



Interim Report Q3 2021

July–September 2021

“We delivered a solid quarter with organic growth of 26 percent”

Henrik Eskilsson, CEO

Photo: Tobii has signed an agreement with the innovative VR company Pimax to integrate Tobii's eye tracking in their next generation consumer headset.

THE QUARTER JULY-SEPTEMBER

- Revenue increased to SEK 390 million (317), corresponding to organic growth of 26%. Revenue in the quarter was positively impacted by a recovery of previously communicated delivery delays, and negatively affected by delays in a US logistics terminal at the end of the quarter.
- Gross margin was 71% (70%)
- The Group's operating result was SEK +/-0 million (-27)
- The net profit for the period amounted to SEK -8 million (-49)
- Earnings per share amounted to SEK -0.08 (-0.50)
- Free cash flow amounted to SEK -76 million (11)

SIGNIFICANT EVENTS DURING THE QUARTER

- Tobii landed eight design wins — three integrations of Tobii Aware and Tobii Horizon software in PC, two integrations of eye tracking in VR headsets, and three integrations of eye tracking in education and security.
- [Tobii announced](#) its entry into the Driver Monitoring Systems market with the launch of Tobii DMS, the acquisition of Phasya, and several new partnerships.
- The organizational merger of Tobii Tech and Tobii Pro was completed.
- [Tobii announced its intention to use its right to early redemption of its outstanding 2019/2022 bonds](#), and Tobii Dynavox signed a SEK 550m term-loan facility and a SEK 150m revolving credit facility.
- After the quarter end, an extraordinary shareholder meeting, decided to distribute all common shares in Tobii Dynavox to Tobii's shareholders. The preparations for the spin-off and listing of Tobii Dynavox (around year end 2021) progressed according to plan.

FINANCIAL OVERVIEW

SEK m (except for earnings per share)	Q3 2021	Q3 2020	Change	Organic change	Nine months 2021	Nine months 2020	Change	Organic change	Full year 2020
REVENUE									
Tobii Dynavox	253	203	24 %	27 %	622	661	-6 %	2 %	894
Tobii remainco	151	123	22 %	26 %	420	400	5 %	16 %	578
Eliminations and other	-13	-9	-	-	-31	-31	-	-	-45
Total	390	317	23 %	26 %	1,011	1,030	-2 %	8 %	1,426
OPERATING PROFIT/LOSS (EBIT)									
Tobii Dynavox	41	26	56 %	61 %	45	91	-51 %	-47 %	125
Tobii remainco	-42	-55	-	-	-157	-189	-	-	-232
Other	1	2	-	-	3	3	-	-	4
Operating profit/loss from continuing operations (EBIT)	0	-27	-	-	-109	-95	-	-	-103
Profit/loss from discontinued operations	-0	-1	-	-	1	-4	-	-	-10
Net profit/loss for the period	-8	-49	-	-	-125	-138	-	-	-134
Earnings per share (SEK)	-0.08	-0.50			-1.26	-1.42			-1.36
Free cash flow	-76	11			-149	-35			-10

Comments from the CEO

We delivered a solid quarter with organic growth of 26 percent, despite continued pandemic-related headwinds and logistics disruptions. Following six quarters of challenges to Covid, we are seeing a steadily improving business climate, and I dare to say that we have turned the page and returned to growth mode in both Tobii remainco and Tobii Dynavox. The spin-off and intended listing of Tobii Dynavox around year-end is progressing according to plan. All things considered, both companies are entering this new chapter with strong momentum.

Tobii Dynavox's revenue increased by 27 percent organically. Shipments delayed during the first half of 2021, were for the most part delivered in the third quarter. At the end of September, we experienced renewed disruptions due to a hold-up in a US logistics terminal, causing a two-week delay in delivering finished products to the US market. Adjusted for the supply chain disruptions, organic growth would be approximately 7%, both for the third quarter and the year-to-date.

Tobii Dynavox is experiencing an unusually strong influx of reimbursement applications which bodes well for the coming quarters; encouraging given that meeting users and prescribers continues to be challenging.

Tobii Dynavox continues its relentless efforts to improve the lives of millions through innovations, ever improving and expanding its product portfolio. The team is doing a fantastic job. Their many compelling projects and the strong underlying business trends ensure that I am highly enthusiastic about Tobii Dynavox's future as a standalone listed company.

Revenue for **Tobii remainco** increased by 26 percent organically. The growth was broad-based across most of our portfolio. Revenue for Tobii remainco now exceeds pre-pandemic, Q3-2019, levels. I am pleased with this figure given that challenges remain linked to the pandemic and budgetary constraints for universities in China.

In the third quarter, we saw solid improvements in the business environment, which is evident through a return of demand from the scientific community and eight design wins in our OEM business. The design wins include an additional reading assessment partner and new VR headsets with two manufacturers; one of which is releasing a next-generation high-end consumer headset natively-equipped with eye tracking.

Tobii continues to invest in technology leadership and in building strong sustainable businesses in multiple attractive growth markets. We are on the right track and we see very good opportunities to drive high growth for many years to come.

Listing of Tobii Dynavox and the organizational merger of Tobii Pro and Tobii Tech are on track

The spin-off process of Tobii Dynavox is going according to plan with its listing on Nasdaq Stockholm set for around the end of 2021. The new board of Tobii Dynavox is operational, and on October 25, 2021, at an extraordinary general meeting, the distribution in kind of Tobii Dynavox was formally approved.

As part of this process, we have been working on the new capital structure of Tobii Dynavox and Tobii remainco. After the quarter end, we concluded an early redemption of our bond loan and have put bank loans on more attractive terms in place for Tobii Dynavox.

The organizational merger of Tobii Pro and Tobii Tech has been completed and operations have been running in the new structure since the start of Q3 2021. The teams are doing a fantastic job and have shown a huge commitment to make the split and the merger a success. It is energizing to see our organizations form and begin new journeys as more agile and empowered standalone entities.

To conclude, the third quarter of 2021 showed a clear return to growth across the Group. We are aware of the current unpredictability of supply chains and pandemic effects, however, based on a strong performance in the quarter and an improvement in the business environment, I am optimistic about the future for both companies.



Henrik Eskilsson
CEO, Tobii Group

New reporting structure

In this quarter, Tobii Group is reporting in two segments. These segments consist of the two companies Tobii Dynavox AB and Tobii AB. For the purposes of clarity, these entities are referred to as "Tobii Dynavox" and "Tobii remainco" in this report.

Read More:

[Tobii and Pimax new partnership to bring eye tracking to consumer VR headsets](#)

[Tobii enters the automotive driver monitoring market](#)

[Tobii uses its right to early redemption of its outstanding 2019/2022 bonds](#)

[Tobii introduces Tobii Spotlight for foveated transport at SIGGRAPH 2021](#)

[Tobii Dynavox announces board of directors](#)

[Tobii publishes information brochure regarding the proposed listing of Tobii Dynavox](#)

Henrik Eskilsson
CEO

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 two separate companies: Tobii Dynavox, the world leader in assistive technology for communication, and Tobii remainco, the world leader in eye tracking technology and solutions, targeting application areas such as scientific research, consumer behavior studies, healthcare, education and training, gaming, extended reality (VR & AR), and automotive. The Group, which employs about 1,000 people, generated revenue of SEK 1,426 million for the full-year 2020.

KEY RATIOS*

SEK m	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020	Full year 2020
Revenue	390	317	1,011	1,030	1,426
Revenue change:	23%		-2%		
- of which organic	26%		8%		
- of which currency	-3%		-10%		
- of which structural	0%		0%		
Gross margin*	71 %	70 %	70 %	70 %	70 %
EBITDA	62	28	77	65	116
EBITDA margin	16 %	9 %	8 %	6 %	8 %
Operating profit/loss (EBIT)	0	-27	-109	-95	-103
EBIT change	-		-		
EBIT margin	0 %	-8 %	-11 %	-9 %	-7 %

*Tobii has changed presentation of costs related to revenue from non-recurring engineering in Tobii remainco, which affects gross margin and R&D expenses. For details see Other information on page 21.

JULY-SEPTEMBER

REVENUE

Revenue increased to SEK 390 million (317), corresponding to organic growth of 26%. The supply chain disruptions in Tobii Dynavox resulted in a deferral of revenue from the second to mainly the third quarter 2021. Approximately SEK 59 million of the related SEK 70 million backlog was successfully delivered during the third quarter 2021. Delays at a US logistic terminal emerged toward the end of the quarter, causing a couple of weeks delay in deliveries and a deferral of approximately SEK 23 million in revenue to the fourth quarter of 2021 for Tobii Dynavox. The pandemic continued to have a dampening effect across the Group.

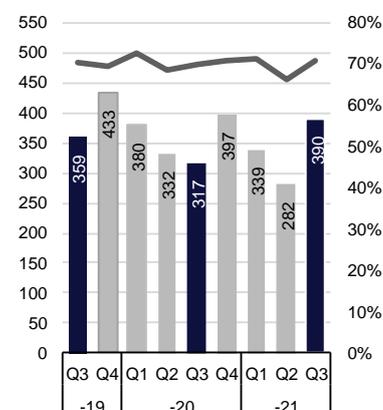
The North American market accounted for 59% (59%) of consolidated revenue, the European market 21% (20%), and the rest of the world 20% (21%).

RESULTS

The Group's gross margin was 71% (70%). The operating result improved to SEK 0 million (-27) and the operating margin was 0% (-8%). The operating margin was positively impacted by realization of revenue related to the supply chain disruption in the first half of 2021, but negatively impacted by the logistics delays at the end of September 2021. The operating profit in the comparison period for the previous year was positively impacted by Covid-related government grants and temporary work reduction programs totaling SEK 14 million.

Pretax loss was SEK -3 million (-44). Net financial items amounted to SEK -3 million (-17) and includes SEK 6 million (-11) in currency translation effects on balance sheet items, as well as interest expenses related to bond loans and finance leases under IFRS 16 of SEK -8 million

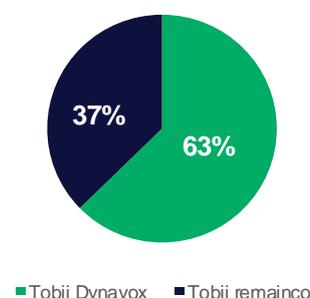
REVENUE, SEK M, AND GROSS MARGIN, %



RESEARCH AND DEVELOPMENT, Q3*

SEK m	2021	2020
Total R&D expenditures	-88	-94
Capitalization	44	41
Amortization	-47	-41
R&D expenses in the income statement	-91	-94

PERCENTAGE OF GROSS REVENUE PER COMPANY Q3



(-8). Profit from discontinued operations was SEK 0 million (-1). The net profit for the period was SEK -8 million (-49) and earnings per share reached SEK -0.08 (-0.50).

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities before changes in working capital amounted to SEK 61 million (23). Change in working capital amounted to SEK -81 million (34).

Investments in intangible, tangible, and financial fixed assets amounted to SEK 56 million (46), including SEK 44 million (41) in capitalization of R&D costs. Free cash flow was SEK -76 million (11). The acquisition of Phasya impacted cash flow in the period with SEK -17 million.

At the close of the period, the Group had SEK 271 million (298) in cash. Consolidated net debt totaled SEK 340 million (269), including SEK 127 million (102) in IFRS 16 finance leases.

JANUARY-SEPTEMBER

REVENUE

The Group's revenue for the first nine months of 2021 was SEK 1,011 million (1,030). Organically, revenue grew by 8%. Supply and logistics delays are estimated to have caused a shift in revenue of approximately SEK 34 million from the first nine months of the year, which likely will be realized as extra income in the fourth quarter. Adjusted for this effect, organic growth would have been 11%. The pandemic continued to have a dampening effect on sales across the Group.

During the period, the North American market accounted for 55% (59%) of the Group's sales, the European market for 22% (20%), and the rest of the world for 23% (21%).

RESULTS

The Group's gross margin was 70% (70%). The operating loss for the Group was SEK -109 million (-95) and the operating margin was -11% (-9%). Supply and logistics delays are estimated to have entailed a postponement of approximately SEK 25 million in operating profit to the fourth quarter of 2021. The operating margin was negatively impacted by the supply chain disruptions during the period and logistics delays at the end of September 2021. The operating profit in the comparison period for the previous year was positively impacted by Covid-related government grants and temporary work reduction programs totaling SEK 39 million.

Pre-tax loss was SEK -121 million (-130).

Net loss for the period was SEK -125 million (-138) and earnings per share was SEK -1.26 (-1.42).

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities before changes in working capital was SEK 71 million (36), while the change in working capital was SEK -54 million (81). Investments in intangible, tangible, and financial fixed assets increased to SEK 166 million (152), of which SEK 142 million (125) related to capitalization of R&D. Free cash flow was SEK -149 million (-35). The acquisition of Phasya impacted cash flow in the period with SEK -17 million.

At the close of the period, the Group had SEK 271 million (298) in cash. Consolidated net debt totaled SEK 340 million (269), including SEK 127 million (102) in IFRS 16 finance leases.

THE SPIN-OFF AND LISTING PROCESS OF TOBII DYNAVOX

The spin-off and listing process is progressing according to plan. The tentative timeline is for Tobii Dynavox to be listed on Nasdaq Stockholm around the end of 2021.

The organizational merger between Tobii Tech and Tobii Pro has been completed and the team has been operating in the new structure since July 1, 2021.

ORGANIZATION

The number of employees recalculated to full-time equivalents at the close of the period was 981 (960).

EVENTS AFTER THE END OF THE PERIOD

In October 2021, Tobii leveraged its right to early redemption of its outstanding 2019/2022 bonds, and Tobii Dynavox signed a SEK 550m term-loan facility and a SEK 150m revolving credit facility.

On October 25, 2021, during Tobii's extraordinary shareholder meeting it was decided to distribute Tobii Dynavox to its shareholders in accordance with the rules of Lex Asea.

Tobii Dynavox

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

KEY RATIOS

SEK m	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020	Full year 2020
Revenue	253	203	622	661	894
Revenue change:	24%		-6%		
- of which organic	27%		2%		
- of which currency	-3%		-8%		
Gross margin	67 %	67 %	67 %	66 %	66 %
EBITDA	63	44	107	149	203
EBITDA margin	25 %	22 %	17 %	23 %	23 %
Operating profit/loss (EBIT)	41	26	45	91	125
EBIT change	56 %		-51 %		
- of which organic	61 %		-47 %		
- of which currency	-5 %		-4 %		
EBIT margin	16 %	13 %	7 %	14 %	14 %

- The supply chain disruptions announced in the first quarter of 2021 led to a deferral of revenue and profit from the first half year, to instead materialize as additional revenue and operating result mainly in the third quarter 2021. These supply issues have been resolved, and most of the order backlog has been recognized as revenue as of the date of this report.
- At the end of September, Tobii Dynavox experienced renewed supply disruptions, this time related to an approximately two-week hold-up at a US logistics terminal. The delay has led to a deferral of approximately SEK 23m revenue and SEK 17m operating profit from the third to the fourth quarter of 2021.

JULY-SEPTEMBER

Revenue increased to SEK 253 million (203), corresponding to an organic growth of 27%. Adjusted for the above-mentioned supply chain and logistics disruptions, the organic growth would have been around 7% in the quarter. The underlying momentum continues to improve, which is visible through a significant strengthening of the number of reimbursement applications.

The gross margin was 67% (67%). The operating profit was SEK 41 million (26) and the operating margin increased to 16% (13%). The operating margin was positively impacted by realization of revenue related to the supply chain disruption in the first half of 2021 but was negatively impacted by approximately SEK 17 million due to the September logistics disruptions. Temporary costs related to the spin-off and listing has burdened earnings by SEK 4 million in the quarter.

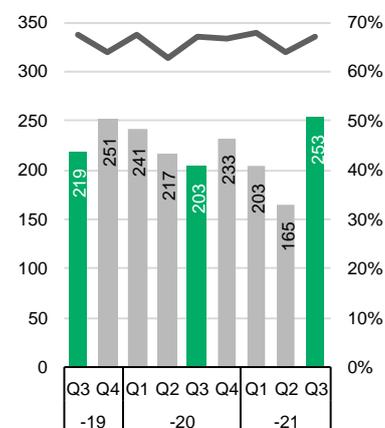
Revenue growth **>10%**
per annum

EBIT margin **>15%**

Net debt / EBITDA **2,5x**

On October 4, 2021, Tobii Dynavox introduced new financial targets aiming to increase revenue by more than 10% (currency-adjusted) on average annually, to achieve and maintain an EBIT margin of more than 15%, and to maintain a net debt of 2.5x ($\pm 0.5x$) last 12 months (LTM) EBITDA.

REVENUE, SEK M, AND GROSS MARGIN, %



RESEARCH AND DEVELOPMENT, Q3

SEK m	2021	2020
Total R&D expenditures	-29	-33
Capitalization	16	21
Amortization	-17	-13
R&D expenses in the income statement	-29	-25

JANUARY-SEPTEMBER

Revenue was SEK 622 million (661), corresponding to an organic growth of 2%. Adjusted for the above-mentioned supply chain and logistics disruptions, the organic growth would have been around 7% January-September. The underlying momentum continues to improve, which is visible through a significant strengthening of the number of reimbursement applications.

The gross margin was 67% (66%). The operating profit was SEK 45 million (91) and the operating margin decreased to 7% (14%). The two-week logistics hold-up in the US and the supply disruptions impacted earnings negatively by approximately SEK 26m in the period. The comparison period had lower costs due to Covid-19-related government grants and work time reductions totaling approximately SEK 8 million. Temporary costs related to the spin-off and listing burdened earnings by SEK 4 million in the period.

Tobii remainco

Tobii is the world leader in eye tracking technology and solutions. Our vision is a world where all technology works in harmony with natural human behavior. Over 3,500 companies and 2,500 research institutions, including 99 of the world's 100 top-ranked universities are customers to Tobii. Our integration customers operate primarily in healthcare, education and training, gaming, extended reality (VR & AR), and automotive. Tobii's overarching objective is to continue to lead the evolution of eye tracking technology and to accelerate its adoption globally to enable progress and innovations, and to reach revenue of several billion SEK with good profitability.



[Tobii introduced Tobii Spotlight for Foveated Transport](#), a software for VR and, AR that reduces bandwidth need and latency in graphics rendering over 5G, Wi-Fi, or cable. Tobii Spotlight for Foveated Transport will help devices meet the compression needs required to deliver high fidelity content and the best user experience. NVIDIA is an innovation partner with Tobii working on this promising technology for a wide variety of usage areas in extended reality.

KEY RATIOS*

SEK m	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020	Full year 2020
Revenue	151	123	420	400	578
Revenue change:	22%		5%		
- of which organic	26%		16%		
- of which currency	-3%		-11%		
- of which structural	0%		0%		
Gross margin	71 %	70 %	70 %	71 %	71 %
EBITDA	-10	-25	-58	-108	-118
EBITDA margin	-6 %	-20 %	-14 %	-27 %	-20 %
Operating profit/loss (EBIT)	-42	-55	-157	-189	-232
EBIT change	-		-		
EBIT margin	-28 %	-45 %	-37 %	-47 %	-40 %

*Tobii has changed presentation of costs related to revenue from non-recurring engineering in Tobii remainco, which affects gross margin and R&D expenses. For more details see Other information on page 21.

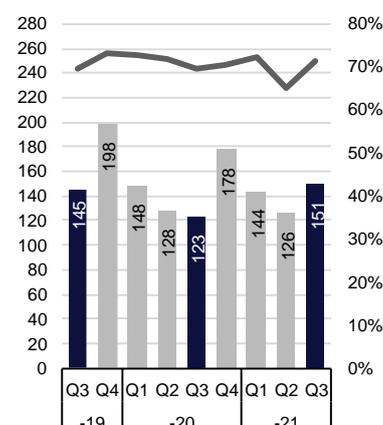
- Tobii remainco received eight new design wins during the quarter. Three of these were with different PC OEMs for integrations of our software solutions Tobii Aware and Tobii Horizon. A further three related to customers integrating our eye tracking in, for example, an educational toy or a reading assessment solution. And the final two wins relate to new VR headsets, one of which is releasing a next-generation high-end consumer headset natively-equipped with eye tracking. This design win is an important milestone and proof-point for our belief that eye tracking will become a must-have functionality for VR and AR headsets.

JULY-SEPTEMBER

- Revenue increased to SEK 150 million (123), corresponding to organic growth of 26%. The organic growth was broad-based, with solid growth across most of our product range. Very strong demand from the scientific research market was prevalent. Geographically, the growth was also broad-based, with China as a clear laggard due to budget constraints in universities. Effects of global supply shortages for integration customers in PC and VR continued to impact growth negatively. This was manifested through delays of integration customers' product introductions and slow ramp-up of sales of already launched products.

The gross margin increased to 71% (70%). Operating profit amounted to SEK -42 million (-55), an improvement attributable to the revenue growth. In the comparison period, operating profit was supported by government grants and worktime reductions totaling SEK 10m.

REVENUE, SEK M, AND GROSS MARGIN, %



RESEARCH AND DEVELOPMENT, Q3*

SEK m	2021	2020
Total R&D expenditures	-59	-61
Capitalization	28	20
Amortization	-31	-28
R&D expenses in the income statement	-62	-69

JANUARY-SEPTEMBER

Revenue was SEK 420 million (400), corresponding to organic growth of 16%. Revenue relative to the same period 2020 was negatively impacted by unusually large non-recurring engineering related revenues in Q2 2020, effects of the pandemic on customer sales and global supply disruptions for several of Tobii remainco's customers.

The gross margin decreased to 70% (71%), due to lower non-recurring engineering revenues. Operating profit amounted to SEK -157 million (-189), an improvement attributable to the revenue growth and lower investment rate implemented in 2020.

Group

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK m	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020	Full year 2020
Continuing operations					
Revenue	390	317	1,011	1,030	1,426
Cost of goods and services sold ¹	-114	-95	-305	-308	-424
Gross profit¹	277	223	705	722	1,003
Selling expenses	-144	-121	-410	-399	-530
Research and development expenses ¹	-91	-94	-286	-323	-427
Administrative expenses	-45	-31	-124	-100	-141
Other operating income and operating expenses	3	-3	6	6	-7
Operating profit/loss (EBIT)	0	-27	-109	-95	-103
Net financial items	-3	-17	-12	-35	-59
Profit/loss before tax	-3	-44	-121	-130	-162
Tax	-5	-4	-5	-5	38
Net profit/loss for the period from continuing operations	-8	-48	-126	-134	-124
Discontinued operations					
Net profit/loss for the period from discontinued operations	-0	-1	1	-4	-10
Net profit/loss for the period	-8	-49	-125	-138	-134
Other comprehensive income					
Items that may subsequently be reclassified to profit or loss for the period:					
Translation differences	-2	8	-6	-6	5
Other comprehensive income for the period, net after tax	-2	8	-6	-6	5
Total comprehensive income for the period	-10	-41	-130	-144	-129
Earnings per share, SEK	-0.08	-0.50	-1.26	-1.42	-1.36
Earnings per share, diluted, SEK	-0.08	-0.50	-1.26	-1.42	-1.36
Net profit/loss for the period attributable to:					
Parent company shareholders	-8	-50	-125	-141	-134
Non-controlling interests	0	1	0	3	0
Net profit/loss for the period	-8	-49	-125	-138	-134
Total comprehensive income for the period attributable to:					
Parent company shareholders	-10	-42	-130	-146	-129
Non-controlling interests	0	1	0	3	0
Total comprehensive income for the period	-10	-41	-130	-144	-129

1) Tobii has changed presentation of costs related to revenue from non-recurring engineering in Tobii remainco, which affects gross profit, gross margin, and R&D expenses. For more details, see Other information on page 21.

CONDENSED CONSOLIDATED BALANCE SHEET

SEK m	Sept 30 2021	Sept 30 2020	Dec 31 2020
NON-CURRENT ASSETS			
Intangible assets	668	615	605
Tangible fixed assets	31	50	46
Right-of-use assets	121	101	88
Financial and other non-current assets	123	87	122
Total non-current assets	944	853	861
CURRENT ASSETS			
Accounts receivable	195	185	199
Inventories	100	95	88
Other current receivables	144	70	98
Cash and cash equivalents	271	298	410
Assets held for sale	-	190	-
Total current assets	710	838	794
Total assets	1,654	1,691	1,655
SHAREHOLDERS' EQUITY			
Shareholders' equity, Parent Company shareholders	472	537	555
Non-controlling interests	1	4	1
Total shareholders' equity	474	541	556
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing loans	35	465	464
Leasing liabilities	94	72	63
Other non-current liabilities	114	112	97
Total non-current liabilities	243	649	623
CURRENT LIABILITIES			
Short-term part of Interest-bearing loans ¹⁾	449	-	-
Leasing liabilities	33	30	26
Other current liabilities	456	433	449
Liabilities directly related to assets held for sale	-	38	-
Total current liabilities	938	501	475
Total liabilities	1,180	1,150	1,098
Total equity and liabilities	1,654	1,691	1,655

¹⁾ Tobii's bond financing had an original maturity date in February 2022. The company has leveraged its right to early voluntary redemption of the bond and the redemption date was October 21, 2021

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, 2020	1	1,636	-2	-960	675	1	676
Comprehensive income for the period			-6	-141	-147	3	-144
New share issue, exercise of warrants incentive programs	0				0		0
Sale of warrants, incentive programs		4			4		4
Share based payments settled using equity instruments				5	5		5
Closing balance, Sept 30, 2020	1	1,639	-7	-1,096	537	4	541
Opening balance, Jan 1, 2021	1	1,639	3	-1,088	555	1	556
Comprehensive income for the period			-6	-125	-130	0	-130
New share issue, exercise of warrants incentive programs	0				0		0
Sale of warrants, incentive programs		44			44		44
Share based payments settled using equity instruments				4	4		4
Closing balance, Sept 30, 2021	1	1,683	-2	-1,209	472	1	474

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

SEK m	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020	Full year 2020
Cash flow from operating activities					
Profit/loss after financial items, continuing operations	-3	-44	-121	-130	-162
Profit/loss discontinued operations	-0	-1	1	-0	-4
Adjustment for items not included in the cash flow	64	72	192	173	249
Taxes paid	-0	-4	-1	-7	-7
Cash flow from operating activities before change in working capital	61	23	71	36	76
Cash flow from change in working capital	-81	34	-54	81	113
Cash flow from operating activities	-20	57	17	117	189
Investments in intangible, tangible and financial fixed assets	-56	-46	-166	-152	-199
Free cash flow	-76	11	-149	-35	-10
Acquisitions and divestments	-17	-	-17	-	105
Cash flow after investments	-93	11	-166	-35	95
Interest-bearing debt, including Bond issue	1	0	1	171	171
Sale/exercise of warrants, incentive program	19	-	44	4	4
Instalments of leasing liability IFRS 16	-8	-6	-23	-20	-26
Cash flow from financing activities	13	-6	21	155	148
Cash flow for the period	-81	4	-145	120	243
Cash and cash equivalents at the beginning of the period	349	299	410	185	185
Foreign currency translation, cash and cash equivalents	2	-2	6	-4	-16
Change in Cash and cash equivalents classified as Assets held for sale	-	-3	-	-3	-3
Cash and cash equivalents at the end of the period	271	298	271	298	410

BREAKDOWN OF REVENUE

SEK m	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020	Full year 2020
REVENUE BY PRODUCT CATEGORY					
Goods	340	276	865	875	1,222
Services	46	39	135	142	189
Royalties	4	3	11	12	16
Total revenues	390	317	1,011	1,030	1,426
REVENUE BY TIMING CATEGORY					
At a point in time	368	298	946	965	1,340
Over time	22	20	65	65	86
Total revenues	390	317	1,011	1,030	1,426
REVENUE BY GEOGRAPHIC MARKET					
Europe	81	64	221	199	295
North America	231	186	559	610	826
Other countries	79	68	230	220	306
Total revenues	390	317	1,011	1,030	1,426

CONSOLIDATED KEY RATIOS

	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020	Full year 2020
Earnings per share, SEK	-0.08	-0.50	-1.26	-1.42	-1.36
Earnings per share, diluted ^{*)} , SEK	-0.08	-0.50	-1.26	-1.42	-1.36
Equity per share, SEK	5	5	5	5	6
EBITDA, continuing operations, SEK m	62	28	77	65	116
EBIT, continuing operations, SEK m	0	-27	-109	-95	-103
Cash flow from operating activities, SEK m	-20	57	17	117	189
Cash flow after continuous investments, SEK m	-76	11	-149	-35	-10
Working capital, SEK m ¹	-17	-83	-17	-83	-65
Total assets, SEK m	1,654	1,691	1,654	1,691	1,655
Net cash(+)/net debt (-), SEK m ¹	-340	-269	-340	-269	-143
Net cash(+)/net debt (-); IFRS 16 Leasing excluded, SEK m ¹	-213	-167	-213	-167	-54
Equity, SEK m	474	541	474	541	556
Average equity, SEK m	472	548	512	601	584
Equity/assets ratio, %	29	32	29	32	34
Debt/equity, %	34	105	34	105	99
Gross margin, continuing operations, % ²	71	70	70	70	70
EBITDA margin, continuing operations, %	16	9	8	6	8
Operating margin, continuing operations, %	0	-8	-11	-9	-7
Return on total equity, %	-2	-9	-24	-23	-23
Average number of outstanding shares after dilution, million	100	99	99	99	99
Average number of outstanding shares, million	103	101	102	100	102
Number of outstanding shares at period end, million	100	99	100	99	99
Number of outstanding shares after dilution at period end, million	103	102	103	102	102
Average number of employees	969	971	964	1,003	993

1) Excluding assets held for sale and related liabilities

2) Tobii has changed presentation of costs related to revenue from non-recurring engineering in Tobii remainco, which affects gross profit, gross margin and R&D expenses. For more information see "Other information" on page 21.

*) On September 30, 2021, a total of 3.2 million warrants, stock options, and stock units were outstanding, which is a decrease of 0.7 million since the end of 2020.

During the year, 763,665 warrants and stock options have been redeemed, relating to the following programs; LTI 2014/24:1 (36,279), LTI 2018:1 (42,875), LTI2018:2 (9,625), LTI 2016:2 (25,753), LTI 2017:1 (574,883), LTI 2017:2 (38,500) and LTI 2019 (35,750).

In addition, 457,554 warrants and stock options have expired, relating to the following programs; LTI 2016:2 (3,600), LTI 2017:1 (127,517), LTI 2017:2 (7,875), LTI 2018:1 (89,000), LTI 2018:2 (89,000), LTI 2019 (24,187), LTI 2019:1 (91,200), LTI 2020 (34,800) and LTI 2021 (5,000).

553,750 stock units have been allotted within the LTI 2020 program (29,350) and the new LTI 2021 program (535,290).

The dilution effect of warrants, stock options, and stock units in all of the Company's incentive programs and maximum issuance under LTI 2020 and LTI 2021 corresponds to a maximum of approximately 3.4%.

QUARTERLY DATA PER DIVISION AND FOR THE GROUP

DATE RELATE TO CONTINUING OPERATIONS UNLESS OTHERWISE SPECIFIED

	2019				2020				2021		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
REVENUE, SEK m											
Tobii Dynavox	215	221	219	251	241	217	203	233	203	165	253
Tobii remainco	158	136	145	198	148	128	123	178	144	126	151
Eliminations and other	-11	-11	-4	-16	-10	-12	-9	-14	-9	-9	-13
The Group	363	346	359	433	380	332	317	397	339	282	390
GROSS MARGIN, %											
Tobii Dynavox	63	67	68	64	68	63	67	67	68	64	67
Tobii remainco ²	72	71	69	73	72	72	70	70	75	62	71
The Group ²	69	71	69	70	71	69	70	71	71	66	71
EBITDA, SEK											
Tobii Dynavox	35	42	46	46	57	48	44	54	47	-2	63
Tobii remainco	-40	-58	-46	-25	-37	-47	-25	-10	-4	-44	-10
Eliminations and other ¹	8	8	9	7	8	8	9	7	10	10	9
The Group ¹	4	-8	8	28	28	9	28	51	52	-37	62
EBIT, SEK m											
Tobii Dynavox	17	25	30	28	36	28	26	34	27	-24	41
Tobii remainco	-56	-73	-63	-48	-60	-74	-55	-43	-38	-77	-42
Eliminations and other ¹	1	1	2	0	1	1	2	0	1	1	1
The Group ¹	-38	-48	-32	-21	-23	-45	-27	-8	-9	-99	0
OPERATING MARGIN, %											
Tobii Dynavox	8	11	14	11	15	13	13	15	13	-14	16
Tobii remainco	-36	-54	-44	-24	-40	-58	-45	-24	-26	-61	-28
The Group	-11	-14	-9	-5	-6	-14	-8	-2	-3	-35	0
PROFIT/LOSS BEFORE TAX, SEK m											
The Group	-31	-56	-27	-36	-15	-71	-44	-32	-5	-113	-3
PROFIT/LOSS FOR THE PERIOD, INCLUDING DISCONTINUED OPERATIONS, SEK m											
The Group	-33	-59	-31	-49	-16	-74	-49	4	-3	-114	-8

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

2) Tobii has changed presentation of costs related to revenue from non-recurring engineering in Tobii remainco, which affects gross profit, gross margin and R&D expenses. For more information see "Other information" on page 21

The Parent Company

The Group's Parent Company, Tobii AB (publ), has primarily focused on Group-wide services such as overarching management, business and funding, legal affairs, and IT as of January 1, 2019. The number of employees in the Parent Company is approximately 85.

Tobii's bond financing with a total limit of SEK 600 million, of which SEK 450 million has been issued, originally had maturity date in February 2022. The Company has leveraged its right to early voluntary redemption of the bond. The bond was fully redeemed on October 21, 2021, and is, therefore, a current liability on September 30, 2021.

On October 6, 2020, which is in the fourth quarter of 2020, Tobii sold certain subsidiaries, collectively referred to as Smartbox, to an external buyer. The transaction entailed selling all shares in two foreign subsidiaries, which were owned by the Parent Company Tobii AB as of September 30, 2020. Capital gains from the divestment had a positive impact on net financial income for the year 2020 of SEK 10 million.

The Parent Company's revenue during the third quarter totaled SEK 36 million (30) and the operating loss was SEK -1 million (-5). At the end of the period, the Parent Company had SEK 51 million (62) in cash and cash equivalents

CONDENSED PARENT COMPANY INCOME STATEMENT

SEK m	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020	Full year 2020
Revenue	36	30	111	93	134
Cost of goods and services sold	-5	-8	-24	-27	-37
Gross profit	31	21	87	66	97
Selling expenses	-2	-0	-3	0	-0
Research and development expenses	-1	-5	-7	-11	-14
Administrative expenses	-28	-20	-84	-66	-96
Other operating income and operating expenses	-0	-0	0	1	-2
Operating profit/loss	-1	-5	-6	-11	-15
Financial items	4	-7	16	-20	26
Group Contributions	-	-	-	-	61
Profit/loss before tax	3	-11	10	-31	72
Tax	0	-4	0	-4	-0
Profit/loss after tax	3	-16	10	-36	72

CONDENSED PARENT COMPANY BALANCE SHEET

SEK m	Sept 30 2021	Sept 30 2020	Dec 31 2020
NON-CURRENT ASSETS			
Intangible assets	51	37	36
Tangible fixed assets	5	7	7
Financial assets	1,783	1,676	1,659
Total non-current assets	1,839	1,720	1,702
CURRENT ASSETS			
Accounts receivable	23	21	27
Inventories	0	0	0
Other current receivables	229	37	187
Cash and bank balances	51	62	72
Total current assets	303	120	286
Total assets	2,142	1,840	1,988
SHAREHOLDERS' EQUITY			
1,367			
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	17	524	448
Other non-current liabilities	0	9	0
Total non-current liabilities	17	533	448
CURRENT LIABILITIES			
Short-term part of Interest-bearing liabilities	449	-	-
Other current liabilities	308	109	230
Total current liabilities	758	109	230
Total liabilities	774	642	678
Total equity and liabilities	2,142	1,840	1,988

Notes

Not 1. Accounting policies

The Interim Report complies with the provisions of IAS 34, and the report for the Parent Company has been prepared pursuant to the provisions of the Swedish Annual Accounts Act and RFR 2. In addition to the financial statements, disclosures under 34.16A also appear in other parts of the interim report. The accounting policies of the Parent Company and the Group, and the calculation principles used in the report, are unchanged from those used in the most recently published Annual Report, with the exception of the application of new standards. The IASB has published amendments to standards effective from January 1, 2021, or later. These amendments have not had a material impact on the financial statements

Not 2. Business combinations

On August 9, 2021, Tobii acquired all shares in Phasya SA, a private company registered in Liège, Belgium. Phasya's technology and long experience within development and validation of algorithms to assess cognitive states is highly complementary to Tobii's expertise and eye tracking technology. This will enhance Tobii's Driver Monitoring System, Tobii DMS. It also opens new opportunities for using cognitive state information in several markets, such as VR, AR, scientific research, and gaming, providing substantial synergies. The company currently collaborates with numerous customers within automotive, technology, and aviation, as well as with leading industry associations providing key relationships for Tobii and Phasya to build on.

Phasya is in its early pre-revenue commercialization phase. By leveraging its resources and capabilities, Tobii will be able to accelerate the commercialization of Phasya's offering. Tobii expects the business to scale rapidly, driven by integrations of the algorithms in Tobii's existing solutions as well as in new applications, and with the mass market adoption for automotive DMS expected in 2024/25.

The purchase price for the company is shown in the table below. The acquisition analysis is preliminary pending final valuation of the acquired assets and liabilities.

SEK m	Aug 9 2021
Cash	20
Contingent consideration	17
Total purchase price	37
Fair value of acquired assets and liabilities	-5
Goodwill	32
Acquired assets and liabilities	
Intangible assets (excl. Goodwill)	4
Tangible fixed assets	1
Current assets	4
Accounts payable and other payables	-3
Total acquired assets and liabilities	5

The total consideration for the acquired net assets amounted to EUR 3.6 million. A cash payment of EUR 1.9 million was paid at

acquisition date. The agreed upon contingent consideration relates to performance over the coming five years. The maximum contingent consideration amounts to EUR 1.7 million. Tobii's management assesses that the fair value of the contingent consideration is EUR 1.7 million.

Goodwill of SEK 32 million is reported within Tobii remainco and refers to the future potential of the company's technology and products.

Revenues from the Phasya business during the period from acquisition up to and including September 30, 2021, amounted to SEK 0 million and operating profit for the same period was SEK -1 million. If the acquisition had taken place on January 1, 2021, the company would have contributed revenue of SEK 1 million and operating profit of SEK -3 million for the nine-month period.

Transaction costs incurred for the acquisition amounted to approximately SEK 1 million and are included in administrative expenses in the consolidated income statement.

Not 3. Financial instruments

SEK m	Sept 30 2021		Sept 30 2020	
	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	449	450	448	450
Financial assets measured at fair value				
Contingent considerations	39	39	-	-
Financial liabilities measured at fair value				
Contingent considerations	17	17	10	10

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 contingent considerations are classified under level 3.

All operations related to Smartbox, which was acquired in 2018, were divested during the fourth quarter of 2020. Receivables for contingent consideration relate in their entirety to the sale of Smartbox.

Change in contingent consideration

SEK m	
Assets	
Opening balance January 1, 2021	37
Translation differences	2
Closing balance September 30, 2021	39
Liabilities	
Opening balance January 1, 2021	1
Acquisitions during the year	17
Payments	-0
Change in fair value reported as other operational income/loss	-1
Closing balance September 30, 2021	17

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

IMPAIRMENT OF GOODWILL

Impairment testing for goodwill was carried out at the end of the 2020 financial year, without any need for impairment being identified.

Not 4. Pledged assets and contingent liabilities

On February 10, 2020, Tobii announced a subsequent issuance of senior covered bonds of SEK 150 million under its SEK 600 million loan facility, with maturity in February 2022. On February 14, 2019, Tobii announced the first issuance of SEK 300 million within the same loan framework. The total amount of outstanding bonds is thus SEK 450 million. The Parent Company Tobii AB is the issuer of the bond loan. The bonds issued in accordance with the Bond Loan are secured by collateral in shares in Tobii Dynavox AB, Tobii Pro AB and Tobii Tech AB.

Other information

RISKS AND UNCERTAINTY FACTORS

Tobii's business risks include the economic climate, the competitive situation, currency risks, credit risks in relation to customers, financing risks, the risk of impairment write-downs of capitalized R&D and other intangible assets, and regulatory risks (Tobii Dynavox in the U.S. is under the supervisory control of the U.S. Food and Drug Administration (FDA)). The Group's risks and risk management are described in greater detail in the risk section on page 42 in the Directors' Report and in note 3 in Tobii's 2020 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 120 of the 2020 annual report.

In 2020 Tobii introduced the new growth measure organic growth, defined as change in revenue adjusted for change due to currency and, where applicable, structural changes. At group level, structural

changes are defined as acquisitions or disposals of businesses, and at the division level, it may also include structural changes between divisions. Phasya SA was acquired in the current period, however the acquisition has no effect on structural change. No structural change occurred in comparative periods.

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.

Operation profit/loss before depreciation, amortization and impairment, EBITDA

SEK m	Q3 2021	Q3 2020	Nine months 2021	Nine months 2020	Full year 2020
Operating profit/loss before depreciation, amortization and impairment, (EBITDA)	62	28	77	65	116
Amortization and impairment	-47	-41	-137	-119	-165
Depreciation	-15	-14	-48	-41	-55
<i>of which Right-of-use assets (IFRS 16 Leasing)</i>	-8	-7	-25	-21	-28
Operating profit/loss (EBIT)	0	-27	-109	-95	-103

CHANGED PRESENTATION OF COST OF SERVICES IN TOBII REMAINCO

Previously, non-recurring revenue has been charged with cost of services sold on a flat-rate basis. From Q1 2021, the reporting has been changed, to enhance consistency. The change has no effect on operating profit, but results in a higher gross profit and higher R&D costs.

Effect on previous periods from changed presentation

	2019					2020				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Group										
Cost of services	-4	-5	-2	-6	-18	-7	-13	-4	-4	-27
Gross profit	4	5	2	6	18	7	13	4	4	27
<i>Gross margin, percentage points</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>2</i>	<i>4</i>	<i>1</i>	<i>1</i>	<i>2</i>
RnD costs	4	5	2	6	18	7	13	4	4	27
Operating result	0	0	0	0	0	0	0	0	0	0

Danderyd, October 28, 2021

Kent Sander
Chairman of the Board

Heli Arantola
Board member

Nils Bernhard
Board member

Jan Wäreby
Board member

Charlotta Falvin
Board member

Jörgen Lantto
Board member

Henrik Eskilsson
Board member,
President & CEO

The report has been reviewed by the Company's auditors.

This information is information that Tobii AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, on October 28, 2021 at 7:30 a.m. CET.

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

Information to shareholders

WEB PRESENTATION

A conference call and online presentation will be held in English today at 1:00 p.m. (CET). See [tobii.com](https://www.tobii.com) for more information about the conference call. The slides from the presentation will be available for download from the website afterwards.

CONTACT DETAILS

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FINANCIAL CALENDAR

Year-end report, Q4 2021	February 08, 2022
Interim report, Q1 2022	May 5, 2022
Interim report, Q2 2022	August 19, 2022
Interim report, Q3 2022	November 8, 2022
Interim report, Q4 2022	February 7, 2023



Unofficial translation

Auditor's report

Tobii AB (publ) företagsnummer 556613-9654

Introduction

We have reviewed the condensed interim financial information (interim report) of Tobii AB (publ) (“the Parent Company”) and its subsidiaries (together “the Group”) as of 30 September 2021 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the condensed interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 28 October 2021
PricewaterhouseCoopers AB

Johan Engstam
Authorized Public Accountant