



“Strong sales growth for Tobii Tech and important customer launches”

**Henrik Eskilsson
CEO**

Interim report Q2 January–June 2019

Photo: VR and eye tracking are used to streamline education in a variety of activities and industries

SECOND QUARTER APRIL–JUNE

- The Group's net sales increased by 21% to SEK 372 million (307) compared with the first quarter of 2018. Adjusted for currency effects, the increase was 13%.
- The gross margin was 69% (70%).
- The Group's operating loss amounted to SEK -51 million (-59). Tobii Dynavox contributed SEK 21 million (22) and Tobii Pro SEK -3 million (1) to earnings, while investments in Tobii Tech had an impact of SEK -72 million (-82) on the Group's operating loss.
- Earnings per share amounted to SEK -0.59 (-0.41).
- The Group has applied IFRS 16 Leases since January 1. This has had a positive impact in the second quarter of SEK 7 million on consolidated EBITDA and SEK 1 million on EBIT. Please see the tables on page 17 for more information.

SIGNIFICANT EVENTS

- Dell launched its Alienware m15 and m17 gaming laptops with integrated eye tracking from Tobii.
- Qualcomm launched its new Smart Viewer reference design with integrated eye-tracking technology from Tobii.
- The British competition regulator CMA announced the provisional findings of its investigation of the Smartbox acquisition and continues to hold the position that the acquisition may result in a lessening of competition in the UK.
- After the end of the quarter the Company announced that Anand Srivatsa joins Tobii as the new CEO of the Tobii Tech division.
- At the Annual General Meeting of Shareholders, Jörgen Lantto and Mårten Skogö were elected to serve as new members of the Board of Directors.

FINANCIAL OVERVIEW

SEK m (except for earnings per share)	Q2 2019	Q2 2018	Change	Currency adjusted change	Half year 2019	Half year 2018	Change	Currency adjusted change	Full year 2018
NET SALES									
Tobii Dynavox ¹⁾	246.9	198.9	24 %	3% ¹⁾	492.4	374.0	32 %	7% ¹⁾	822.0
Tobii Pro	93.1	91.8	1 %	-5 %	208.2	189.3	10 %	3 %	396.6
Tobii Tech	49.4	31.6	56 %	50 %	98.9	68.1	45 %	32 %	149.8
Eliminations and other, net	-17.6	-15.7	-	-	-34.6	-31.0	-	-	-66.2
Total	371.9	306.5	21 %	13 %	765.0	600.4	27 %	17 %	1,302.2
OPERATING PROFIT/LOSS (EBIT)									
Tobii Dynavox	21.4	21.6	-1 %	-8 %	40.0	35.7	12 %	-12 %	69.0
Tobii Pro	-2.5	1.4	-278 %	-187 %	20.5	16.7	22 %	-4 %	44.9
Tobii Tech	-71.6	-82.5	-	-	-151.2	-148.9	-	-	-304.7
Other	1.8	0.0	-	-	2.8	0.0	-	-	0.1
Total	-51.0	-59.5	-	-	-87.9	-96.4	-	-	-190.7
Earnings per share (SEK)	-0.59	-0.41			-0.92	-0.74			-1.79

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

Comments from the CEO

Sales in the quarter increased 21 percent, or 13 percent adjusted for currency effects, compared to the second quarter of 2018. External sales in Tobii Tech grew by 87% and we have in the quarter seen several interesting initiatives and launches related to eye tracking from important players in the ecosystem.

Tobii Dynavox grew sales with 24% compared with the second quarter of 2018. The increase can be attributed to the acquisition of Smartbox, favorable currency effects and robust underlying demand, but was offset by delays in our administrative process of handling customer funding cases together with insurance companies in the US. Adjusted for acquisitions and currency effects, sales growth was 3 percent in the second quarter and 7 percent for the first half of the year. The value of ongoing, but not completed, customer funding cases during the quarter increased by over 10%, corresponding to about SEK 15 million. I expect that both this backlog of customer funding cases and the flow in our process will normalize during the second half of the year.

Investments in product and market development continue. We have several important products under development and during the quarter we trained an additional approximately 9,000 prescribers, therapists and other key individuals worldwide.

On May 30 the UK Competition and Markets Authority (CMA) announced its provisional findings from the second phase of the investigation regarding our acquisition of Smartbox. In summary, the CMA continues to hold the position that the acquisition of Smartbox may result in a reduction of competition in the UK. On the contrary, Tobii believes that the acquisition benefits users. We expect more information from CMA in late July and work with several scenarios and action plans in parallel.

In the last two quarters, **Tobii Pro** has delivered strong results, but this quarter was weaker. Sales growth was 1 percent compared with the second quarter the previous year and -5 percent adjusted for currency effects. The second quarter is usually seasonally weaker for Tobii Pro, but this quarter's low sales growth is mainly attributed to an increased order backlog since a larger proportion of the orders consisted of services and larger solutions with longer delivery times. In addition, we saw lower order income in certain geographic regions. Naturally we are not satisfied with the result, but remain positive about the market development and opportunities for Tobii Pro.

In order to provide better support to our customers we launched an updated version of Tobii Pro Lab during the quarter, with increased support for website studies. We also adapted Tobii Pro's VR Analytics software to work together with HTC Vive Pro Eye. We are maintaining a high rate of investment in product development and look forward to several important product launches.

Tobii Pro has also continued to strengthen its local presence and opened a new sales office in Chile to more pro-actively address the Latin American market.

In **Tobii Tech**, sales to external customers increased by 87 percent, and by 50 percent overall, adjusted for currency effects. The primary focus is on the three segments PC, VR and Niche Applications.

At the Computex trade show Dell launched its Alienware m15 and m17 gaming laptops with integrated eye tracking from Tobii, which means that Tobii's IS5 eye-tracking platform is now integrated in the entire Alienware family of next-generation gaming laptops. At the same trade show Intel launched the specifications for "Project Athena", the next generation of ultraportable laptops, where advanced sensor technologies are key components for making laptops more intuitive and user-friendly. This is of course positive for our business opportunities in PC, both for our Tobii Aware software and for our eye-tracking sensors.

HTC's new VR headset Vive Pro Eye, with built-in eye tracking from Tobii, started selling during the quarter. Qualcomm also launched its new Smart Viewer reference design in which Tobii's eye-tracking technology is integrated, contributing to an enhanced user experience and lower energy consumption using "foveated rendering". As previously announced, we have ongoing integration projects with a handful of customers in VR. During the quarter, Tobii took important steps forward in the field with one new design win and good progress in ongoing collaborations.



Henrik Eskilsson
President and CEO, Tobii

In Niche Applications we received a couple of new design wins during the quarter. Sales in this segment is rising sharply, and the segment contributes positively to the result of the division.

I am very happy to welcome Anand Srivatsa as the new Division CEO of Tobii Tech. Anand has an excellent background for taking over the helm at Tobii Tech and continuing to achieve strong growth in this division. Anand worked most recently at Intel, where he was Vice President and General Manager of Intel's entire Desktop, Systems and Channels Group.

In summary, we saw a continued sales increase for the Group and I am especially pleased with the increased external sales of Tobii Tech. Overall, the trends are also truly positive for eye tracking, which has been particularly apparent during the quarter in relation to PC and VR in Tobii Tech. I am however not satisfied with the result for Tobii Pro, although we have a robust underlying demand and an increased backlog of orders. I also strongly feel that Anand Srivatsa will be the perfect addition to strengthen the Group Management and I look forward to once again being able to fully devote myself to the Tobii Group as a whole.

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 sales of SEK 1,302 million for full year 2018. Tobii Group's financial target is to reach profitability in 2020.

QUARTER: APRIL-JUNE

Sales

The Group's net sales rose 21% in the second quarter and totaled SEK 372 million (307) mainly driven by Tobii Tech and Tobii Dynavox. Adjusted for currency effects, the increase was 13%. Tobii Dynavox contributed SEK 247 million, Tobii Pro SEK 93 million and Tobii Tech SEK 49 million.

The North American market accounted for 60% (62%) of consolidated sales, the European market 25% (21%), and the rest of the world 15% (18%).

Earnings

The Group's gross margin was 69% (70%). The operating loss amounted to SEK -51 million (-59) and operating margin to -14% (-19%). Tobii Dynavox contributed SEK 21 million (22) and Tobii Pro SEK -3 million (1), while investments in Tobii Tech had a negative impact of SEK -72 million (-82) on the Group's operating loss. Non-recurring costs of SEK 8 million had a negative impact on the operating loss, attributable to Tobii Dynavox and the acquisition of Smartbox.

EBITDA was SEK -9 million (-20). 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 -59 million (-41). Net financial items totaled SEK -7 million (18). Net loss was SEK -59 million (-41) and earnings per share reached SEK -0.59 (-0.41).

Cash flow, liquidity and financial position

Cash flow from operating activities before changes in working capital amounted to SEK -11 million (-15). The change in working capital had a negative impact on cash flow of SEK -8 million (16).

Investing activities amounted to SEK 62 million (62), of which SEK 59 million (53) related to capitalization of R&D. Cash flow after continuous investments was SEK -81 million (-62) for the second quarter. Acquisitions had an impact on cash during the quarter of SEK -1 million (-24).

At the close of the period, the Group had SEK 314 million (407) in net cash.

Personnel

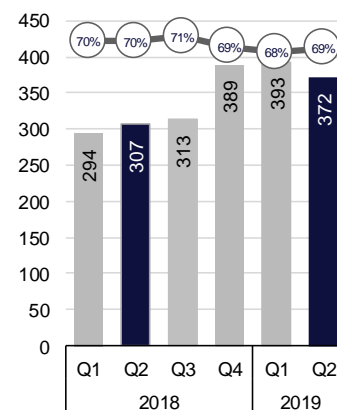
The number of employees recalculated to full-time equivalents at the close of the period was 1,001 (929), which can be compared with 1,014 at the end of 2018. The increase compared with the second quarter of 2018 is mainly due to the acquisition of Smartbox and to the expansion of the R&D, sales and marketing organizations.

2019 Annual General Meeting

Tobii's Annual General Meeting, which was held on May 9 in Stockholm, resolved on the following:

- Jörgen Lantto and Mårten Skogö were elected to serve as new members of the Board of Directors and John Elvessjö was not at disposal for re-election. The other members of the Board were re-elected, and Kent Sander was also re-elected to serve as chairman of the Board. PricewaterhouseCoopers AB was re-elected to serve as the Company's auditor.

NET SALES, SEK M, AND GROSS MARGIN



RESEARCH AND DEVELOPMENT, Q2

SEK m	2019	2018
Total R&D expenditures	-133	-130
Capitalization	59	53
Amortization	-28	-34
R&D expenses in the income statement	-103	-110

- The Annual General Meeting resolved in accordance with the Board's proposal for guidelines for determining remuneration and other terms of employment for senior executives.
- The Meeting authorized the Board of Directors to decide on the issue of new shares up to 10% of the number of outstanding shares in order to facilitate acquisitions of companies or products.
- The Meeting adopted the Board's proposal regarding the introduction of a new long-term incentive program for employees and consultants with employment-like terms within the Tobii Group.

Please see the [bulletin from the Annual General Meeting](#) for more information.

SIX-MONTH PERIOD: JANUARY-JUNE

Sales

The Group's net sales for the first six months of 2019 rose year-over-year by 27% to SEK 765 million (600). Adjusted for currency effects, the increase was 17%. The increase can be attributed to growth in all three divisions as well as acquisitions.

During the period, the North American market accounted for 55% (58%) of the Group's sales, the European market for 27% (22%), and the rest of the world for 18% (20%).

Performance

The Group's gross margin was 68% (70%). The operating loss for the Group was SEK -88 million (-96) and the operating margin was -11% (-16%). Tobii Dynavox contributed SEK 40 million (36) and Tobii Pro SEK 20 million (17), while investments in Tobii Tech had a negative impact of SEK -151 million (-149) on the Group's operating loss. Non-recurring costs of SEK 17 million had a negative impact on the operating loss, primarily attributable to Tobii Dynavox and the acquisition of Smartbox.

EBITDA was SEK -2 million (-7).

Pretax loss was SEK -89 million, compared with SEK -71 million in the corresponding period in 2018. Net financial items totaled SEK -1 million (25), where the comparative period in 2018 was impacted by the positive currency effects on the Group's dollar-denominated (USD) financial assets.

The net loss was SEK -91 million (-72) and the loss per share amounted to SEK -0.92, compared with SEK -0.74 in the corresponding period in 2018.

Cash flow, liquidity and financial position

Cash flow after continuous investments was SEK -180 million (-127). Cash flow from operations totaled SEK -5 million (-11), while the change in working capital had a negative effect of SEK -52 million (-6). Investing activities increased by SEK 13 million to SEK 123 million, of which SEK 116 million related to capitalization of R&D. The issuance of bonds by the Company had a positive impact of SEK 293 million (-) on cash flow from financing activities.

EVENTS AFTER THE END OF THE PERIOD

Tobii announced that Anand Srivatsa will be the new Division CEO of Tobii Tech. He is replacing Henrik Eskilsson, who has temporarily served in this capacity in parallel with his position as CEO of the Tobii Group, to which he will now be able to dedicate his full attention.

Anand worked most recently at Intel, where he was General Manager for Intel's Desktop, Systems and Channel Groups, which will enable him to contribute with important knowledge and contacts both from the ecosystem and the customer base. The organizational change will become effective on August 12, 2019

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

KEY FIGURES

SEK m	Q2 2019	Q2 2018	Half year 2019	Half year 2018	Full year 2018
Net Sales	246.9	198.9	492.4	374.0	822.0
Gross margin	66 %	67 %	65 %	67 %	66 %
EBITDA	40.6	38.9	79.5	70.1	138.7
EBITDA margin	16 %	20 %	16 %	19 %	17 %
Operating profit/loss (EBIT)	21.4	21.6	40.0	35.7	69.0
EBIT margin	9 %	11 %	8 %	10 %	8 %

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 APRIL-JUNE

- Tobii Dynavox continued its major training initiatives for key individuals such as therapists and prescribers and trained about 9,000 people during the under quarter.
- During the second quarter Tobii Dynavox gave about 7,000 people a new voice through apps and communication devices, representing a growth of about 6% compared to the corresponding quarter in 2018.
- The Snap communication software was upgraded and now supports 13 different languages.
- [Smartbox Assistive Technology Ltd.](#) was acquired in 2018 and is consolidated in Tobii Dynavox's second-quarter earnings. On May 30, the CMA announced its provisional findings from the second phase of the investigation. In summary, the CMA continues to hold the position that the acquisition of Smartbox may result in a reduction of competition in the UK. Tobii is cooperating with the CMA but continues to believe that the acquisition does not inhibit competition, but rather the opposite that it benefits users. The CMA is expected to provide more information at the end of July and Tobii works with several scenarios and action plans in parallel.

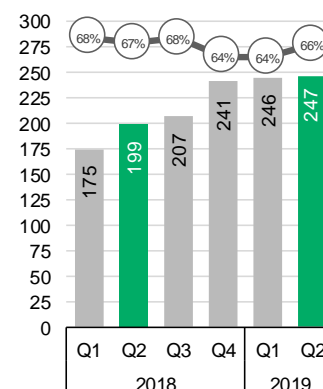
Net sales rose by 24% compared with the first quarter of 2018 to SEK 247 million (199). The increase can be attributed to the acquisition of Smartbox, favorable currency effects and robust underlying demand for touchscreen-based and eye-controlled products in both the US and Europe, but was offset by delays in our administrative process of handling customer funding cases together with insurance companies in the US. Adjusted for acquisitions and currency effects, sales growth was 3 percent in the second quarter. The value of ongoing, but not completed, customer funding cases during the quarter increased by over 10%, corresponding to about SEK 15 million. The Company expects that both this backlog of customer funding cases and the flow in its process will normalize during the second half of the year.

The gross margin was 66% (67%). The expected synergies that could not be achieved because of the delayed integration Smartbox contributed to this decline. Operating profit totaled SEK 21 million (22) and the operating margin was 9% (11%). After adjustments for non-recurring costs of about SEK 8 million, mainly related to the acquisition, the operating margin was 12% (11%).



An eye-controlled computer has provided 19-year old Sebastian Jansson, who has cerebral palsy, with invaluable potential to live a more independent life as he reaches adulthood – and to be seen as the smart individual that he is. In June 2019 Sebastian graduated from high school. Shown here with Fredrik Ruben, Division CEO of Tobii Dynavox.

NET SALES, SEK M, AND GROSS MARGIN



RESEARCH AND DEVELOPMENT, Q2

SEK m	2019	2018
Total R&D expenditures	-40	-34
Capitalization	24	21
Amortization	-14	-13
R&D expenses in the income statement	-30	-27

SIX-MONTH PERIOD: JANUARY-JUNE

Net sales rose by 32% compared with the first half of 2018 to SEK 492 million (374). The increase can be attributed to the acquisition of Smartbox, favorable currency effects and robust underlying demand for touchscreen-based and eye-controlled products in both the US and Europe, but was during the second quarter offset by delays in our administrative procedures of customer funding cases investigated together with insurance companies in the US. Adjusted for currency effects and acquisitions, sales increased by 7%. The value of ongoing, but not completed, customer funding cases during the period increased by over 10%, corresponding to about SEK 15 million.

The gross margin was 65% (67%). The reduction is primarily attributable to changes in the product mix and acquisitions. Operating profit totaled SEK 40 million (36) and the operating margin was 8% (10%). After adjustments for non-recurring costs of about SEK 16 million, mainly related to the acquisition, operating margin was 11% (10%).

TRENDS AND DEVELOPMENTS

Tobii Dynavox aims to ensure that many more people with disabilities will gain access to assistive technology for communication and is working to expand by strengthening both its product offering and its sales organization. This expansion is taking place both organically and through acquisitions. Tobii Dynavox is also developing the market and generating increased demand for its products through extensive education initiatives of therapists and prescribers and by generally increasing the 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 over a long period of time.

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 Microsoft, 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	Q2 2019	Q2 2018	Half year 2019	Half year 2018	Full year 2018
Net Sales	93.1	91.8	208.2	189.3	396.6
Gross margin	72 %	73 %	74 %	73 %	75 %
EBITDA	6.3	14.3	36.3	52.9	100.8
EBITDA margin	7 %	16 %	17 %	28 %	25 %
Operating profit/loss (EBIT)	-2.5	1.4	20.5	16.7	44.9
EBIT margin	-3 %	2 %	10 %	9 %	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: APRIL–JUNE

- A new version of the analytical software application [Tobii Pro Lab](#) was launched to now enable effective studies of websites.
- Tobii Pro launched an upgraded version of Tobii Pro VR Analytics with support for the recently launched HTC Vive Pro Eye. The software makes it possible to collect and analyze eye-tracking data from 3D environments and can be used for purposes such as evaluating product designs, streamlining market research and for training programs.
- Tobii Pro opened a new sales office in Santiago, Chile, to be able to more proactively address the Latin American market. At the same time, Tobii Pro took over parts of the staff and purchased some of the assets from former reseller Eye On Media.

Net sales rose by 1% compared with the first quarter of 2018 to SEK 93 million (92). Adjusted for currency effects, the change was -5%. The second quarter is usually seasonally weaker for Tobii Pro, but this quarter's weak sales is mainly attributed to an increased order backlog since a larger proportion of the orders consisted of services and larger solutions with longer delivery times. In addition, Tobii Pro saw lower order entry in certain geographic regions. Sales to academic customers have slowed somewhat during the quarter because of Brexit-related uncertainty relating to EU funds for research in the UK.

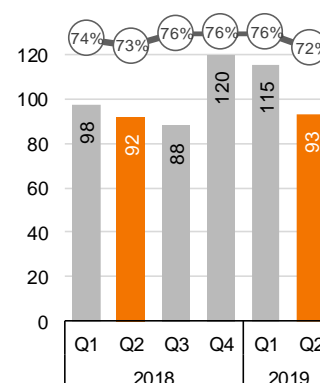
The gross margin was 72% (73%). The percentage of product sales was lower than usual during the quarter and the percentage of service sales was higher than usual, resulting in a lower gross margin than the division has reported the past quarters. The operating loss totaled SEK -3 million (1) and the operating margin was -3% (2%). The seasonal pattern of the business, with a weaker second quarter, has thus been repeated. Operating expenses grew in relation to the comparative quarter as a result of increased investments in product development and the sales organization, as well as through the Acuity acquisition in 2018, but they have leveled off over the past two quarters.

SIX-MONTH PERIOD: JANUARY-JUNE

Sales increased by 10% compared with the first half of 2018 to SEK 208 million (189). Adjusted for currency effects, growth was 3%. The lower sales growth in the period is mainly attributed to an increased order backlog in the second quarter since a larger proportion of the orders consisted of services and larger solutions with longer delivery times. In addition, Tobii Pro saw lower order entry in certain geographic regions.



NET SALES, SEK M, AND GROSS MARGIN



RESEARCH AND DEVELOPMENT, Q2

SEK m	2019	2018
Total R&D expenditures	-27	-24
Capitalization	18	18
Amortization	-8	-11
R&D expenses in the income statement	-18	-16

The gross margin was 74% (73%). Operating profit totaled SEK 20 million (17) and the operating margin was 10% (9%).

TRENDS AND DEVELOPMENTS

Market development for eye-tracking solutions for behavioral research studies is good across the board, with continually increasing demand worldwide. Researchers and companies in many different fields are demanding eye-tracking solutions that for instance help them to gain new insights, or that can contribute to safer, more efficient processes, increased profitability and improved ease of use of their products. Tobii Pro has chosen to address the three segments: Scientific Research, Professional Performance and Marketing Research and User Experience. The division is expanding by reaching new customers in current and new geographic locations and application areas, 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 both organically and through 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 objective is to maintain its world-leading position and in the long-term to achieve sales in the billions with good profitability. This development requires major investments in technology and market development. Tobii Tech has a financial target to reach profitability in 2021.



KEY FIGURES

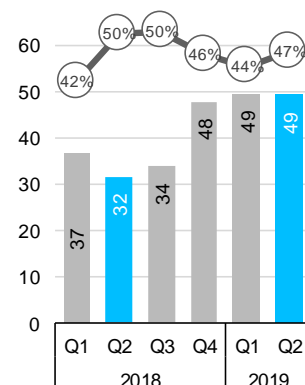
SEK m	Q2 2019	Q2 2018	Half year 2019	Half year 2018	Full year 2018
Net Sales	49.4	31.6	98.9	68.1	149.8
Gross margin	47 %	50 %	46 %	46 %	47 %
EBITDA	-65.5	-73.0	-135.5	-130.4	-267.1
EBITDA margin	-	-	-	-	-
Operating profit/loss (EBIT)	-71.6	-82.5	-151.2	-148.9	-304.7
EBIT margin	-	-	-	-	-

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: APRIL-JUNE

- At the Computex trade show Dell launched its Alienware m15 and m17 gaming laptops with integrated eye tracking from Tobii, which means that Tobii's IS5 platform is now integrated in the entire Alienware family of next-generation gaming laptops.
- Intel announced the first specifications for Project Athena regarding the next generation of ultraportable laptops where advanced sensor technologies are key components for making the laptops more intuitive and user-friendly. Tobii Aware software, and Tobii's complete eye-tracking sensors, are both examples of such sensor technologies.
- HTC's new VR headset Vive Pro Eye, with built-in eye tracking from Tobii, began selling during the quarter.
- At the Augmented World Expo, Qualcomm launched its new Smart Viewer reference design with integrated eye-tracking technology from Tobii. The Company's eye-tracking technology contributes to better graphics performance and lower energy consumption using "foveated rendering" and enhances the user experience through a more intuitive interface.
- As was previously communicated, Tobii has ongoing integration projects with a handful of customers in VR. During the quarter Tobii took important steps forward in the field through a new design win and good progress in ongoing collaborations.
- In Niche Applications, the Company received a several new design wins during the quarter, all in medical applications such as cognitive diagnostics. Sharply rising sales in this segment is contributing positively to the result of this division.

NET SALES, SEK M, AND GROSS MARGIN



RESEARCH AND DEVELOPMENT, Q2

sek M	2019	2018
Total R&D expenditures	-65	-72
Capitalization	17	15
Amortization	-6	-9
R&D expenses in the income statement	-55	-67

Net sales rose by 56% compared with the second quarter of 2018 to SEK 49 million (32). Adjusted for currency effects, the increase was 50%. External sales increased by 87% adjusted for currency effects, mainly driven by customers in the VR and Niche Applications segments.

The gross margin was 47% (50%). The operating loss was SEK -72 million (-82) and operating expenses were in line with the previous year.

SIX-MONTH PERIOD: JANUARY-JUNE

Net sales for the first six months of 2018 rose year-over-year by 45% to SEK 99 million (68). Adjusted for currency effects, the increase was 32%. The corresponding increase for external sales was 57%.

The gross margin was 46% (46%). The operating loss amounted to SEK -151 million (-149).

TRENDS AND DEVELOPMENTS

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

In computers, eye tracking enables more intuitive interfaces, enhanced security, longer battery time and increased efficiency. In gaming, eye tracking also enables enhanced gaming experiences with clear values in streaming, eSports broadcasting and as a tool for game training. Industry collaboration and standardization, such as Intel's Project Athena, help to make Aware-like functionality, and in the long term also eye tracking, standard features in computers. Tobii addresses the market potential in the PC segment through a broad offering consisting of Tobii Aware software, the stand-alone sensor Tobii Eye Tracker 4C and integrated high-end systems based on the IS5 eye-tracking platform.

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 is expected to grow by over 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	Q2 2019	Q2 2018	Half year 2019	Half year 2018	Full year 2018
Net sales	371.9	306.5	765.0	600.4	1,302.2
Cost of goods and services sold	-116.5	-91.4	-243.2	-178.7	-389.1
Gross profit	255.4	215.1	521.7	421.7	913.1
Selling expenses	-153.5	-137.6	-303.5	-261.9	-555.6
Research and development expenses	-103.0	-110.3	-213.1	-206.4	-420.8
Administrative expenses	-54.5	-33.6	-99.6	-71.7	-152.3
Other operating income and operating expenses ¹	4.7	6.8	6.4	21.7	24.9
Operating profit/loss	-51.0	-59.5	-87.9	-96.4	-190.7
Net financial items ²	-8.3	18.5	-1.4	25.1	24.8
Profit/loss before tax	-59.3	-40.9	-89.3	-71.3	-165.9
Tax ³	0.8	0.2	-1.8	-0.9	-8.4
Net profit/loss for the period	-58.6	-40.7	-91.2	-72.3	-174.3
Other comprehensive income					
Items that may subsequently be reclassified to profit or loss for the period:					
Translation differences	-4.7	-10.3	-1.3	-13.6	-18.9
Other comprehensive income for the period, net after tax	-4.7	-10.3	-1.3	-13.6	-18.9
Total comprehensive income for the period	-63.3	-51.0	-92.5	-85.9	-193.2
Of which depreciation and amortization	-41.6	-39.7	-85.6	-76.9	-151.0
Of which write-down of non-current assets ⁴	-	-	-	-12.2	-12.2
Earnings per share, SEK	-0.59	-0.41	-0.92	-0.74	-1.79
Earnings per share, diluted, SEK	-0.59	-0.41	-0.92	-0.74	-1.79
Net profit/loss for the period attributable to:					
Parent company shareholders	-58.3	-40.1	-91.0	-72.5	-174.6
Non-controlling interests	-0.28	-0.59	-0.15	0.18	0.32
Net profit/loss for the period	-58.6	-40.7	-91.2	-72.3	-174.3
Total comprehensive income for the period attributable to:					
Parent company shareholders	-63.0	-50.4	-92.3	-86.1	-193.5
Non-controlling interests	-0.3	-0.6	-0.2	0.2	0.3
Total comprehensive income for the period	-63.3	-51.0	-92.5	-85.9	-193.2

1) Primarily foreign currency translation differences. In the first six 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 -2 million (19) for the second quarter 2019, SEK 8 million (24) for the first six 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 six months 2018 relate entirely to Goodwill originating from the Sticky acquisition.

CONDENSED CONSOLIDATED BALANCE SHEET

SEK m	Jun 30 2019	Jun 30 2018	Dec 31 2018
NON-CURRENT ASSETS			
Intangible assets	727.4	483.6	659.5
Tangible fixed assets	27.5	33.4	32.0
Right-of-use assets	111.5	-	-
Financial assets	86.7	96.0	88.9
Total non-current assets	953.1	613.0	780.4
CURRENT ASSETS			
Accounts receivable	224.9	164.4	206.5
Inventories	101.6	75.1	86.9
Other current receivables	57.6	56.3	58.7
Cash and cash equivalents	313.8	406.8	192.3
Total current assets	697.9	702.6	544.4
Total assets	1,651.0	1,315.6	1,324.8
SHAREHOLDERS' EQUITY			
Shareholders' equity, Parent Company shareholders	748.4	898.8	834.2
Non-controlling interests	0.6	0.7	0.8
Total shareholders' equity	749.0	899.5	835.0
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing loans	292.9	-	-
Leasing liabilities	78.9	-	-
Other non-current liabilities	119.1	85.7	107.0
Total non-current liabilities	490.9	85.7	107.0
CURRENT LIABILITIES			
Leasing liabilities	29.3	-	-
Other current liabilities	381.8	330.4	382.8
Total current liabilities	411.1	330.4	382.8
Total liabilities	902.0	416.1	489.8
Total equity and liabilities	1,651.0	1,315.6	1,324.8

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, 2018	0.7	1,581.5	13.7	-617.4	978.5		0.4	978.9
Comprehensive income for the period			-13.6	-72.5	-86.1		0.3	-85.8
Sale of warrants, incentive programs		5.8			5.8			5.8
Share based payments settled using equity instruments				0.6	0.6			0.6
Closing balance, June 30, 2018	0.7	1,587.3	0.1	-689.3	898.8		0.7	899.5
Comprehensive income for the period			-5.3	-102.1	-107.4			-107.4
New share issue, exercise of warrants incentive programs	0.0	41.2			41.3			41.3
Sale of warrants, incentive programs		0.8			0.8			0.8
Share based payments settled using equity instruments				0.9	0.9			0.9
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			-1.3	-91.2	-92.5		-0.2	-92.6
Sale of warrants, incentive programs		5.6			5.6			5.6
Share based payments settled using equity instruments				0.9	0.9			0.9
Closing balance, June 30, 2019	0.7	1,634.9	-6.6	-880.9	748.3		0.6	749.0

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

SEK m	Q2 2019	Q2 2018	Half year 2019	Half year 2018	Full year 2018
Cash flow from operating activities					
Profit/loss after financial items	-59.3	-40.9	-89.3	-71.3	-165.9
Adjustment for items not included in the cash flow	47.9	26.6	84.8	62.7	147.2
Taxes paid	0.0	-1.2	-0.5	-2.0	-2.2
Cash flow from operating activities before change in working capital	-11.4	-15.5	-5.0	-10.6	-20.9
Cash flow from change in working capital	-8.2	15.6	-52.1	-6.3	7.8
Cash flow from operating activities	-19.6	0.1	-57.1	-16.9	-13.0
Investments					
Continuous investments					
Investments in intangible, tangible and financial fixed assets	-61.8	-61.6	-123.1	-109.6	-224.5
Cash flow after continuous investments	-81.2	-61.5	-180.2	-126.5	-237.5
Business combinations	-0.8	-0.3	-0.8	-15.0	-158.8
Cash flow after investments	-82.1	-61.8	-181.1	-141.5	-396.3
Bond issue	-	-	293.2	-	-
Sale/exercise of warrants, incentive program	5.6	5.8	5.6	5.8	47.8
Cash flow from financing activities	5.6	5.8	298.8	5.8	47.8
Cash flow for the period	-76.6	-56.0	117.7	-135.7	-348.5
Foreign currency translation, cash and cash equivalents	-0.7	3.4	3.9	5.8	4.0
Cash and cash equivalents at the beginning of the period	391.1	459.4	192.3	536.8	536.8
Cash and cash equivalents at the end of the period	313.8	406.8	313.8	406.8	192.3

REVENUE DISAGGREGATION

SEK m	Q2 2019	Q2 2018	Half year 2019	Half year 2018	Full year 2018
REVENUE BY PRODUCT CATEGORY					
Goods	326.0	272.3	681.3	523.3	1,136.9
Services	42.0	30.0	76.9	69.7	152.5
Royalties	3.9	4.2	6.8	7.4	12.9
Total revenues	371.9	306.5	765.0	600.4	1,302.2
REVENUE BY TIMING CATEGORY					
At a point in time	351.3	287.8	725.8	564.4	1,226.6
Over time	20.6	18.7	39.2	36.0	75.5
Total revenues	371.9	306.5	765.0	600.4	1,302.2
REVENUE BY GEOGRAPHIC MARKET					
Europe	92.7	63.0	203.6	130.5	303.7
North America	223.4	189.2	424.0	350.1	755.2
Other countries	55.8	54.4	137.4	119.9	243.3
Total revenues	371.9	306.5	765.0	600.4	1,302.2

CONSOLIDATED KEY RATIOS

	Q2 2019	Q2 2018	Half year 2019	Half year 2018	Full year 2018
Earnings per share, SEK	-0.59	-0.41	-0.92	-0.74	-1.79
Earnings per share, diluted ¹⁾ , SEK	-0.59	-0.41	-0.92	-0.74	-1.79
Equity per share, SEK	7.6	9.2	7.6	9.2	8.5
EBITDA, SEK m	-9.4	-19.8	-2.3	-7.3	-27.5
EBITDA; IFRS 16 Leasing excluded	-16.4	-19.8	-16.3	-7.3	-27.5
EBIT, SEK m	-51.0	-59.5	-87.9	-96.4	-190.7
Cash flow from operating activities, SEK m	-19.6	0.1	-57.1	-16.9	-13.0
Cash flow after continuous investments, SEK m	-81.2	-61.5	-180.2	-126.5	-237.5
Working capital, SEK m	2.4	-34.3	2.4	-34.3	-30.4
Total assets, SEK m	1,651.0	1,315.6	1,651.0	1,315.6	1,324.8
Net cash(+)/net debt (-), SEK m	-87.3	406.8	-87.3	406.8	192.3
Net cash(+)/net debt (-); IFRS 16 Leasing excluded, SEK m	20.9	406.8	20.9	406.8	192.3
Equity, SEK m	749.0	899.5	749.0	899.5	835.0
Average equity, SEK m	772.8	913.1	797.9	929.0	889.9
Equity/assets ratio, %	45.4	68.4	45.4	68.4	63.0
Equity/assets ratio; IFRS 16 Leasing excluded, %	48.7	68.4	48.7	68.4	63.0
Debt/equity, %	53.6	-	53.6	-	-
Debt/equity; IFRS 16 Leasing excluded, %	39.1	-	39.1	-	-
Gross margin, %	68.7	70.2	68.2	70.2	70.1
EBITDA margin, %	-2.5	-6.5	-0.3	-1.2	-2.1
EBITDA margin; IFRS 16 Leasing excluded, %	-4.4	-6.5	-2.1	-1.2	-2.1
Operating margin, %	-13.7	-19.4	-11.5	-16.1	-14.6
Return on total equity, %	-7.6	-4.5	-11.4	-7.8	-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	99.2	99.2	99.2	99.2	97.8
Number of outstanding shares at period end, million	98.9	97.3	98.9	97.3	98.9
Number of outstanding shares after dilution at period end, million	99.5	99.2	99.5	99.2	99.2
Average number of employees	983.0	905.2	1,006.2	887.8	916.8

1) The 2019 Annual General meeting resolved to implement a long-term incentive program, LTI 2019, and to issue new shares of not more than 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 is 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 is a total of 178,500 warrants outstanding in this series. On June 30, 2019, a total of 3.7 million warrants were outstanding, which is an increase by 0.8 million since the end of 2018 following the issue of warrants for LTI 2019. The dilution effect of warrants in all the Company's incentive programs corresponds to a maximum of approximately 4.2%.

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

QUARTERLY DATA PER DIVISION AND FOR THE GROUP

NET SALES, SEK m	2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Tobii Dynavox	175.1	198.9	206.6	241.4	245.5	246.9		
Tobii Pro	97.5	91.8	87.9	119.5	115.1	93.1		
Tobii Tech*	36.5	31.6	33.9	47.8	49.5	49.4		
Eliminations and other	-15.2	-15.7	-15.4	-19.9	-17.1	-17.6		
The Group	293.9	306.5	312.9	388.9	393.1	371.9		
*) Of which internal sales to Tobii Dynavox och Tobii Pro	15.2	15.7	15.4	19.9	17.1	17.6		
GROSS MARGIN, %								
Tobii Dynavox	67.9	66.8	67.6	64.0	63.8	66.3		
Tobii Pro	74.4	72.5	75.8	76.4	76.0	71.8		
Tobii Tech	41.7	50.0	50.3	46.4	44.3	46.9		
The Group	70.3	70.2	71.4	68.9	67.8	68.7		
EBITDA, SEK								
Tobii Dynavox	31.1	38.9	34.8	33.8	38.9	40.6		
Tobii Pro ²	38.7	14.3	15.7	32.2	30.0	6.3		
Tobii Tech	-57.4	-73.0	-72.5	-64.3	-70.0	-65.5		
Eliminations and other ¹	0.0	0.0	0.0	0.0	8.3	9.2		
The Group ¹	12.5	-19.8	-22.0	1.8	7.1	-9.4		
EBIT, SEK m								
Tobii Dynavox	14.2	21.6	18.0	15.2	18.6	21.4		
Tobii Pro	15.3	1.4	4.2	24.0	23.0	-2.5		
Tobii Tech	-66.5	-82.5	-81.9	-73.8	-79.6	-71.6		
Eliminations and other ¹	0.0	0.0	0.0	0.0	1.0	1.8		
The Group ¹	-37.0	-59.5	-59.6	-34.6	-36.9	-51.0		
OPERATING MARGIN, %								
Tobii Dynavox	8.1	10.8	8.7	6.3	7.6	8.7		
Tobii Pro	15.7	1.6	4.8	20.1	20.0	-2.7		
Tobii Tech	-	-	-	-	-	-		
The Group	-12.6	-19.4	-19.1	-8.9	-9.4	-13.7		
PROFIT/LOSS BEFORE TAX, SEK m								
The Group	-30.4	-40.9	-63.6	-31.0	-30.0	-59.3		
PROFIT/LOSS FOR THE PERIOD, SEK m								
The Group	-31.6	-40.7	-68.2	-33.8	-32.6	-58.6		

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

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

The Parent Company's net sales during the second quarter totaled SEK 33 million (192) and the operating profit/loss was SEK 0 million (-86). Net sales for the first six months totaled SEK 67 million (396) and the operating profit/loss was SEK -1 million (-114). At the end of the period, the Parent Company had SEK 154 million (321) in cash and cash equivalents.

CONDENSED PARENT COMPANY INCOME STATEMENT

SEK m	Q2 2019	Q2 2018	Half year 2019	Half year 2018	Full year 2018
Net sales	33.4	191.7	67.2	395.6	849.4
Cost of goods and services sold	-5.5	-86.9	-13.2	-173.6	-374.0
Gross profit	27.9	104.8	54.0	222.0	475.4
Selling expenses	-1.7	-53.5	-2.7	-96.2	-206.3
Research and development expenses	-1.6	-114.6	-3.1	-200.9	-415.1
Administrative expenses	-25.1	-31.0	-50.2	-61.8	-131.6
Other operating income and operating expenses	0.8	8.0	1.2	23.0	26.4
Operating profit/loss	0.3	-86.4	-0.8	-113.9	-251.2
Financial items	-4.6	22.8	-6.5	33.1	42.6
Profit/loss before tax	-4.3	-63.6	-7.2	-80.8	-208.6
Tax	-	-	-	-	-4.2
Profit/loss after tax	-4.3	-63.6	-7.2	-80.8	-212.8
Depreciation and amortization, total	-1.0	-34.2	-2.1	-79.1	-152.8

CONDENSED PARENT COMPANY BALANCE SHEET

SEK m	Jun 30 2019	Jun 30 2018	Dec 31 2018
NON-CURRENT ASSETS			
Intangible assets	37.5	401.9	434.5
Tangible fixed assets	1.3	7.3	5.0
Financial assets	1,309.3	544.5	671.8
Total non-current assets	1,348.1	953.7	1,111.3
CURRENT ASSETS			
Accounts receivable	55.5	115.4	99.8
Inventories	1.0	41.5	36.7
Other current receivables	35.8	48.5	83.1
Cash and bank balances	153.8	321.1	92.0
Total current assets	246.2	526.5	311.6
Total assets	1,594.3	1,480.2	1,422.9
SHAREHOLDERS' EQUITY	1,149.0	1,239.0	1,149.9
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	328.8	-	5.1
Other non-current liabilities	9.5	14.1	23.8
Total non-current liabilities	338.4	14.1	29.0
CURRENT LIABILITIES			
Other current liabilities	106.9	227.1	244.0
Total current liabilities	106.9	227.1	244.0
Total liabilities	445.3	241.2	272.9
Total equity and liabilities	1,594.3	1,480.2	1,422.9

Notes

Note 1. Accounting principles

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

NEW ACCOUNTING PRINCIPLES

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

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

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

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

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

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

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

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

Note 2. Business combinations

During the second quarter 2019, in conjunction with the opening of a new office in Santiago, Chile, Tobii has acquired certain assets from the previous reseller Eye on Media, whose personnel has joined Tobii as employees. The total consideration paid amounts to SEK 2.8

million consisting of SEK 0.8 million in cash payment, surrendering 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 is intended to complement the Tobii Dynavox product portfolio, strengthen its sales presence in important geographic markets and accelerate the rate of innovation. The British competition regulator CMA is currently conducting an investigation of the effects of the completed acquisition, for which reason Tobii is waiting before beginning to work on the integration.

Note 3. Financial Instruments

SEK m	Jun 30 2019		Jun 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	293.2	300.0	-	-	-	-
Financial liabilities measured at fair value						
Contingent considerations	16.2	16.2	10.2	10.2	15.0	15.0

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

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

The contingent consideration related to the Acuity acquisition in February 2018 is measured at fair value at SEK 5.9 million as of June 30, 2019 and the contingent consideration for Smartbox Assistive Technology Ltd is measured at fair value at SEK 9.4 million. The table below shows the change in fair value during the period.

Change in contingent consideration

SEK m	Jun 30 2019
Opening balance January 1, 2019	15.0
Acquisitions during the year	0.9
Payments	-
Change in fair value reported as other operational income/loss	-
Translation differences	0.3
Closing balance June 30, 2019	16.2

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 six months, resulted in a charge of SEK 12 million related to the Sticky acquisition. 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 six 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	Q2 2019	Q2 2018	Half year 2019	Half year 2018	Full year 2018
Operating profit/loss before depreciation, amortization and impairment, (EBITDA)	-9.4	-19.8	-2.3	-7.3	-27.5
Amortization and impairment	-29.8	-34.5	-61.6	-78.5	-141.4
Depreciation	-11.8	-5.2	-24.0	-10.6	-21.8
<i>of which Right-of-use assets (IFRS 16 Leasing)</i>	<i>-7.0</i>	<i>-</i>	<i>-14.0</i>	<i>-</i>	<i>-</i>
Operating profit/loss (EBIT)	-51.0	-59.5	-87.9	-96.4	-190.7

Danderyd, July 19, 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

The report has not been subject to 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 and to the Securities Market Act. The information was submitted for publication, through the agency of the contact person set out below, at 07.30 CET on July 19, 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 2:00 p.m. (CEST). Go to tobii.com to follow the conference online or for the phone number you need to participate. The slides from the presentation will be available for download from the website afterwards.

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FINANCIAL CALENDAR

Interim report Q2, 2019	July 19, 2019
Interim report Q3, 2019	October 24, 2019
Interim report Q4, 2019	February 4, 2020