two foreign subsidiaries owned by the Parent Company Tobii AB as of September 30, 2020. The transaction is not expected to result in any material impact on earnings for the Parent Company.

The Parent Company's revenue during the third quarter totaled SEK 27 million (17) and the operating result was SEK -5 million (-3). At the end of the period, the Parent Company had SEK 62 million (110) in cash and cash equivalents.

CONDENSED PARENT COMPANY INCOME STATEMENT

SEK m	Q3 2020	Q3 2019	Nine months 2020	Nine months 2019	Full year 2019
Revenue	29.6	16.9	92.9	84.1	147.0
Cost of goods and services sold	-8.1	-4.3	-27.1	-17.5	-43.8
Gross profit	21.5	12.6	65.7	66.6	103.2
Selling expenses	-0.3	3.3	0.1	0.7	0.7
Research and development expenses	-5.2	1.9	-11.5	-1.2	-2.1
Administrative expenses	-20.3	-20.7	-66.4	-70.9	-105.0
Other operating income and operating expenses	-0.5	0.2	1.1	1.4	0.6
Operating profit/loss	-4.9	-2.6	-11.0	-3.4	-2.7
Financial items	-6.6	-5.0	-20.4	-11.5	-16.5
Group Contributions	-	-	-	-	88.1
Profit/loss before tax	-11.4	-7.6	-31.4	-14.9	69.2
Tax	-4.5	-	-4.5	-	-0.1
Profit/loss after tax	-15.9	-7.6	-35.8	-14.9	69.1
Depreciation, amortization and write-downs, total	-4.6	-1.0	-10.2	-3.1	-4.2

CONDENSED PARENT COMPANY BALANCE SHEET

SEK m	Sept 30 2020	Sept 30 2019	Dec 31 2019
NON-CURRENT ASSETS			
Intangible assets	36.8	39.3	40.2
Tangible fixed assets	7.4	0.9	8.7
Financial assets	1,675.8	1,362.2	1,399.7
Total non-current assets	1,720.1	1,402.4	1,448.6
CURRENT ASSETS			
Accounts receivable	20.8	56.6	19.7
Inventories	0.1	0.1	0.1
Other current receivables	37.3	26.2	154.7
Cash and bank balances	62.2	109.6	56.9
Total current assets	120.4	192.6	231.3
Total assets	1,840.5	1,595.0	1,680.0
SHAREHOLDERS' EQUITY			
1,198.9	1,142.0	1,227.9	
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	523.5	329.4	329.9
Other non-current liabilities	9.3	9.8	9.9
Total non-current liabilities	532.8	339.1	339.7
CURRENT LIABILITIES			
Other current liabilities	108.7	113.7	112.4
Total current liabilities	108.7	113.7	112.4
Total liabilities	641.6	452.9	452.1
Total equity and liabilities	1,840.5	1,595.0	1,680.0

Notes

Note 1. Accounting policies

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 policies 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 and the application of IAS 20 Accounting for Government Grants, as described below.

The IASB has published amendments to standards effective from January 1, 2020 or later. These amendments have not had a material impact on the financial statements.

GOVERNMENT GRANTS

Certain divisions within Tobii received government support related to covid-19 during the reporting period, such as support for temporary worktime reduction in Sweden. Under IAS 20, government grants are recognized in the income statement when there is reasonable assurance that the company will comply with any conditions attached to the grants and that the grants will be received. For grants linked to costs, Tobii has chosen to recognize these grants as a reduction of costs for the items to which the grants relate. Grants without a direct link to cost items are recognized as other operating income.

Note 2. Business combinations

No business combinations were made during the quarter, nor during the comparison quarter.

During the second quarter of 2019, in conjunction with the opening of a new office in Santiago, Chile, Tobii acquired certain assets from the previous reseller Eye on Media, whose staff joined Tobii as employees. The total consideration amounted to SEK 2.8 million, consisting of SEK 0.8 million in cash payment, forgiveness of certain receivables and a contingent consideration.

Note 3. Financial instruments

SEK m	Sept 30 2020		Sept 30 2019		Dec 31 2019	
	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	447.8	450.0	293.7	300.0	294.1	300.0
Financial liabilities measured at fair value						
Contingent considerations	10.1	10.1	13.4	13.4	13.6	13.6

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 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 largest sub-item within contingent considerations valued at fair value relate to Smartbox, at SEK 9.2 million. The table below shows the change in fair value of the item during the period.

Change in contingent considerations

SEK m	Sept 30 2020
Opening balance January 1, 2020	13.6
Acquisitions during the year	-
Payments	-
Change in fair value reported as other operational income/loss	-2.8
Translation differences	-0.7
Closing balance September 30, 2020	10.1

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

IMPAIRMENT OF GOODWILL

Impairment testing for goodwill was carried out at the end of the 2019 financial year, without any need for impairment being identified.

Because of the covid-19 pandemic, management has updated its impairment assessment quarterly during 2020 and found that there is no need for impairment of goodwill. There are no other indicators that would have led to a need for impairment testing.

Note 4. Pledged assets and contingent liabilities

On February 10, 2020, Tobii announced a subsequent issuance of senior covered bonds of SEK 150 million under its SEK 600 million loan facility, with maturity in February 2022. On February 14, 2019, Tobii announced the first issuance of SEK 300 million within the same loan framework. The total amount of outstanding bonds is thus SEK 450 million. 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 on page 41 in the Directors' Report and in note 3 in Tobii's 2019 Annual Report. Tobii is of the opinion that this risk description remains correct. There is a description of the special risk situation that has arisen as a result of the covid-19 pandemic on page 2 of the 2019 Annual Report.

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 112 of the 2019 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	Q3 2020	Q3 2019	Nine months 2020	Nine months 2019	Full year 2019
Operating profit/loss before depreciation, amortization and impairment, (EBITDA)	28.1	8.4	65.2	4.2	32.3
Amortization and impairment	-41.3	-29.0	-118.9	-87.2	-123.6
Depreciation	-13.6	-11.1	-41.2	-34.4	-46.8
<i>of which Right-of-use assets (IFRS 16 Leasing)</i>	-7.2	-7.0	-21.4	-21.0	-28.0
Operating profit/loss (EBIT)	-26.9	-31.6	-94.9	-117.5	-138.1

Danderyd, October 29, 2020

Kent Sander
Chairman of the Board

Heli Arantola
Board member

Nils Bernhard
Board member

Mårten Skogö
Board member

Charlotta Falvin
Board member

Åsa Hedin
Board member

Jan Wäreby
Board member

Jörgen Lantto
Board member

Henrik Eskilsson
President & CEO

The report has been reviewed 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 for publication, through the agency of the contact person set out below, on October 29, 2020 at 7:30 a.m. CET.

Contact person: Henrik Mawby, Head of Investor Relations, Tobii AB, e-mail: Henrik.mawby@tobii.com, tel. +46 (0) 72 219 82 15

Information to shareholders

WEB PRESENTATION

A conference call and online presentation will be held in English today at 10:00 a.m. (CET). See tobii.com for more information about the conference. The slides from the presentation will be available for download from the website afterwards.

CONTACT DETAILS

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FINANCIAL CALENDAR

Year End report 2020 February 4, 2021