Press release
Stockholm, August 19, 2020

Tobii Interim Report for the Second Quarter 2020

Tobii AB (publ) today announced its results for the second quarter 2020.

Comment by Tobii’s CEO Henrik Eskilsson:

“Due to covid-19, the second quarter of 2020 was one of the most challenging in Tobii’s history. Given the circumstances, I am proud that Tobii managed to improve our operating result for the quarter compared with the same period in 2019, an accomplishment that would not have been possible without the fantastic efforts of all of Tobii’s employees, who did an amazing job. Activity in the organization has been high with creative sales activities, several important product launches, advances with Tobii Aware to Lenovo and key milestones in major projects within VR. In summary, we are well prepared for continued uncertainty and well positioned to resume growth soon after restrictions in society are lifted. Our ambition is to achieve profitability shortly thereafter.”

Second quarter April-June 2020

• Consolidated revenue fell by 4% to SEK 332 million (346) compared with the second quarter of 2019. Organically the decline was 6%. The covid-19 pandemic has had a strong negative impact on revenue, but this was offset in part by positive momentum in large parts of the business.
• Gross margin was 65% (69%). The decline can in part be attributed to non-recurring write-downs.
• The Group's operating result was SEK -45 million (-47).
  Tobii Dynavox contributed SEK 28 million (25) and Tobii Pro SEK -24 million (-2) to operating results, while investments in Tobii Tech had an impact of SEK -49 million (-72) on the Group's operating result.
• Earnings per share amounted to SEK -0.75 (-0.59).

Significant events

• Tobii Pro launched Glasses 3, a new generation of the segment’s flagship product. With Glasses 3, Tobii secures its world-leading position in wearable eye tracking and the market's reception has been strong.
• Tobii Dynavox introduced the option for advanced eye tracking outdoors with the I series. Tobii Dynavox has also made available some of the world's most popular apps, including Spotify, Facebook and Netflix. The new features entail great improvements in quality of life for the user and have been very well received.
• Tobii Tech launched its gaming optimized Eye Tracker 5.
• Tobii Tech continues to deepen its relationship with Lenovo and expand Tobii Aware through integration in two Lenovo ThinkCentre models.
• As was previously announced, a cost reduction program was implemented during the quarter with the result that operating costs dropped 20% compared with the second quarter of 2019.
Comments from the CEO

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During the second quarter, we have been working hard on adapting the organization and our ways of working to handle the effects of the covid-19 pandemic. We took measures early on to protect the health and well-being of our employees and have limited the impact on our operations to a minimum. Our employees have shown a strong team spirit and have with great passion and creativity collaborated to find new ways to conduct sales and develop products in challenging times.

Because of pandemic-related measures at universities, healthcare facilities and enterprise customers, sales came under pressure on a broad basis and resulted in sharp revenue declines in parts of the business. This has largely been counteracted by the positive momentum for the new I-Series and continued strong growth within Tobii Tech. Organically, revenue for the Group fell 6 percent for the quarter.

During the quarter, we initiated a covid-19-related cost reduction program across the Group, as well as structural measures specifically aimed at Tobii Tech. I am pleased with the outcome, since we achieved 20 percent lower costs compared to the same quarter last year, which was in line with our goal. Thanks to our cost savings, strong performance of the new I-Series and growth in Tobii Tech, our operating result in the quarter improved somewhat compared to the same period 2019.

Tobii Dynavox sales were negatively impacted by the temporary shutdown of important functions in society. This was partly offset by continued strong performance in many parts of the division, driven by the new I-Series. Revenue fell 4 percent organically, but thanks to the cost reduction program and the new I-Series we still achieved improved operating profit and a 13 percent operating margin, compared with 11 percent in the same quarter in 2019.

The shutdown of important functions in societies globally made it more difficult to reach prescribers and individuals in need of assistive technology for communication. Consequently, conducting sales and supporting our users has been challenging. We have adapted our working methods, partly by working from home and partly by meeting our customers and users in new creative ways and through digital platforms, which has been more effective than expected. I am impressed that Tobii Dynavox successfully maintained its education initiatives for therapists by rapidly transitioning to digital trainings. In general, we see that the pandemic has accelerated the digitalization of the entire industry, which in the long run could lead to efficiency gains for Tobii Dynavox and make it easier for users to get access to our technology.

Should covid-19 lead to a recession, we believe that the growing demand for products from Tobii Dynavox should be relatively unaffected. Therefore, we feel confident that this business will return to good growth as soon as the restrictions ease up and our communities reopen.

Tobii Pro had the most challenging quarter in its history. Revenue fell by 33 percent organically with an operating loss of SEK 24 million.

As the pandemic spread, we saw sharp slowdowns in most of our markets, both to scientific research customers and commercial customers. Most markets continued with weak trends throughout the quarter, with China as the notable exception, where we saw clear improvements and 25 percent sales growth, compared with the same quarter in 2019, indicating an element of pent up demand.

Despite the challenging situation, Tobii Pro successfully launched its new flagship product Glasses 3, which further strengthen our position as the world leader in wearable eye tracking. The product has been well received in the market and we expect that this product will be a growth engine for Tobii Pro for many years to come. The first deliveries of Glasses 3 were carried out after the end of the quarter.
In the short term, we expect the pandemic to continue to have a strong negative impact on Tobii Pro, driven primarily by the weak performance in the US, which has been confirmed by the development so far in the third quarter.

**Tobii Tech** continued to increase sales at a high pace despite the pandemic. Revenue from external customers increased by 60 percent organically. The pandemic mainly impacted revenue for the division within Niche Applications and resulted in lower volumes and delayed development projects.

In addition to the Tobii Group’s covid-19-related cost reduction program, Tobii Tech carried out a long-term action program in the second quarter that included reduction of about sixty consultants and employees.

In July, eye tracking was added to OpenXR, which is a new standard for VR and AR products. Tobii has together with Microsoft been the leaders in this effort, since we believe this type of standardization helps to promote broader adoption of eye tracking.

We also announced additional agreements with Lenovo and our Tobii Aware software is included in two ThinkCentre PC models that were launched in the quarter. The sales trend for Aware is still in its infancy, but these agreements should be viewed as a stepping stone for more and larger deals. We are engaged in several discussions at advanced stages with leading computer manufacturers, and we are optimistic regarding the future prospects of this product.

During the quarter Tobii Tech launched its new Eye Tracker 5 for gamers. We see that simulator games and esports training are the main drivers of demand for this product.

**In summary,** we have successfully navigated through the effects of the pandemic this far. We have limited the impact on our operations to a minimum, while maintaining a high level of activity and taken the necessary cost reduction actions. We consider ourselves to have an adequate financial position for the plan that we are now executing on. We are well equipped for continued uncertainty and with an updated product portfolio, we expect to return to growth soon after restrictions in society are lifted.

Longer-term, it is clear that the use of eye tracking continues to develop in the right direction and that Tobii is well positioned to maintain our world-leading status and thereby drive continued strong growth and reach profitability.

Henrik Eskilsson
CEO

**Conference call**
Today at 10:00 a.m. CET, Tobii will host a conference call with web cast presentation for media, analyst and investors. Please find dial-in details on Tobii’s website under **Calendar**.

*This report has not been subjected to review by the Company’s auditors.*

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

*This information is inside 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, at 07.30 CET on Aug 19, 2020.*

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About Tobii
Tobii is the global leader in eye tracking. Our vision is a world where all technology works in harmony with natural human behavior. Tobii operates through three business units: Tobii Dynavox makes specially designed computers that are controlled by eye movement or touch screens for use by people with special needs due to spinal cord injuries, CP, ALS or other medical conditions. Tobii Pro develops and sells eye-tracking equipment and services used today by more than 3,500 companies and 2,500 research institutions, including all of the world’s 50 highest ranked universities. Tobii Tech further develops Tobii’s technology for new volume markets, such as computer games, personal computers, virtual reality, augmented reality and smartphones. Tobii is headquartered in Sweden and is listed on Nasdaq Stockholm (TOBII). The group has about 1,000 employees. For more information: www.tobii.com.