

Interim report Q3 January–September 2019

“Substantial profitability improvements in Tobii Dynavox and Tobii Pro.”

Henrik Eskilsson
CEO

Photo: Tobii Dynavox launches new I-Series, the division's medical-grade and eye-controlled flagship product

THIRD QUARTER JULY–SEPTEMBER

- The Group's revenues rose by 15% to SEK 359 million (313) compared with the third quarter of 2018. Adjusted for currency effects, the increase was 8%.
- The gross margin was 69% (71%).
- The Group's operating loss amounted to SEK -32 million (-60). Tobii Dynavox contributed SEK 30 million (18) and Tobii Pro SEK 13 million (4) to earnings, while investments in Tobii Tech had an impact of SEK -73 million (-82) on the Group's operating loss.
- Earnings per share amounted to SEK -0.32 (-0.70).
- Beginning with this report, earnings related to Smartbox are recognized as "Net profit/loss for the period from discontinued operations", with no effect on operating profit or loss at the Group or Division level. Comparative periods are recognized in a similar way. All Smartbox-related balance sheet items are recognized beginning on Sept. 30, 2019 as "Held for sale assets" or "Liabilities Directly related to assets held for sale".

SIGNIFICANT EVENTS

- Dell's eye tracking equipped Alienware m15 and m17 gaming laptops began to be sold in volume during the quarter and were the driver for the doubled external revenues within Tobii Tech.
- At the Siggraph conference for computer graphics, Tobii Tech presented its Spotlight technology, which optimizes the ability to process graphics in high detail only where the user is looking.
- After the end of the quarter, Tobii Dynavox launched the new I-Series, the division's medical-grade and eye-controlled flagship product.
- After the end of the quarter, Tobii Pro launched Tobii Pro Fusion, a new portable high-performance eye tracker for research.
- The British Competition and Markets Authority (CMA) required Tobii to divest Smartbox, which Tobii acquired autumn 2018. Tobii appealed the decision.

FINANCIAL OVERVIEW

SEK m (except for earnings per share)	Q3 2019	Q3 2018	Change	Currency adjusted change	Nine months 2019	Nine months 2018	Change	Currency adjusted change	Full year 2018
NET SALES									
Tobii Dynavox	219.1	206.6	6 %	0 %	655.4	580.6	13 %	5 %	797.6
Tobii Pro	103.3	87.9	18 %	10 %	311.6	277.1	12 %	5 %	396.6
Tobii Tech	48.6	33.9	44 %	33 %	147.6	102.0	45 %	32 %	149.8
Eliminations and other, net	-11.5	-15.4	-	-	-46.2	-46.4	-	-	-66.2
Total	359.5	312.9	15 %	8 %	1,068.4	913.3	17 %	8 %	1,277.8
OPERATING PROFIT/LOSS (EBIT)									
Tobii Dynavox	29.8	18.0	65 %	57 %	71.9	53.8	34 %	25 %	70.9
Tobii Pro	13.1	4.2	210 %	104 %	33.5	21.0	60 %	11 %	44.9
Tobii Tech	-73.0	-81.9	-	-	-224.3	-230.8	-	-	-304.7
Other	-1.5	0.0	-	-	1.4	0.0	-	-	0.1
Operating profit/loss from continuing operations	-31.6	-59.6	-	-	-117.5	-156.1	-	-	-188.8
Profit/loss from discontinued operations	-2.3	-	-	-	-3.6	-	-	-	-2.1
Net profit/loss for the period	-31.5	-68.2	-54 %	0 %	-122.6	-140.5	-13 %	0 %	-174.3
Earnings per share (SEK)	-0.32	-0.70			-1.24	-1.45			-1.79

Comments from the CEO

Revenues in the quarter increased by 15 percent, or 8 percent adjusted for currency effects, compared with the third quarter of 2018. Operating margins in Tobii Dynavox and Tobii Pro increased substantially to 14 percent and 13 percent, respectively, while external revenues in Tobii Tech doubled. We also launched two important new products that lay the foundation for continued profitable growth for a long time to come.

Tobii Dynavox delivered a strongly improved EBIT margin of 14 percent in the third quarter.

A few days ago, we launched a completely new generation of the I-Series, the division's medical-grade and eye-controlled flagship product. The I-Series accounts for half of Tobii Dynavox's total sales and the launch of the new I-Series is therefore extremely important for both the division and for the Group as a whole. The new I-Series has been redesigned from ground up and contains a number of innovations that make it the most easy-to-use, durable and advanced product of its kind on the market. The launch lays the foundation for continued strong and profitable growth in the division for a long time to come.

Revenues growth for the quarter was 6 percent. Adjusted for currency effects, however, revenues were in line with the previous year, which can mainly be attributed to lower sales of the old I-Series in conjunction with the transition to the new product.

The British Competition and Markets Authority (CMA) has required us to divest Smartbox and we have therefore initiated a sale of the business, but we also appealed the decision. Beginning with this quarter, Smartbox is reported separately and does not affect the operating income of either Tobii Group or Tobii Dynavox. The comparative quarters have been adjusted in a similar way.

Tobii Pro also posted a strong improvement in operating profit for the quarter. The EBIT margin was 13 percent and revenues rose by 18 percent, or 10 percent after adjustment for currency effects.

After the end of the quarter, Tobii Pro launched its new portable high-performance eye tracker for research, Tobii Pro Fusion. The product makes it easier for researchers to go outside the lab to carry out studies in natural environments in fields such as behavioral science, psychology, neuroscience and medicine. Together, the analytics software Tobii Pro Lab, the recently launched entry-level model Tobii Pro Nano, the new Tobii Pro Fusion, the top of the line Tobii Pro Spectrum and Tobii Pro Glasses 2 comprise a broad and industry leading portfolio of portable, stationary and mobile eye-tracking solutions for studies of human behavior.

In **Tobii Tech**, revenues to external customers increased by 101%, or 86% after adjustment for currency effects. The corresponding increases for total revenues were 44 percent and 33 percent, respectively. This quarter, it was mainly the PC segment and sales of Dell's Alienware m15 and m17 laptops that contributed to revenue growth, while revenues within the Niche application segment and project-related revenue in VR were lower than usual. Internal revenues declined, primarily because of the ongoing product transition to the new I-Series.

Tobii Tech presented its Spotlight technology at the Siggraph conference in late July, where we held a panel discussion on the technology together with nVidia and HTC. Spotlight optimizes the ability to process the graphics in high detail only where the user is looking, which makes it possible to maximize graphics performance in Virtual Reality. This is known as "Foveated Rendering" and is one of the main reasons why eye tracking is on the way to becoming a standard in the field. We are as previously communicated, involved in integration projects with a handful of customers in VR and during the quarter we took important steps forward both in ongoing projects and new collaborations.

All in all, we achieved strongly improved profitability in both Tobii Pro and Tobii Dynavox, combined with a substantial increase in external revenues in Tobii Tech. We also carried out two key product launches that will lay the foundation for continued strong and profitable growth for many years to come.



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 divisions: Tobii Dynavox is the world leader in assistive technology for communication, Tobii Pro is the market leader in eye-tracking solutions for understanding human behavior and Tobii Tech is the world's leading supplier of eye-tracking technology to integration customers in for instance PC, VR and Niche applications. The Group, which has about 1,000 employees, had revenues of SEK 1,302 million for full year 2018. Tobii Group's financial target is to reach profitability in 2020.

QUARTER: JULY-SEPTEMBER

Accounting changes because of the Smartbox divestiture process

As a result of the request from the British Competition and Markets Authority (CMA) for Tobii to divest Smartbox, Smartbox is reported by applying IFRS 5 "Non-current assets held for sale and discontinued operations" beginning with this interim report. This means that all earnings relating to Smartbox are reported separately in the income statement on the line "Net profit/loss for the period from discontinued operations". Comparative periods have been restated in a similar way and the operating profit or loss for the Group and the Dynavox division are presented excluding Smartbox. In addition, all Smartbox-related balance sheet items are recognized beginning on Sept. 30, 2019 as "Held for sale assets" or "Liabilities directly related to assets held for sale".

Sales

The Group's revenues during the third quarter rose by 15% to SEK 359 million (313). Adjusted for currency effects, the increase was 8%. Tobii Dynavox contributed SEK 219 million, Tobii Pro SEK 103 million and Tobii Tech SEK 49 million.

The North American market accounted for 62% (60%) of consolidated revenues, the European market 16% (21%), and the rest of the world 22% (19%).

Performance

Consolidated gross margin was 69% (71%). The operating loss amounted to SEK -32 million (-60) and operating margin to -9% (-19%). Tobii Dynavox contributed SEK 30 million (18) and Tobii Pro SEK 13 million (4) to earnings, while investments in Tobii Tech had an impact of SEK -73 million (-82) on the Group's operating loss. Other operating income, primarily currency translation differences, had an impact on operating profit/loss of SEK 10 million (-1).

EBITDA was SEK 8 million (-22). Note that EBITDA for the current period is reported in accordance with IFRS16 Leasing, though this did not apply for the comparative quarter. The change had a positive impact on EBITDA of SEK 7 million for the quarter; for more information, see the key ratios in the table on page 17.

Pretax loss was SEK -27 million (-64). Net financial items totaled SEK 5 million (-4) and include foreign currency translation differences of 12 million (-4). The profit/loss from discontinued operations was SEK -2 million (-). Net loss for the period was SEK -31 million (-68) and earnings per share was SEK -0.32 (-0.70).

Cash flow, liquidity and financial position

Cash flow from operating activities before changes in working capital amounted to SEK 1 million (-19). The change in working capital had a negative impact on cash flow of SEK -9 million (-4).

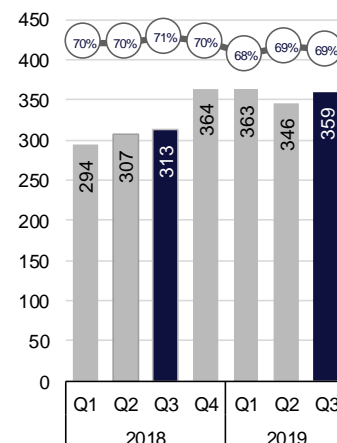
Current investments amounted to SEK 54 million (48), of which SEK 44 million (43) related to capitalization of R&D. Cash flow after continuous investments was SEK -61 million (-74) for the third quarter. Acquisitions had an impact on cash during the quarter of SEK -1 million (-3).

At the end of the period net cash for the Group was SEK 257 million (338), including SEK 23 million attributable to held for sale assets.

Organization

The number of employees recalculated to full-time equivalents at the close of the period was 997 (931).

NET SALES, SEK M, AND GROSS MARGIN



RESEARCH AND DEVELOPMENT, Q3

SEK m	2019	2018
Total R&D expenditures	-120	-120
Capitalization	44	43
Amortization	-29	-33
R&D expenses in the income statement	-105	-110

The information is pertaining to Continuing operations only.

Tom Englund, Division CEO Tobii Pro, was also designated to serve as Deputy CEO of the Tobii-Group.

NINE-MONTH PERIOD: JANUARY-SEPTEMBER

For information about accounting changes relating to the process to divest Smartbox, see the first paragraph about developments during the quarter.

Sales

The Group's revenues for the first nine months of 2019 rose year-over-year by 17% to SEK 1,068 million (913). Adjusted for currency effects, the increase was 8%. The increase can be attributed to growth in all three divisions.

During the period, the North American market accounted for 61% (59%) of the Group's revenues, the European market for 19% (21%), and the rest of the world for 20% (20%).

Performance

The Group's gross margin was 69% (71%). The operating loss for the Group was SEK -117 million (-156) and the operating margin was -11% (-17%). Tobii Dynavox contributed SEK 72 million (54) and Tobii Pro SEK 34 million (21), while investments in Tobii Tech had a negative impact of SEK -224 million (-231) on the Group's operating loss. Other operating income, primarily currency translation differences, had an impact on operating profit/loss of SEK 16 million (21).

EBITDA was SEK 4 million (-29).

Pretax loss was SEK -114 million, compared with SEK -135 million in the corresponding period in 2018. Net financial items totaled SEK 3 million (21) including foreign currency translation differences of 21 million (20). The profit/loss from discontinued operations was SEK -4 million (-).

The net loss was SEK -123 million (-140) and the loss per share amounted to SEK -1.24, compared with SEK -1.45 in the corresponding period in 2018.

Cash flow, liquidity and financial position

Cash flow from operations totaled SEK -64 million (-40), while the change in working capital had an effect of SEK -61 million (-10).

Current investments increased by SEK 19 million to SEK 177 million, of which SEK 161 million related to capitalization of R&D. Cash flow after continuous investments was SEK -241 million (-198). The issuance of bonds by the Company in February 2019 had a positive impact of SEK 299 million (12) on cash flow from financing activities.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

Tobii Dynavox launched the new I-Series, a completely new version of the division's medical-grade flagship product.

Tobii Pro launched Tobii Pro Fusion, a new portable high-performance eye tracker for behavioral research.

Division 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 targets of the division are to increase revenue by an average of 10% per year with an operating margin of 15–20%.



The new I-Series has been redesigned from ground up and contains a number of innovations that make it the most easy-to-use, durable and advanced product of its kind on the market.

KEY FIGURES

SEK m	Q3 2019	Q3 2018	Nine months 2019	Nine months 2018	Full year 2018
Net Sales	219.1	206.6	655.4	580.6	797.6
Gross margin	68 %	68 %	66 %	67 %	67 %
EBITDA	45.8	34.8	123.4	104.9	138.0
EBITDA margin	21 %	17 %	19 %	18 %	17 %
Operating profit/loss (EBIT)	29.8	18.0	71.9	53.8	70.9
EBIT margin	14 %	9 %	11 %	9 %	9 %

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

QUARTER: JULY-SEPTEMBER

- After the end of the quarter, Tobii Dynavox launched the [new I-Series](#), the division's medical-grade and eye-controlled flagship product. The new I-Series is redesigned from ground up. It comes integrated with Tobii's new world-leading eye-tracking platform IS5, as well as a large number of innovative new features. For example, an extra display is located on the back for the person whom the user is communicating with, and the brand new Computer Control™ software that makes it even easier and more intuitive to interact with the device.
- [Smartbox Assistive Technology Ltd.](#) was acquired in 2018. On August 15 the British Competition and Markets Authority (CMA) announced that Tobii would be required to divest Smartbox, and Tobii has subsequently initiated the divestment process. Tobii also appealed the CMA decision to the Competition Appeal Tribunal (CAT) since Tobii fundamentally opposes the conclusions reached by the CMA. Tobii continuously adapts its action plan depending on how these parallel processes evolve.
- In accordance with IFRS 5, earnings related to Smartbox are reported in their entirety as "Profit/loss from discontinued operations" as of this interim report and therefore do not affect operating profit or loss for the Tobii Group or the Tobii Dynavox division. Comparative periods are recognized in a similar way.

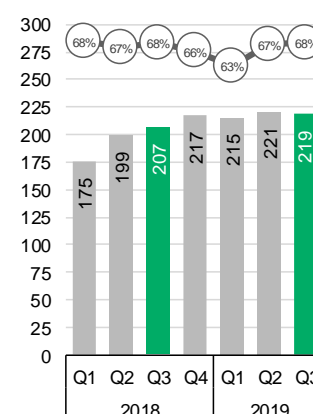
Revenues rose by 6% compared with the third quarter of 2018 to SEK 219 million (207). Currency-adjusted growth was 0%. Sales were favorably affected by good underlying sales for many of the division's products and by improvements in the internal administrative process related to handling of customer funding cases in the US, but negatively by the product transition to the new I-Series, as well as by one-off adjustments linked to how provisions for sales through insurance companies in the US are reported.

The gross margin was 68% (68%). Operating profit totaled SEK 30 million (18) and the operating margin was 14% (9%). The improved operating margin can be attributed to the increase in revenues, a retained gross margin and at large unchanged operating expenses.

NINE-MONTH PERIOD: JANUARY-SEPTEMBER

Revenues rose by 13% compared with the first nine months of 2018 to SEK 655 million (581). Adjusted for currency effects, revenues increased by 5%. Revenues increase was somewhat lower due to the previously communicated internal backlog of customer funding cases linked to US insurance companies and to the transition to the new I-series.

NET SALES, SEK M, AND GROSS MARGIN



RESEARCH AND DEVELOPMENT, Q3

SEK m	2019	2018
Total R&D expenditures	-36	-35
Capitalization	20	18
Amortization	-13	-13
R&D expenses in the income statement	-29	-30

The information is pertaining to Continuing operations only.

The gross margin was 66% (67%). Operating profit totaled SEK 72 million (54) and the operating margin was 11% (9%). The improved operating margin can be attributed to the increase in revenues, an essentially retained gross margin and only moderate increase in operating expenses.

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. Expansion occurred both organically and through acquisitions. 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. The market for assistive technology for communication is extremely under-penetrated and Tobii Dynavox is well-positioned to continue to grow for many years to come.

Division 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 Denso, as well as all 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	Q3 2019	Q3 2018	Nine months 2019	Nine months 2018	Full year 2018
Net Sales	103.3	87.9	311.6	277.1	396.6
Gross margin	76 %	76 %	75 %	74 %	75 %
EBITDA	22.1	15.7	58.4	68.6	100.8
EBITDA margin	21 %	18 %	19 %	25 %	25 %
Operating profit/loss (EBIT)	13.1	4.2	33.5	21.0	44.9
EBIT margin	13 %	5 %	11 %	8 %	11 %

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

QUARTER: JULY–SEPTEMBER

- After the end of the quarter, Tobii Pro launched [Tobii Pro Fusion](#), a new portable high-performance eye tracker for research. The product combines Tobii's latest eye-tracking technology with a design that makes it easier for researchers to leave the lab environment in order to include more people in studies in fields such as behavioral science, psychology, neuroscience and medicine. Together, the analytical software Tobii Pro Lab, the recently launched entry-level model Tobii Pro Nano, the new Tobii Pro Fusion, the top of the line Tobii Pro Spectrum and Tobii Pro Glasses 2 comprise a broad and industry leading portfolio of portable, stationary and mobile eye-tracking solutions for understanding human behavior.

Revenues rose by 18% compared with the third quarter of 2018 to SEK 103 million (88). Adjusted for currency effects, the increase was 10%. The backlog remains high, mainly because of the trend toward more orders with increased service content, larger solutions and longer delivery time.

Gross margin was 76% (76%). Operating profit totaled SEK 13 million (4) and the operating margin was 13% (5%). The substantially improved operating margin can be attributed to the increase in revenues, a retained high gross margin and a moderate increase in operating expenses.

NINE-MONTH PERIOD: JANUARY-SEPTEMBER

Revenues rose by 12% compared with the first nine months of 2018 to SEK 312 million (277). Adjusted for currency effects, growth was 5%. However, the comparative period was positively affected by many customers' switch to Tobii Pro as supplier following Apple's acquisition of Tobii Pro's competitor SMI.

Gross margin was 75% (74%). Operating profit totaled SEK 34 million (21) and the EBIT margin was 11% (8%). The improved operating margin can be attributed to the increase in revenues, as well as a somewhat higher gross margin.

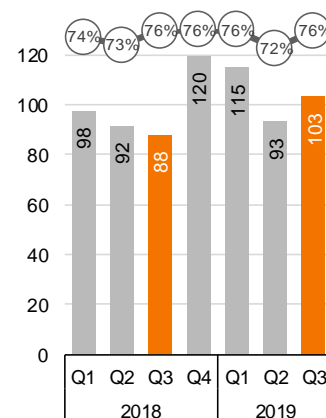
TRENDS AND DEVELOPMENTS

Market performance for eye-tracking solutions for behavioral research studies is good across the board, with continually increasing global demand. 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 better



Tobii Pro's eye-tracking solutions are used by NASA for training purposes.

NET SALES, SEK M, AND GROSS MARGIN



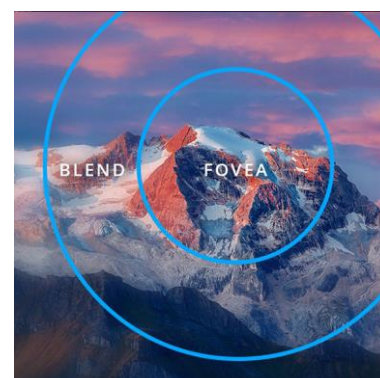
RESEARCH AND DEVELOPMENT, Q3

SEK m	2019	2018
Total R&D expenditures	-19	-21
Capitalization	11	14
Amortization	-8	-11
R&D expenses in the income statement	-17	-18

ease of use. 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.

Division Tobii Tech

Tobii Tech is the world's leading supplier of eye-tracking technology for integration into consumer electronics and other products. Customers are primarily found in the 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 revenues in the billions of SEK with good profitability. This development requires major investments in technology and market development. Tobii Tech has a financial target to reach profitability in 2021.



Tobii Spotlight Technology™ optimizes the ability to process just the graphics at the center of focus in high detail, which makes it possible to maximize graphics performance in Virtual Reality

KEY FIGURES

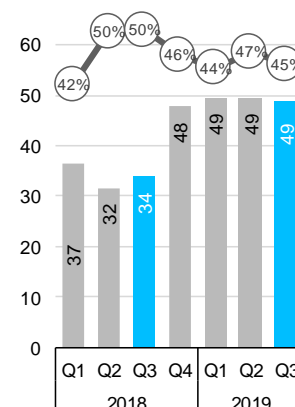
SEK m	Q3 2019	Q3 2018	Nine months 2019	Nine months 2018	Full year 2018
Net Sales	48.6	33.9	147.6	102.0	149.8
Gross margin	45 %	50 %	45 %	47 %	47 %
EBITDA	-65.3	-72.5	-200.8	-202.9	-267.1
EBITDA margin	-	-	-	-	-
Operating profit/loss (EBIT)	-73.0	-81.9	-224.3	-230.8	-304.7
EBIT margin	-	-	-	-	-

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

QUARTER: JULY-SEPTEMBER

- Dell's Alienware m15 and m17 gaming laptops started selling in volume during the quarter.
- At the Siggraph conference in July, Tobii Tech presented its [Spotlight technology](#). Spotlight optimizes the ability to process just the graphics at the center of focus in high detail, which makes it possible to maximize graphics performance. This is called "Foveated Rendering" and is on its way to becoming a standard in Virtual Reality.
- As was previously communicated, Tobii Tech has ongoing integration projects with a handful of customers in VR. During the quarter, the division took important steps forward in both ongoing projects and new collaborations.
- This quarter Tobii Tech participated in two major e-sport events, which exposed Tobii eye tracking to millions of e-sports fans. In addition, about 800 streamers used Tobii eye tracking to enhance the viewer experience during the quarter which generated about 11 million views.
- The most recent major game with support for Tobii eye tracking is Ghost Recon Breakpoint, which was released in September. In total, about 150 game titles have support for eye tracking.

NET SALES, SEK M, AND GROSS MARGIN



RESEARCH AND DEVELOPMENT, Q3

sek M	2019	2018
Total R&D expenditures	-64	-64
Capitalization	12	11
Amortization	-8	-9
R&D expenses in the income statement	-60	-62

Revenues rose by 44% compared with the third quarter of 2018 to SEK 49 million (34). Adjusted for currency effects, the change was 33%. External revenues increased by 101% and 86% adjusted for currency effects. This increase was driven by strong sales in the PC segment, while sales in the Niche applications and VR segments were lower this quarter. Internal revenues decreased to SEK 12 million (15), primarily due to the product transition to the new I-Series within Tobii Dynavox.

Gross margin was 45% (50%) where the decline relates to the changed product mix. Operating expenses were in line with the corresponding quarter the previous year and the operating loss was SEK -73 million (-82).

NINE-MONTH PERIOD: JANUARY-SEPTEMBER

Revenues rose by 45% compared with the first nine months of 2018 to SEK 148 million (102). Adjusted for currency effects, the increase was 32%. The corresponding increase for external revenues was 67%.

The gross margin was 45% (47%). The operating loss amounted to SEK -224 million (-231).

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 the Company believes that eye-tracking sensors will become standard in many products in the future, making it possible to provide more natural, intuitive, engaging and effective user experiences.

In computers, eye tracking offers benefits such as more intuitive interfaces, enhanced security, longer battery time and increased effectiveness. In gaming computers, eye tracking also allows enhanced gaming experiences with clear values in streaming, eSports broadcasting and as tools for game training. Industry collaboration and standardization, such as Intel's Project Athena, help to make Tobii Aware-like functionality, and in the long term, also eye tracking, standard features in computers. The Company addresses the market potential in PCs through a broad offering of Tobii Aware software, the Tobii Eye Tracker 4C gaming peripheral and the IS5 eye-tracking platform, which enables integration of eye tracking, such as in laptop computers.

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 30% to almost 8 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 a handful of headset manufacturers in projects at various stages of completion.

Tobii Group

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK m	Q3 2019	Q3 2018	Nine months 2019	Nine months 2018	Full year 2018
Continuing operations					
Net sales	359.5	312.9	1,068.4	913.3	1,277.8
Cost of goods and services sold	-112.2	-89.6	-334.6	-268.3	-376.0
Gross profit	247.3	223.3	733.8	645.1	901.8
Selling expenses	-147.8	-138.1	-440.8	-399.9	-549.6
Research and development expenses	-105.2	-110.2	-315.3	-316.6	-419.5
Administrative expenses	-35.9	-34.0	-111.6	-105.6	-145.8
Other operating income and operating expenses ¹	10.0	-0.7	16.5	21.0	24.3
Operating profit/loss	-31.6	-59.6	-117.5	-156.1	-188.8
Net financial items ²	5.0	-3.9	3.5	21.2	24.8
Profit/loss before tax	-26.6	-63.6	-114.0	-134.9	-164.0
Tax ³	-2.6	-4.6	-5.1	-5.6	-8.2
Net profit/loss for the period from continuing operations	-29.2	-68.2	-119.1	-140.5	-172.2
Discontinued operations					
Net profit/loss for the period from discontinued operations	-2.3	-	-3.6	-	-2.1
Net profit/loss for the period	-31.5	-68.2	-122.6	-140.5	-174.3
Other comprehensive income					
Items that may subsequently be reclassified to profit or loss for the period:					
Translation differences	-6.7	1.9	-8.0	-11.7	-18.9
Other comprehensive income for the period, net after tax	-6.7	1.9	-8.0	-11.7	-18.9
Total comprehensive income for the period	-38.2	-66.3	-130.6	-152.2	-193.2
Of which depreciation and amortization, continuing operations	-40.1	-37.7	-121.6	-114.6	-148.3
Of which write-down of non-current assets, continuing operations ⁴	-	-	-	-12.2	-12.2
Earnings per share, SEK	-0.32	-0.70	-1.24	-1.45	-1.79
Earnings per share, diluted, SEK	-0.32	-0.70	-1.24	-1.45	-1.79
Net profit/loss for the period attributable to:					
Parent company shareholders	-32.1	-68.3	-123.1	-140.7	-174.6
Non-controlling interests	0.6	0.1	0.4	0.3	0.3
Net profit/loss for the period	-31.5	-68.2	-122.6	-140.5	-174.3
Total comprehensive income for the period attributable to:					
Parent company shareholders	-38.8	-66.4	-131.1	-152.4	-193.5
Non-controlling interests	0.6	0.1	0.4	0.3	0.3
Total comprehensive income for the period	-38.2	-66.3	-130.6	-152.2	-193.2

For notes, refer to the following page.

- 1) Primarily foreign currency translation differences. In the first nine months 2018 an amount of SEK 12 million was recognized, relation to reversal of a contingent consideration.
- 2) Financial items include foreign currency translation differences totalling SEK 12 million (-4) for the third quarter 2019, SEK 21 million (20) for the first nine months and 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 nine months 2018 relate entirely to Goodwill originating from the Sticky acquisition.

CONDENSED CONSOLIDATED BALANCE SHEET

SEK m	Sept 30 2019	Sept 30 2018	Dec 31 2018
NON-CURRENT ASSETS			
Intangible assets	612.8	493.5	659.5
Tangible fixed assets	30.6	31.9	32.0
Right-of-use assets	107.6	-	-
Financial assets	86.0	92.1	88.9
Total non-current assets	837.1	617.5	780.4
CURRENT ASSETS			
Accounts receivable	231.5	175.7	206.5
Inventories	83.2	72.3	86.9
Other current receivables	76.7	61.5	58.7
Cash and cash equivalents	233.7	338.1	192.3
Assets held for sale	184.9	-	-
Total current assets	809.9	647.5	544.4
Total assets	1,647.0	1,265.0	1,324.8
SHAREHOLDERS' EQUITY			
Shareholders' equity, Parent Company shareholders	710.2	839.4	834.2
Non-controlling interests	1.3	0.7	0.8
Total shareholders' equity	711.4	840.2	835.0
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing loans	293.7	-	-
Leasing liabilities	75.5	-	-
Other non-current liabilities	115.5	86.4	107.0
Total non-current liabilities	484.7	86.4	107.0
CURRENT LIABILITIES			
Leasing liabilities	29.8	-	-
Other current liabilities	391.6	338.4	382.8
Liabilities directly related to assets held for sale	29.5	-	-
Total current liabilities	450.9	338.4	382.8
Total liabilities	935.5	424.8	489.8
Total equity and liabilities	1,647.0	1,265.0	1,324.8

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to Parent Company shareholders

SEK m	Share capital	Other contributed capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
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			-11.7	-140.7	-152.5	0.3	-152.2
New share issue, exercise of warrants incentive programs		6.7			6.7		6.7
Sale of warrants, incentive programs		5.9			5.9		5.9
Share based payments settled using equity instruments				0.9	0.9		0.9
Closing balance, September 30, 2018	0.7	1,594.1	2.0	-757.2	839.5	0.7	840.2
Comprehensive income for the period			-7.2	-33.9	-41.0	0.1	-41.0
New share issue, exercise of warrants incentive programs		34.5			34.6		34.6
Sale of warrants, incentive programs		0.7			0.7		0.7
Share based payments settled using equity instruments				0.6	0.6		0.6
Closing balance, Dec 31, 2018	0.7	1,629.3	-5.3	-790.6	834.2	0.7	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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Q3 2019	Q3 2018	Nine months 2019	Nine months 2018	Full year 2018
Cash flow from operating activities					
Profit/loss after financial items, continuing operations	-26.0	-63.6	-114.0	-134.9	-163.8
Profit/loss discontinued operations	-2.3	-	-3.6	-	-2.1
Adjustment for items not included in the cash flow	30.7	44.5	115.5	107.3	147.2
Taxes paid	-0.5	0.0	-1.1	-2.0	-2.2
Cash flow from operating activities before change in working capital	1.9	-19.1	-3.1	-29.6	-20.9
Cash flow from change in working capital	-8.9	-3.8	-61.0	-10.1	7.8
Cash flow from operating activities	-7.0	-22.9	-64.1	-39.8	-13.0
Investments					
Continuous investments					
Investments in intangible, tangible and financial fixed assets	-53.6	-48.4	-176.8	-158.0	-224.5
Cash flow after continuous investments	-60.6	-71.3	-240.9	-197.7	-237.5
Business combinations	-0.6	-3.2	-1.4	-18.2	-158.8
Cash flow after investments	-61.1	-74.4	-242.3	-215.9	-396.3
Bond issue	-	-	293.2	-	-
Sale/exercise of warrants, incentive program	-	6.7	5.6	12.5	47.8
Cash flow from financing activities	-	6.7	298.8	12.5	47.8
Cash flow for the period	-61.1	-67.7	56.5	-203.3	-348.5
Foreign currency translation, cash and cash equivalents	4.4	-1.1	8.3	4.7	4.0
Cash and cash equivalents at the beginning of the period	313.8	406.8	192.3	536.8	536.8
Cash and cash equivalents at the end of the period *	257.1	338.1	257.1	338.1	192.3
<i>* Of which cash and cash equivalents Assets held for sale</i>	23.4		23.4		

REVENUE DISAGGREGATION

SEK m	Q3 2019	Q3 2018	Nine months 2019	Nine months 2018	Full year 2018
REVENUE BY PRODUCT CATEGORY					
Goods	316.1	272.1	941.3	795.3	1,113.3
Services	37.9	38.1	114.8	107.9	151.6
Royalties	5.5	2.7	12.3	10.1	12.9
Total revenues	359.5	312.9	1,068.4	913.3	1,277.8
REVENUE BY TIMING CATEGORY					
At a point in time	338.4	293.9	1,008.1	858.2	1,203.1
Over time	21.1	19.1	60.3	55.1	74.7
Total revenues	359.5	312.9	1,068.4	913.3	1,277.8
REVENUE BY GEOGRAPHIC MARKET					
Europe	57.4	64.5	206.0	194.9	280.7
North America	224.2	189.1	647.1	539.2	753.9
Other countries	78.0	59.3	215.4	179.2	243.3
Total revenues	359.5	312.9	1,068.4	913.9	1,277.8

CONSOLIDATED KEY RATIOS

	Q3 2019	Q3 2018	Nine months 2019	Nine months 2018	Full year 2018
Earnings per share, SEK	-0.32	-0.70	-1.24	-1.45	-1.79
Earnings per share, diluted ¹⁾ , SEK	-0.32	-0.70	-1.24	-1.45	-1.79
Equity per share, SEK	7.2	8.6	7.2	8.6	8.5
EBITDA, continuing operations, SEK m	8.4	-22.0	4.2	-29.3	-28.2
EBITDA continuing operations; IFRS 16 Leasing excluded	1.5	-22.0	-16.8	-29.3	-28.2
EBIT, continuing operations, SEK m	-31.6	-59.6	-117.5	-156.1	-188.8
Cash flow from operating activities, SEK m	-7.0	-22.9	-64.1	-39.8	-13.0
Cash flow after continuous investments, SEK m	-60.6	-71.3	-240.9	-197.7	-237.5
Working capital, SEK m ¹⁾	-0.2	-28.7	-0.2	-28.7	-30.4
Total assets, SEK m	1,647.0	1,265.0	1,647.0	1,265.0	1,324.8
Net cash(+)/net debt (-), SEK m ¹⁾	-165.2	338.1	-165.2	338.1	192.3
Net cash(+)/net debt (-); IFRS 16 Leasing excluded, SEK m ¹⁾	-60.0	338.1	-60.0	338.1	192.3
Equity, SEK m	711.4	840.2	711.4	840.2	835.0
Average equity, SEK m	726.7	861.8	774.3	905.1	889.9
Equity/assets ratio, %	43.2	66.4	43.2	66.4	63.0
Equity/assets ratio; IFRS 16 Leasing excluded, %	46.2	66.4	46.2	66.4	63.0
Debt/equity, %	56.1	-	56.1	-	-
Debt/equity; IFRS 16 Leasing excluded, %	41.3	-	41.3	-	-
Gross margin, continuing operations, %	68.8	71.4	68.7	70.6	70.6
EBITDA margin, continuing operations, %	2.3	-7.0	0.4	-3.2	-2.2
EBITDA margin continuing operations; IFRS 16 Leasing excluded, %	0.4	-7.0	-1.6	-3.2	-2.2
Operating margin, continuing operations, %	-8.8	-19.1	-11.0	-17.1	-14.8
Return on total equity, %	-4.3	-7.9	-15.8	-15.5	-19.6
Average number of outstanding shares after dilution, million	98.9	97.3	98.9	97.3	97.6
Average number of outstanding shares, million	99.5	99.4	99.3	98.9	97.8
Number of outstanding shares at period end, million	98.9	97.4	98.9	97.4	98.9
Number of outstanding shares after dilution at period end, million	99.5	99.0	99.5	99.0	99.2
Average number of employees	996	925	1,003	900	917

¹⁾ As at September 30, 2019, excluding assets held for sale and related liabilities

1) The 2019 Annual General Meeting resolved to implement a new long-term incentive program, LTI 2019, and to issue a maximum of 1,260,000 warrants. 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 41.70 during a fixed period in 2022/2023. There are a total of 660,000 warrants outstanding in this series. Series 2 entitles the warrant holder to subscribe for one Tobii AB share at a price of SEK 34.80 during a fixed period in 2020/2029. There are a total of 178,500 warrants outstanding in this series. On September 30, 2019, a total of 3.9 million warrants were outstanding, which is an increase of 1.0 million since the end of 2018 because of the issuance of warrants within the framework of LTI 2019. The dilution effect of warrants in all of the Company's incentive programs and maximum issuance under LTI 2019 corresponds to a maximum of approximately 3.9%.

2) Other operating income of SEK 12 million relates to the reversal of the contingent consideration recognized during the first half of 2018.

QUARTERLY DATA PER DIVISION AND FOR THE GROUP

DATA PRESENTED IS FOR CONTINUING OPERATIONS, UNLESS OTHERWISE STATED

	2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NET SALES, SEK m								
Tobii Dynavox	175.1	198.9	206.6	217.0	215.1	221.2	219.1	
Tobii Pro	97.5	91.8	87.9	119.5	115.1	93.1	103.3	
Tobii Tech*	36.5	31.6	33.9	47.8	49.5	49.4	48.6	
Eliminations and other	-15.2	-15.7	-15.4	-19.9	-17.1	-17.6	-11.5	
The Group	293.9	306.5	312.9	364.5	362.7	346.2	359.5	
*) Of which internal sales to Tobii Dynavox och Tobii Pro	15.2	15.7	15.4	19.9	17.1	17.6	11.5	
GROSS MARGIN, %								
Tobii Dynavox	67.9	66.8	67.6	66.0	63.4	67.3	67.6	
Tobii Pro	74.4	72.5	75.8	76.4	76.0	71.8	75.8	
Tobii Tech	41.7	50.0	50.3	46.4	44.3	46.9	44.9	
The Group	70.3	70.2	71.4	70.5	67.8	69.5	68.8	
EBITDA, SEK								
Tobii Dynavox	31.1	38.9	34.8	33.1	35.4	42.1	45.8	
Tobii Pro ²	38.7	14.3	15.7	32.2	30.0	6.3	22.1	
Tobii Tech	-57.4	-73.0	-72.5	-64.3	-70.0	-65.5	-65.3	
Eliminations and other ¹	0.0	0.0	0.0	0.0	8.3	9.2	5.8	
The Group ¹	12.5	-19.8	-22.0	1.1	3.6	-7.9	8.4	
EBIT, SEK m								
Tobii Dynavox	14.2	21.6	18.0	17.1	17.2	24.9	29.8	
Tobii Pro	15.3	1.4	4.2	24.0	23.0	-2.5	13.1	
Tobii Tech	-66.5	-82.5	-81.9	-73.8	-79.6	-71.6	-73.0	
Eliminations and other ¹	0.0	0.0	0.0	0.0	1.0	1.8	-1.5	
The Group ¹	-37.0	-59.5	-59.6	-32.7	-38.3	-47.5	-31.6	
OPERATING MARGIN, %								
Tobii Dynavox	8.1	10.8	8.7	7.9	8.0	11.3	13.6	
Tobii Pro	15.7	1.6	4.8	20.1	20.0	-2.7	12.7	
Tobii Tech	-	-	-	-	-	-	-	
The Group	-12.6	-19.4	-19.1	-9.0	-10.6	-13.7	-8.8	
PROFIT/LOSS BEFORE TAX, SEK m								
The Group	-30.4	-40.9	-63.6	-29.1	-31.5	-55.9	-26.6	
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	

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), primarily focuses on Group-wide services such as over-arching management, business and funding, legal affairs and IT. The focus of 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 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 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 revenues during the third quarter totaled SEK 17 million (209) and the operating profit/loss was SEK -3 million (68). Revenues for the nine-month period amounted to SEK 84 million (604) and operating loss to SEK -3 million (-182). At the end of the period, the Parent Company had SEK 109 million (230) in cash and cash equivalents.

CONDENSED PARENT COMPANY INCOME STATEMENT

SEK m	Q3 2019	Q3 2018	Nine months 2019	Nine months 2018	Full year 2018
Net sales	16.9	208.7	84.1	604.4	849.4
Cost of goods and services sold	-4.3	-86.8	-17.5	-260.4	-374.0
Gross profit	12.6	122.0	66.6	343.9	475.4
Selling expenses	3.3	-52.9	0.7	-149.1	-206.3
Research and development expenses	1.9	-111.4	-1.2	-312.2	-415.1
Administrative expenses	-20.7	-25.3	-70.9	-87.1	-129.3
Other operating income and operating expenses	0.2	-0.4	1.4	22.7	26.4
Operating profit/loss	-2.6	-68.0	-3.4	-181.9	-249.0
Financial items	-5.0	0.5	-11.5	33.6	42.6
Profit/loss before tax	-7.6	-67.5	-14.9	-148.3	-206.3
Tax	0.1	-4.2	0.4	-4.2	-4.2
Profit/loss after tax	-7.5	-71.7	-14.4	-152.5	-212.8
Depreciation and amortization, total	-1.0	-34.7	-3.1	-113.8	-152.8

CONDENSED PARENT COMPANY BALANCE SHEET

SEK m	Sept 30 2019	Sept 30 2018	Dec 31 2018
NON-CURRENT ASSETS			
Intangible assets	39.3	411.8	434.5
Tangible fixed assets	0.9	6.0	5.0
Financial assets	1,362.2	532.0	671.8
Total non-current assets	1,402.4	949.8	1,111.3
CURRENT ASSETS			
Accounts receivable	56.6	111.3	99.8
Inventories	0.1	37.7	36.7
Other current receivables	26.2	59.8	83.1
Cash and bank balances	109.6	230.5	92.0
Total current assets	192.6	439.3	311.6
Total assets	1,595.0	1,389.0	1,422.9
SHAREHOLDERS' EQUITY			
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	329.8	-	5.1
Other non-current liabilities	9.8	13.9	23.8
Total non-current liabilities	339.6	13.9	29.0
CURRENT LIABILITIES			
Other current liabilities	113.7	200.7	244.0
Total current liabilities	113.7	200.7	244.0
Total liabilities	453.3	214.7	272.9
Total equity and liabilities	1,595.0	1,389.0	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 above.

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 maturity 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, will be 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

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 has joined Tobii as

employees. The total consideration amounts to SEK 2.8 million, consisting of SEK 0.8 million in cash payment, forgiveness of certain receivables and a contingent consideration.

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 was intended to complement the Tobii Dynavox product portfolio, strengthen the sales presence in important geographic markets and accelerate the rate of innovation. The British competition regulator CMA has conducted an investigation of the effects of the acquisition, and in August 2019 announced that Tobii shall divest Smartbox. Tobii has appealed the decision made by CMA, but a divestiture process has also been initiated.

Note 3. Financial Instruments

SEK m	Sept 30 2019		Sept 30 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	293.7	300.0	-	-	-	-
Financial liabilities measured at fair value						
Contingent considerations	13.4	13.4	6.6	6.6	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 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 valued at a fair value of SEK 2.8 million as of September 30, 2019 after changes in the third quarter based on a payment of SEK 0.6 million and reversal of SEK 2.6 million recognized as other operating income, since grounds for payment are no longer present. The conditional consideration for Smartbox Assistive Technology Ltd is measured at a fair value of SEK 9.7 million. The

table below shows the change in fair value of the item during the period.

Change in contingent consideration

SEK m	Sept 30 2019
Opening balance January 1, 2019	15.0
Acquisitions during the year	0.9
Payments	-0.6
Change in fair value reported as other operational income/loss	-2.6
Translation differences	0.7
Closing balance September 30, 2019	13.4

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, i.e. during the first nine months of 2018, related to the Sticky acquisition, resulted in an impairment 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 nine months 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	Q3 2019	Q3 2018	Nine month s 2019	Nine month s 2018	Full year 2018
Operating profit/loss before depreciation, amortization and impairment, (EBITDA)	8.4	-22.0	4.2	-29.3	-28.2
Amortization and impairment	-29.0	-32.5	-87.2	-111.1	-139.8
Depreciation	-11.1	-5.1	-34.4	-15.7	-20.8
<i>of which Right-of-use assets (IFRS 16 Leasing)</i>	-7.0	-	-21.0	-	-
Operating profit/loss (EBIT)	-31.6	-59.6	-117.5	-156.1	-188.8

Danderyd, October 24, 2019

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
CEO

This report has been subject to limited review by the Company's auditors.

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 October 24, 2019.

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. (CEST). See tobii.com for conference details. The slides from the presentation will be available for download from the website afterwards.

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FINANCIAL CALENDAR

Year End report 2020	February 6, 2020
Interim Report Q1, 2020	April 29, 2020
AGM, 2020	May 12, 2020