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World leader in eye tracking, a technology that changes lives, provides unparalleled insights and enables more natural user interfaces.

tobii

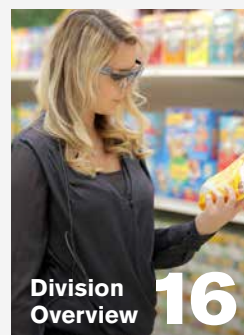
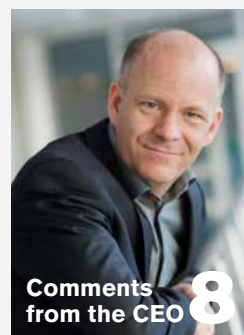
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Covid-19 pandemic comment

THIS ANNUAL REPORT WAS WRITTEN PRIOR TO THE COVID-19 PANDEMIC

The contents of this Annual Report were largely created prior to the large-scale outbreak of the covid-19 pandemic. This pandemic has had a profound impact on virtually all industries and countries globally. The uncertainty relating to forward looking statements, such as descriptions of market dynamics, market outlook and company strategies have increased materially and therefore, the Group's financial targets may also have to be revised.

TOBII STARTED TAKING MITIGATING ACTIONS EARLY ON

Since early-on, Tobii has monitored the spread of covid-19 continuously, creating both global and regional crisis response teams to assess the situation and to act decisively to protect the health and safety of employees and maintain the ability to deliver Tobii services and products to customers.

In the end of March, Tobii's organization was still essentially fully operational, although most of the staff has been instructed to work from home to help reduce risk of infection and help off-load pressure on healthcare systems. The transition to work-from-home was prepared early on, and has worked well.

Tobii has Chinese suppliers in its supply chain. Tobii therefore acted early-on and took proactive measures to mitigate the risks for supply disturbances. These measures for instance included identification of critical components and possible alternative suppliers as well as to increase the safety stock of certain products and components.

TOBII'S REVENUE HAS BEEN AFFECTED

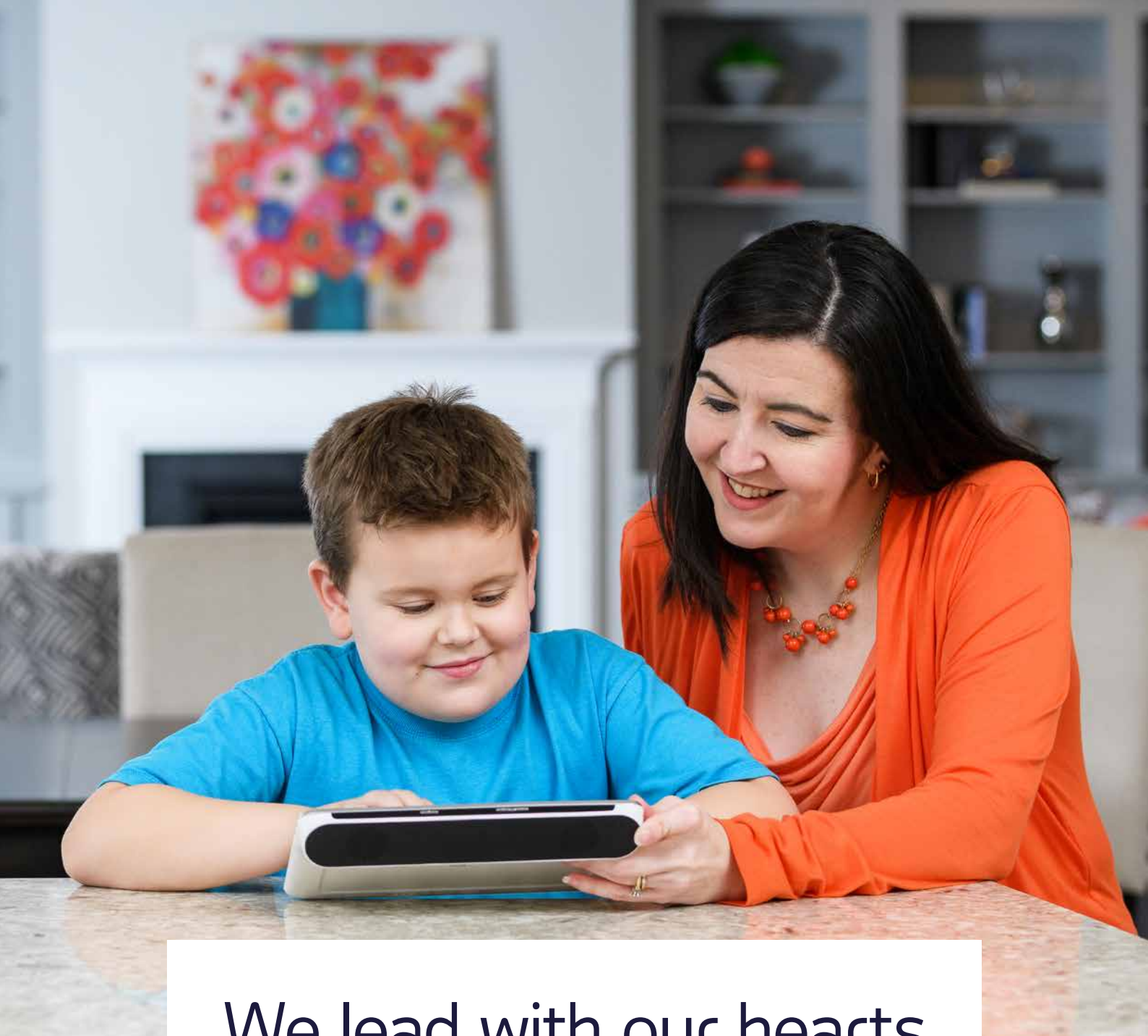
As a result of the measures taken Tobii has not seen any significant disruption to the supply of products to customers as of the end of the first quarter. However, Tobii, and specifically Tobii Pro, has

customers in Japan and China, countries that early-on enforced significant travel restrictions and closed schools, universities and office locations. Revenue from these markets has therefore decreased in the first quarter 2020.

THE UNCERTAINTY REMAINS HIGH BUT TOBII TAKES NECESSARY ACTIONS

The global effects of the pandemic are still highly uncertain but Tobii expects the revenues of all three Divisions to be impacted in a negative way in the near term. It is currently not possible to quantify these effects or to say how long they will continue to affect the business.

Tobii continues to monitor the situation closely and takes necessary action to safeguard its employees, the business and the company, in the near and in the long term.



We lead with our hearts and our technology

We improve the world with technology that understands human attention and intent.

Using our global leadership in eye tracking as a base, Tobii designs tomorrow's technology to the benefit of our customers, end-users and the market at large.

We are more than one thousand people with a passion to bridge the gap between advanced technology and human behavior. In doing so, we contribute to a more sustainable and inclusive society. We are Tobii.

Eye tracking

Eye tracking is a sensor technology that makes it possible for a computer or other device to know where a person is looking. An eye tracker can detect the presence, attention and intent of the user. It allows for unique insights into human behavior and facilitates natural user interfaces in a broad range of devices and products including PCs, VR/AR headsets, medical equipment and vehicles. The ability to control a computer using the eyes also makes eye tracking a key technology for increased inclusion of millions of people world-wide with communication related disabilities.

Tobii's three divisions address the potential of eye tracking in various applications. Tobii Dynavox focuses on assistive technology for communication, Tobii Pro focuses on eye-tracking solutions for understanding human behavior and Tobii Tech focuses on integration of eye-tracking technology in consumer electronics and other products.

How an eye tracker works

- 1 **An eye tracker** utilizes cameras, projectors and algorithms.
- 2 **The illuminators** project a pattern of near infrared light on the eyes.
- 3 **The cameras** take high-resolution images of the user's eyes and the pattern.
- 4 **Machine learning**, image processing and mathematical algorithms determine the eyes' position and gaze point.





No 1 in Eye Tracking

40% Market share in the assistive technology communication market.

70% Market share in the eye controlled assistive technology communication market.

60% Market share in eye-tracking solutions for behavior research.



Clear market share leader in eye tracking for integration in PC and VR.



Global coverage and sales presence in 90 countries.



More than 600 patents.



More than 1,000 employees.



A technology for the future

Eye tracking offers strong and unique values across a broad range of applications. Eye tracking is already today an established method in an array of academic research areas. It is also used by enterprises to gain insights into consumer research, in advertisement measurements, user experience testing and simulation and training. In addition, it helps tens of thousands of people with disabilities to communicate, use computers and be included in society at large. The technology has also taken the first steps into consumer electronics, such as gaming computers and virtual reality headsets, as well as into vehicles and different healthcare related applications.

Penetration is however still low, also in the established areas where Tobii is the market leader. Tobii therefore plays a driving role in developing the market and our aim is to strengthen our position in a future much larger eye tracking market.

2019 in review

tobii

- Revenue increased by 17% to SEK 1,5 billion and EBIT improved with SEK 51 million.
- The 5th most attractive employer in Sweden in Universum's 2019 survey and also a top work place in the US in the Pittsburgh Post-Gazette 2019 survey.
- Raised SEK 300 million through the issuance bonds.
- Joined United Nation's Global Compact.

tobii pro

- Revenue grew 12% and operating margin improved to 12% (11%). Growth drivers were primarily geographical expansion and a strengthened offering.
- Launched Tobii Pro Fusion, a new high-performance portable eye tracker for research.
- Organized the business into the three segments "Scientific Research", "Marketing Research and User Experience" and "Professional Performance".
- Opened new sales offices in Southeast Asia and Latin America to better support global customers and sales expansion.

GROSS SALES PER DIVISION



- **tobii dynavox** 58 % (SEK 906m)
- **tobii pro** 28 % (SEK 443m)
- **tobii tech** 14 % (SEK 222m)

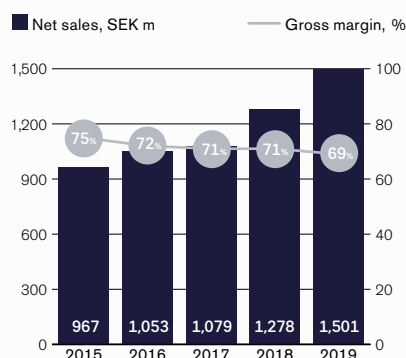
tobii dynavox

- Revenue grew 14% and operating margin improved to 11% (9%). Revenue growth was driven by a strengthened product offering and large-scale training initiatives, which in combination with flat operating expenses drove improved profitability improvement.
- Launched the new and completely redesigned I-Series, the division's medical-grade and eye-controlled flag-ship product.
- Launched upgrades of the communication software Snap Core First now supporting 14 different languages.
- Trained around 60 000 therapists, prescribers and other key professionals during the year to drive continued long-term market growth.
- The British Competition and Markets Authority (CMA) required Tobii to divest Smartbox Assistive Technology Ltd., which Tobii acquired autumn 2018.

tobii tech

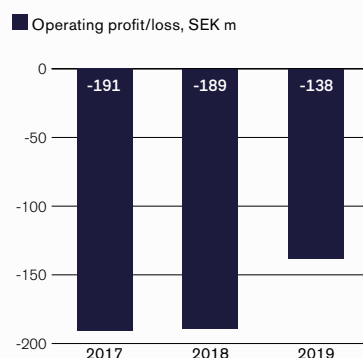
- External revenue grew sharply by 82% primarily driven by the PC and Niche Application segments.
- Dell launched Alienware Area 51, m15 and m17 gaming laptops, all equipped with Tobii's IS5 eye-tracking platform.
- HTC launched the world's first major VR headset with built-in eye tracking, the HTC Vive Pro Eye. The eye tracking technology is delivered by Tobii.
- In Jan 2020, Pico launched the world's first stand-alone VR headset with built-in Tobii eye tracking.
- Lenovo launched the Yoga A940, the first PC that integrates the new Tobii Aware software for a more intuitive user experience.
- Tobii Tech presented its Spotlight technology, which enables significantly improved graphics processing in VR and other devices.
- Awarded several new design wins within Niche Applications including RightEye, Lexplore, NovaSight, PRC and others.
- Anand Srivatsa was recruited as the new CEO of the Tobii Tech division.

REVENUES AND GROSS MARGIN



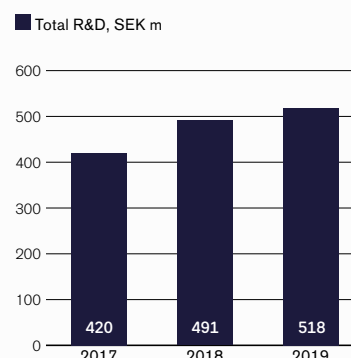
The Group's revenue reached SEK 1.5 billion after sales records in all three divisions. Revenue increased by 17%, or 9% adjusted for currency effects, compared to 2018.

OPERATING PROFIT/LOSS (EBIT)



Tobii Dynavox and Tobii Pro contributed positively to earnings with SEK 99 million and SEK 54 million respectively. Investments in Tobii Tech had an impact on earnings of SEK -294 million.

RESEARCH & DEVELOPMENT



The Group's R&D expenditures totaled SEK 518 million, an increase of 5%. The currency adjusted increase was 2%.

Our global presence

Tobii has a global presence through its offices in the Americas, Europe and Asia. Sales are conducted directly in primary markets and through resellers in other countries.

1,011

employees (FTE)

17

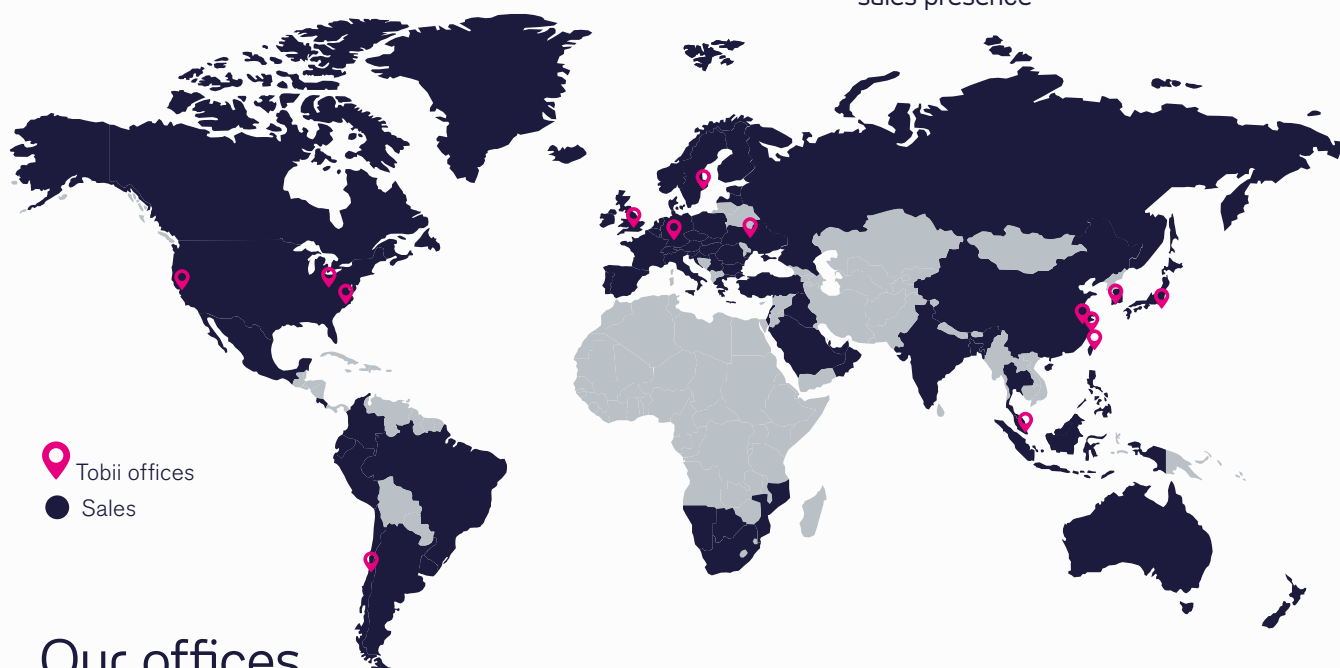
offices

90

countries with a sales presence

>400

R&D engineers*



Our offices

AMERICAS

Pittsburgh, USA

Sales, R&D and Admin

Washington DC, USA

Sales

Mountain View, USA

Sales

Santiago, Chile

Sales

EUROPE

Stockholm, Sweden

Sales and R&D

Frankfurt, Germany

Sales

Kyiv, Ukraine

R&D (consultants)

Reading, UK

Sales

Sheffield, UK

Sales

Steinhausen, CH

Operations

ASIA

Tokyo, Japan

Sales

Suzhou, China

Sales and R&D

Shanghai, China

Sales

Seoul, South Korea

Sales

Taipei, Taiwan

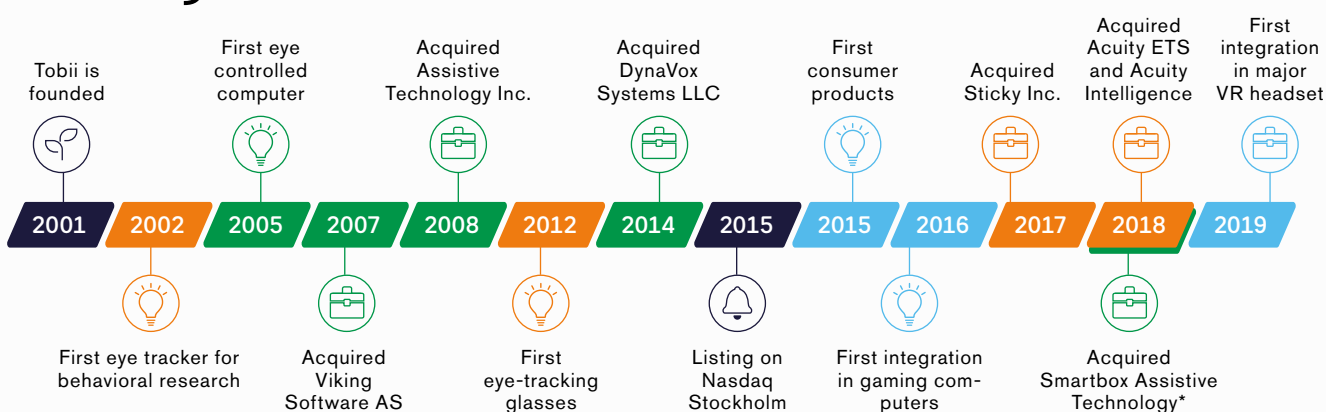
Sales

Singapore

Sales

* Includes employees and full-time consultants

Looking back



* In 2019, the UK Competitions and Market Authority (the CMA) required that Tobii should divest Smartbox.

Tobii's journey continues – Sales records in all divisions

With eye tracking, we enable technology to understand human attention and intent. This creates large value for our users, customers and society at large. As intelligent devices become the new norm, eye tracking advances on a broad front, across a wide range of devices, industries and applications. In 2019, revenue grew to SEK 1.5 billion, with all three divisions boasting new sales records, without increased operating expenses.

“An eye tracker in every computer” was our vision when we started Tobii 18 years ago. What made us excited was the potential of this technology to fundamentally change the way humans interact with computers. At that time, an eye tracker was the size of a brick, cost more than a car and performed poorly. In other words – back then was not the time for making eye tracking a mass-market technology. Instead, our path forward to build our company was to focus on customers who could extract large values, even from an immature technology. Our very first customers were enterprises and universities that used eye tracking as a novel research tool to understand human behavior. A few years later, we also provided our first solutions for people with disabilities to communicate using eye-controlled computers.

Today, eye tracking is advancing on a broad front.

In 2019, more than 5,000 academic research papers were published where eye tracking was used for scientific research. Thousands of enterprises used eye tracking to optimize their products, marketing and training. Tobii provided some 30,000 more people with special needs with a communication solution and a new voice. Dell and Lenovo launched computers with improved experiences and user interfaces with built-in technology from Tobii. The first VR- and AR-headsets with eye tracking were announced by our customers HTC and Pico, as well as by other players such as Microsoft. Numerous healthcare companies, for instance RightEye and NovaSight, launched revolutionary products that use eye tracking to assess, diagnose and treat various medical conditions or improve interaction in medical devices. Representatives of leading global tech companies such as Intel, Microsoft and Qualcomm expressed their conviction that eye tracking will be an important part of their future platforms.

The year has strengthened us in our conviction that eye tracking will have a large and positive impact on a wide range of applications, industries and devices. We are however still early on the adoption curve and have respect for the time and effort required to develop these new ecosystems and markets. Tobii is the global leader in eye tracking, and in the vertical markets we operate. We have a unique opportunity to contribute to a better world and to benefit as a company as eye tracking becomes increasingly ubiquitous.


Tobii Dynavox enables people with special needs to communicate and realize their full potential through assistive technology. Globally, there are some 50 million people who have this need and in the past five years, we have been able to provide over 100,000 amazing individuals with a communication solution and a voice. The low penetration and the trend of “inclusion of all people” in society create a long-term growth opportunity for the division.

During the year, Tobii Dynavox continued its expansion with a focus on strengthening its sales channels and product portfolio. To drive the market, we have a large program in place to educate key professionals, such as therapists and prescribers, all over the world. In 2019 we trained almost 60,000 professionals, twice as many as last year. Our product portfolio includes both touch-based and eye-tracking controlled solutions ranging from entry-level app-based software to high-end medical grade devices. The most important product launch in 2019 was the new I-Series which is Tobii Dynavox' medical-grade and eye-controlled flagship product. Our touch-based devices continued to gain market share, and our new Snap software, with our own in-house developed symbol language, Core First, has been upgraded and now supports 19 different languages. All together, we have the broadest and most advanced product portfolio in the market.

For the full year, Tobii Dynavox' revenue grew by 14 percent, or 6 percent adjusted for currencies. The new I-Series has been very well received by the market and drove growth in the end of the year. Our operating margin improved to 11 percent thanks to the increased sales and unchanged operating expenses. The division is well on track to meet its long-term financial targets.

Tobii Pro provides eye-tracking solutions that make it possible to understand human behavior and has thousands of academic and enterprise customers. They have understood how valuable these insights are, both in academic research and when it comes to improving products, marketing and business processes.

In 2019, we strengthened our global reach through new offices in Singapore and Latin America. Our product portfolio has also seen important developments in the year. Our mid-range eye-tracker, the Tobii Pro Fusion, was a major product launch at the end of 2019. Our flagship software suite, Tobii



Note: This Annual Report, including these comments from the CEO, was written prior to the large-scale outbreak of the covid-19 pandemic. The uncertainty regarding forward looking statements has increased materially due to the pandemic. Please also see page 2.

“We are on a journey to improve the world with technology that understands human attention and intent.”

Henrik Eskilsson, CEO

Pro Lab, has also seen major upgrades during the year. Our consultancy services business, Tobii Pro Insight, grew 30 percent and obtained high customer satisfaction scores.

For the full year, Tobii Pro's revenues increased with 12 percent, or 5 percent after currency adjustments. The somewhat low growth was due to lower sales of a few specific older, now phased-out products, uncertainty regarding research grants in the US and by Brexit. The operating margin improved to 12 percent and, also in Tobii Pro, operating expenses have levelled out which forms a good foundation for continued improved profitability.

Tobii Tech is supplying eye-tracking technology for integration into consumer electronics and other products. The division focuses on the three segments PC, VR and Niche Applications, which today primarily includes healthcare applications.

During the year we have seen several important launches of products with Tobii eye tracking. In the PC segment, we doubled revenue, mainly driven by Dell that went from having eye tracking integrated in one of its laptop models to having our new Tobii IS-5 eye tracker integrated across their entire portfolio of Alienware gaming laptops. Lenovo was the first customer for our new Tobii Aware solution as part of one of their desktop PCs. HTC launched the first major VR headset with integrated eye tracking, the Vive Pro Eye. At the CES show in January 2020, Pico launched its new Neo 2 Eye VR headset which builds on Tobii's close collaboration with Qualcomm. In the Niche Applications segment, we now have many customers with innovative products in which eye tracking is

crucial. These customers made significant progress during the year, including launching several new products to the market.

In 2019, Tobii Tech's external revenue grew by 82 percent, or 69 percent after currency adjustments. The substantial increase was mainly driven by the PC and Niche Applications segments. The VR-segment also contributed to growth although it is in an early stage. We still have low penetration of eye tracking in the segments which Tobii Tech addresses and are working intensely with the eco-system, customers and users to accelerate the adoption. Tobii Tech's operating expenses are no longer increasing and the gross profit from every additional device we ship will contribute in full to our operating result.

We enter 2020 with a strong focus on our target of reaching profitability this year. Our recipe for this is

simple – continue to grow sales, in all three divisions, while keeping our operating expenses largely flat. At the same time, we build for the future. We continue to invest in product development, in IP and in marketing and sales, and by exploring acquisition opportunities, in all our three divisions. Our vision is a world where all technology works in harmony with natural human behavior and our mission is to improve the world with technology that understands human attention and intent.

Over the last year we have taken important steps forward by driving large-scale adoption of eye tracking technology. Tobii is on an extraordinary journey, and we are excited to watch the future unfold.

Danderyd in March 2020
Henrik Eskilsson, CEO and Co-founder

Innovation with a big heart

We are ambitious at Tobii. We innovative, break barriers and create the best and smartest solutions for our customers and users. We have a unique combination of exciting technology and a big heart where a shared passion and a will to succeed together have made us the world leader within eye tracking.

CULTURE AND VALUES

Curiosity and a constant desire to improve, renew and surpass ourselves drive us Tobians and have made us a world leader in eye tracking. Tobians are driven by dedication and a constant will to improve, renew and surpass ourselves, making Tobii the world leader in eye tracking. Every day, we give more and more companies, organizations and people access to technology and knowledge that changes lives and entire industries. Our aim is to continue to be the driving force for development within eye tracking and in our different solution areas for years to come. We are linked by our common vision and strong shared values. These values guide us in how to be successful, sustainable and a world-class workplace. At Tobii, you will find all kinds of people, from different parts of the world and with different professional backgrounds, preferences and personalities. Being a truly diverse company makes Tobii a fun, innovative, and dynamic workplace for all Tobians.

VISION AND MISSION

Tobii's vision and mission comprise a fundamental starting point for our operations and long-term ambition. Eye tracking has the potential to create profound value within a multitude of applications and we are committed to realize that value. Tobii is a leading player in a larger ecosystem of companies and technologies that all contribute to our vision of a world where technology works in harmony with natural human behavior.

Our mission is to improve the world with technology that understands human attention and intent. With eye tracking as a base, Tobii creates the conditions for new insights into human behavior and intuitive user interfaces.





VISION

A world where all technology works in harmony with natural human behavior



MISSION

We improve the world with technology that understands human attention and intent



VALUES

Amaze our customers
Succeed together
Make it real
Beat yesterday
Share passion



READ MORE

Get to know our employees in the Sustainability Report on page 46.



Megatrends that benefit Tobii

Transformative trends in the technology sector and in society at large create opportunities for eye tracking and for Tobii. Some of these trends are described below.



ARTIFICIAL INTELLIGENCE

Artificial intelligence will transform technology, entire industries and our society over the next few decades. Most major companies are making large investments in developing increasingly sophisticated AI solutions. In our everyday lives we already encounter smart speakers, voice recognition and digital assistants like Alexa, Google Assistant and Siri. Technology advances and AI also fundamentally affect companies and workplaces by improving efficiency and automating processes, products and services using intelligent machines and software.

TOBII'S PERSPECTIVE

At Tobii we are convinced that consumers will demand that the smartphones, computers, tablets, VR/AR products and vehicles of the future are much more intelligent and hence able to much more effectively support and augment the capabilities of us as users. To accomplish this, they need to know who we are, what we are paying attention to, what we are interested in and our intent. Eye tracking will therefore likely be a key enabler for a broad range of artificial intelligence solutions in essentially all devices in the future.



NATURAL INTERACTION WITH TECHNOLOGY

Over the past decade, there has been a rapid development of increasingly natural user interfaces. Apple's launch of the iPhone can be viewed as the spark that started this revolution. Using simple and intuitive touch screen interfaces, we can surf the net, watch videos and use social media.

Sensors for gestures, fingerprints, facial recognition and voice-based digital assistants all facilitate an increasingly natural interaction with various products. The more our devices cater to our natural human ways to interact, the more intuitive, effortless, easy to use, immersive, efficient and fun our technology becomes.

TOBII'S PERSPECTIVE

Eye tracking is the natural next step in this development. The technology enables products to determine when the user is present, what we pay attention to, our interests and ultimately, our intent. It can better understand what we want to see, know and do, and react in a way that is more like human behavior. Consequently, the products are perceived as simpler and more pleasant to use. The integration of eye-tracking technology in consumer electronics and other volume products represents a very large and a prioritized business opportunity for Tobii Tech.



BATTLE FOR OUR ATTENTION

The concept "attention economy" was coined in the nineties and assumes that time and attention are the primary limited resources in this modern, digitized world where our basic needs are met and where we have free access to unlimited information. The companies that are best at capturing the attention of their customers are the ones that become the most successful, which has become particularly clear in the internet economy. As consumers, we have become experts at ignoring ads and clicking selectively. Impressions or clicks are therefore far from exact measures of what we pay attention to.

TOBII'S PERSPECTIVE

Tobii Pro is a driving force in this space and works with both consumer panels and software solutions to understand and measure consumer behavior. As eye tracking becomes established in consumer electronics, gaze data may become the new hard currency for the advertising market and a key factor for customer insights and optimization of the overall user experience. Altogether, Tobii Pro has served more than 2,500 academic and over 3,500 enterprise customers that have understood the potential of eye tracking. There are tens of thousands of more that haven't, yet.



MIX OF VIRTUAL AND REAL

Virtual worlds or environments that mix reality with the virtual create completely new prospects for how we interact with technology, with each other and with the outside world. VR and AR are expected to bring about even more radical changes than smartphones have over the past decade for the benefit of both consumers and enterprises. The technology is still maturing, but many large companies are making extensive investments in developing both technology and user experiences.

TOBII'S PERSPECTIVE

The research firm IDC estimates some 30 million VR headsets and almost 30 million AR glasses will be sold in 2023* which represents a large and prioritized business opportunity for Tobii. Eye tracking plays a key role in both VR headsets and AR glasses since it allows for a more natural user interface, improved graphics and user insights.



INCLUSION OF ALL PEOPLE

There is a growing respect that humans have different capabilities but equal value. That we all deserve to have a fulfilling life and the right to realize our own individual potential regardless of disabilities or special needs. Some parts of society have progressed further in inclusion, where people with varying functional capabilities are visible in society, attend ordinary schools and have ordinary jobs. But in many countries and other parts of society, this is still not the case although there is a growing ambition for it to become a reality. Increased inclusion is part of UN's Sustainability Development Goals.

TOBII'S PERSPECTIVE

Today, technology can overcome and transcend physical or cognitive barriers so that these limitations no longer define us as human beings. The ability to communicate is critical for inclusion and through our assistive technology for communication, we are a driving force of this societal trend. There are approximately 50 million people in need of assistive communication technology worldwide. We are proud that Tobii Dynavox has been able to provide around 30,000 people with a new voice in 2019 but clearly, our goal is to increase that number significantly.



GLOBAL COMPETITION FOR TOP TALENT

A company is ever only as good as the passion, attitude, culture and competence of its team. In the modern, global and constantly connected world, the ability to attract and retain talent globally will separate the winners from the losers. Even more so for companies that are pushing the frontiers of innovation in state-of-the-art technology and address the entire world with its solutions.

TOBII'S PERSPECTIVE

Tobii has a unique ability to attract talent through its very strong company culture, exciting challenges and meaningful products. We have a global approach to recruitment and how we are organized, which creates opportunities for international experience and career development for many of Tobii's employees. In 2019 Tobii was ranked as Sweden's fifth best employer in a survey from the research company Universum and a top work place in the US by the Pittsburgh Post-Gazette.

* Source IDC, 2019Q3,
excluding screen-less viewers.

Organized around our customers

Tobii's business is structured in independent divisions that focus on very different customer segments and market opportunities. By being part of the Group, synergies are reached on technology and collaboration between the divisions on joint opportunities.

INDEPENDENT BUSINESS DIVISIONS

To address the great number of opportunities for eye tracking within diverse industries with different customer needs and in different stages of market development, Tobii's business is driven in independent operating units. Each of Tobii's three units is run by division CEOs with their own management teams and include business-critical functions. Strategy and targets are set at the division level based on the market conditions within each area.

By organizing the Company into smaller units and encouraging participation among teams and employees, Tobii benefits from and maintains its entrepreneurial spirit. By being part of the Group, the divisions share a strong technology foundation, as well as a common brand, values, patents and other intellectual property. Synergies are also achieved through collaborative efforts between the divisions, as well as Group-wide functions such as HR, finance, communications, logistics and IT.

R&D AS GROWTH ENGINE

A high pace of development of technology, intellectual property and new products are top priorities for Tobii to retain its market-leading position and be an attractive partner in both established and emerging segments.

Each division conducts R&D with a focus on developing world-class products that customers love. Tobii also continually identifies and develops new business opportunities through R&D initiatives, which is therefore a fundamental engine for growth and success.

Eye-tracking technology is developed and adapted in all three divisions. Tobii Tech develops eye-tracking platforms for integration in for instance computers and VR headsets, but also sells standard platforms to the other two divisions on market-based terms. Tobii Dynavox and Tobii Pro also pay for any needed modifications of these platforms. The technology in Tobii Pro Glasses is for example developed by the division itself and so are the assistive communication devices of Tobii Dynavox.

ORGANIC GROWTH AND ACQUISITIONS

The growth targets of the divisions are based on organic growth driven by increased market penetration, expansion of each product portfolio and offering, as well as geographic expansion. The Group's growth strategy also includes potential acquisitions of companies, technologies and intellectual property. Potential acquisition targets relevant to each division are continually evaluated.

Financial target for the Group is to reach profitability in 2020.

A leading patent portfolio provides strength and future revenue

Innovation and patents are integral to the Tobii business model. Being on the leading edge and protecting our innovations create business opportunities for both the short and long term. All three divisions work proactively to identify inventions and opportunities for patent registrations in their ongoing development activities.

A strong patent position is important for Tobii to remain highly competitive, have sustainable long-term margins, create opportunities for substantial future licensing revenue and provide a strong protection for its own technology and products.

As interest in eye tracking has increased in several mass markets, the pace of patent applications has also increased in this area. Tobii has one of the strongest portfolios of eye-tracking related patents in the industry with respect to both the size and the quality of the patents. For Tobii it is important to continue to build a broad and deep patent portfolio in order to retain a competitive position and to have a strong offering for integration customers. At year-end, Tobii's patent portfolio contained a total of 648 granted and registered patent applications, of which more than 300 have already been granted.

FOCUS ON CORE TECHNOLOGY AND APPLICATIONS

Tobii's patent portfolio includes both its core technology and various applications for its use. The core technology refers to algorithms, system designs, optics and application components, which are widely applied in many different types of products where eye tracking is and will be used – from computers and mobile devices to eye-tracking glasses, both VR and AR. One particularly important area involves various techniques for achieving high-quality eye tracking at a low cost and low power consumption. Patents on how eye tracking is applied are as important as patents on the basic technology itself, and Tobii's portfolio also includes patents in areas such as user interface and interaction, analysis, computer games and VR.

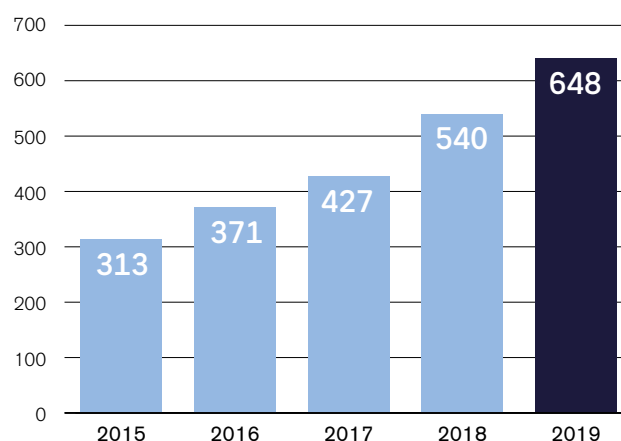
PROTECT OUR OWN AND OUR CUSTOMERS' PRODUCTS

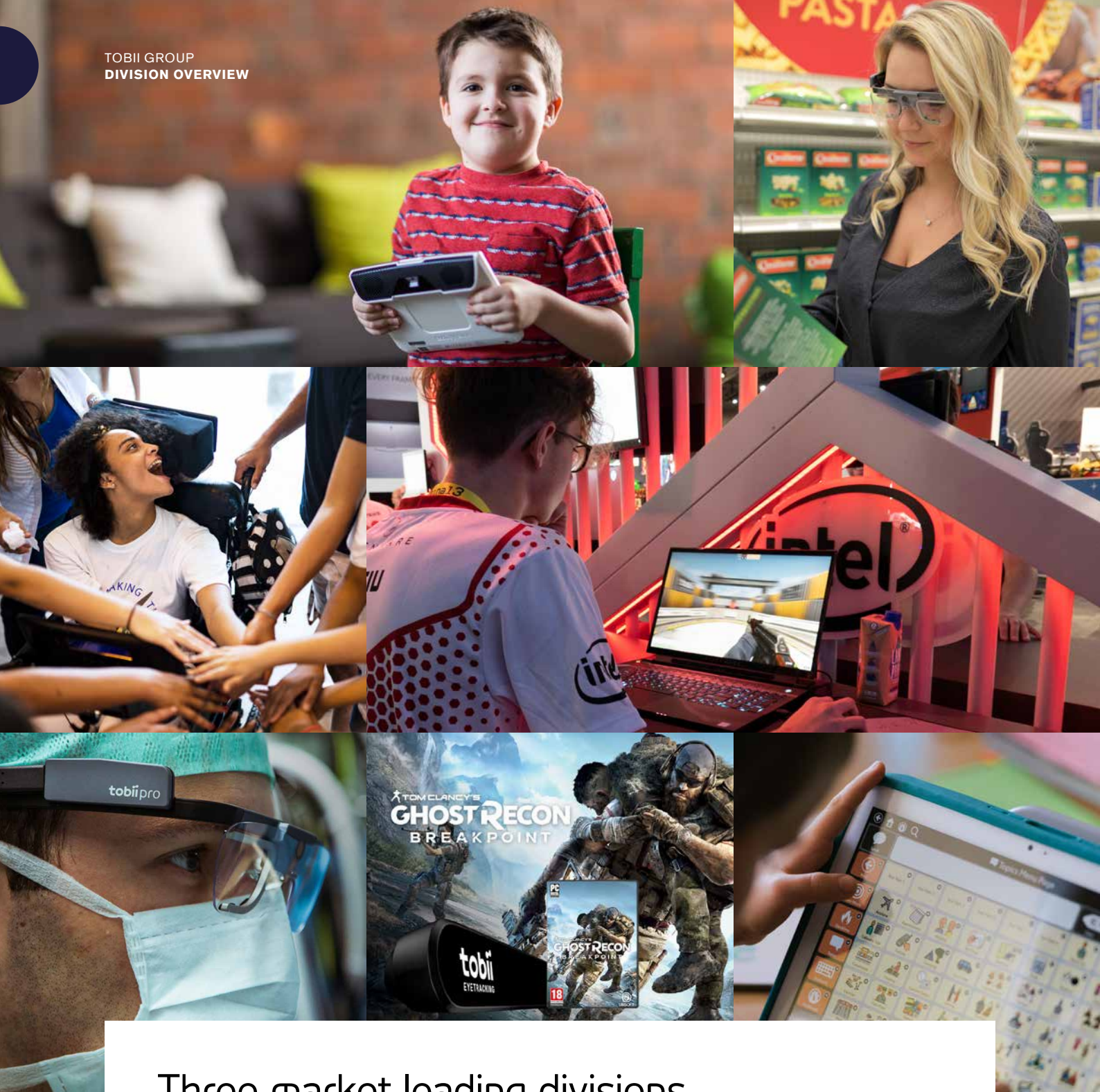
A strong patent position provides solid protection for both our own and our customers' products and makes Tobii an excellent technology partner for integration customers. Compared with other independent eye-tracking providers, Tobii's has by far the strongest portfolio of eye-tracking related patents.

REVENUE FROM TOBII'S LICENSING PROGRAM

In the long term, patents can generate substantial value in the form of license revenue. Tobii already has licensing agreements with a number of smaller eye-tracking companies that use innovations that are protected by Tobii patents.

NUMBER OF TOBII PATENTS AND PATENT APPLICATIONS





Three market leading divisions

Tobii's three divisions, Tobii Dynavox, Tobii Pro and Tobii Tech, are global market leaders in their respective fields. Tobii Dynavox focuses on assistive technology to help individuals with disabilities and special needs to communicate. Tobii Pro provides specialized eye-tracking solutions that add deep insights and unique objectivity to a multitude of areas in human behavior research. With these divisions, Tobii has established two growing, profitable and cash flow generating operations that have good potential for continued growth over a long period of time. Together

they form a strong foundation for the Group's operations, organization and development.

Tobii Tech offers market-leading eye-tracking technology to customers who integrate the technology into their products. Its customers can be found in high volume segments such as PC and VR as well as in a broad range of niche applications. The division is making large investments to develop its technology and establish several new markets with very large long-term potential.



tobii pro

The world's leading supplier of eye-tracking solutions for understanding human behavior.

Tobii Pro's mission is to empower scientific researchers and business professionals with revolutionary insights into human behavior through the use of world-class eye tracking technology.

An overarching objective is to retain and strengthen the division's position as the world leader in eye-tracking solutions for behavioral studies. There is great potential to increase use within existing customer segments and to expand use of the division's current products and services to new application areas.

Tobii Pro's long-term financial target is to increase revenue on average by 15-20% per year, and to reach an EBIT margin of 15% by 2020.

SHARE OF THE GROUP'S
GROSS SALES



28%



READ MORE

Tobii Pro on pages 18–23



tobii dynavox

The world's leading supplier of assistive technology for communication.

Tobii Dynavox's mission is to empower people with disabilities to do what they once did, or never thought possible.

An overarching objective is to retain and strengthen its position as the world leader in assistive technology for communication. Very low global penetration offers the potential for long-term market growth, driven by gradually more effective reimbursement systems for individuals in need and increased awareness of needs and available solutions.

Tobii Dynavox's long-term financial target is to increase revenue on average by 10% per year with an EBIT margin of 15–20%.

SHARE OF THE GROUP'S
GROSS SALES



58%



READ MORE

Tobii Dynavox on pages 24–29



tobii tech

The world's leading supplier of eye-tracking technology for integration into consumer electronics and other products.

Tobii Tech's mission is to enable devices to visually sense the user – to transform everyday experiences to be more intelligent, intuitive and insightful.

An overarching objective is to maintain its position as the world's leading supplier of eye-tracking technology for integration into high-volume products, and in the long-term to achieve sales of several billion SEK with good profitability. This development is expected to occur gradually over several years and requires major investments in technology and market development.

Tobii Tech's financial target is to reach profitability in 2021.

SHARE OF THE GROUP'S
GROSS SALES

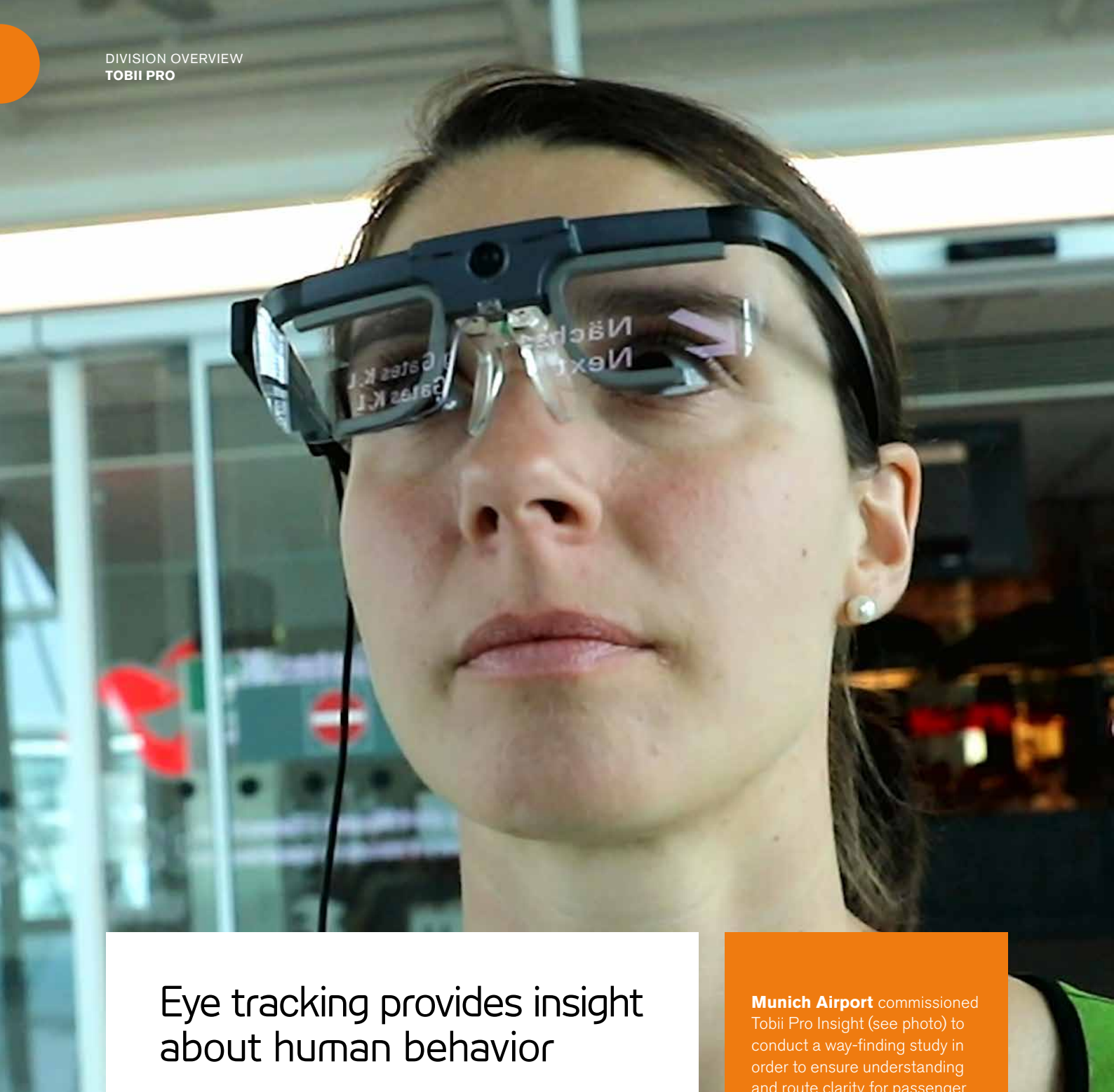


14%



READ MORE

Tobii Tech on pages 30–37



Eye tracking provides insight about human behavior

Tobii Pro's caters to a rapidly growing set of customers

within both the scientific research and commercial industries where eye tracking is increasingly being used to understand human behavior and the key influencers to our decision-making behavior. Studying eye movements provides powerful and objective information about what catches our attention, what interests us, what we ignore and what information we process. The data is analyzed and turned into actionable insights that help answer scientific research questions, explain customer behavior or optimize work processes, performance and future products. Common areas of academic research include psychology, linguistics and neuroscience. In the commercial sector, Tobii Pro's customers include thousands of marketing researchers, marketers, advertising buyers, UX designers, safety managers, continuous improvement engineers and simulator operators.

Munich Airport commissioned Tobii Pro Insight (see photo) to conduct a way-finding study in order to ensure understanding and route clarity for passengers as they transit through the terminals, as well as to reach an even distribution of patronage across the airport's shops and services. Understanding how advertising material was viewed in conjunction with navigation signage was another key focus of this and other similar studies conducted in 2019 by Tobii Pro's research team.



The world's leading supplier of eye-tracking solutions for understanding human behavior

Unparalleled insights driving science and businesses forward

Tobii Pro is the world leader in eye-tracking solutions for behavioral research. Studies of what people pay attention to and focus on provide objective data and deeper understanding of our cognitive processes not possible to obtain in any other way. The insights are used in a wide range of research disciplines and clinical applications. Businesses utilize insights from eye tracking to make better marketing investments, more informed design decisions or to improve processes.

IMPORTANT EVENTS IN 2019

- Established new sales offices in South East Asia (Singapore) and Latin America (Chile)
- Reoriented product offerings and organization around customer segments
- Announced Tobii Pro Fusion, a new portable high-performance eye tracker for research
- Key updates to flagship software Tobii Pro Lab

FINANCIAL PERFORMANCE

FINANCIAL TARGETS

Increase revenue per year on average by

15–20%

Reach an operating margin of (in 2020)

15%

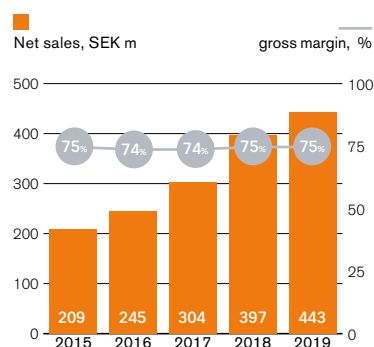
SHARE OF THE GROUP'S GROSS SALES



REVENUE, SEK M

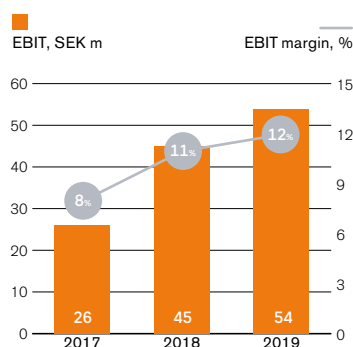
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REVENUES AND GROSS MARGIN



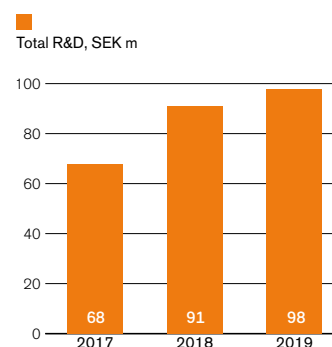
Tobii Pro revenue increased by 12%, or 5% adjusted for currency effects, compared to 2018. The somewhat lower growth can be attributed to lower sales of some older now phased-out products, Brexit and to uncertainty regarding research grants in the US.

OPERATING PROFIT/LOSS (EBIT) AND OPERATING MARGIN



Operating margin improved to 12%. The division continues to work towards the long term profitability target of reaching 15% EBIT margin in 2020.

RESEARCH & DEVELOPMENT



The increase of R&D expenses was less in 2019 than in 2018 and started to flatten out in 2019.

SEGMENT DEVELOPMENT

Customers include more than 3,500 companies and 2,500 research institutions. Tobii Pro has a global market share of more than 60% and all segments grew in 2019 with a combined revenue growth of 5%, adjusted for currency effects. In 2019 Tobii Pro reoriented the product offering and organization around three core segments; Scientific Research, Marketing Research & UX and Professional Performance. The reorganization aims to drive an even more customer focused approach to product development, sales and marketing.

SCIENTIFIC RESEARCH

Tobii Pro has served the scientific research community for close to 20 years and it continues to be the largest and most profitable segment for the division. The ability to capture accurate eye tracking data efficiently and easily is critical for researchers and during 2019 more than 2,000 research papers referring to Tobii Pro's solutions were published. Tobii Pro Fusion, a powerful and portable eye tracker was launched complementing Tobii Pro's comprehensive portfolio of research tools.

MARKETING RESEARCH & USER EXPERIENCE (UX)

Marketers continue to battle for our limited attention and there is an increased expectation among consumers of a seamless buying experience. This is driving the need for understanding the why behind our behaviors and contributed to the significant increase in the number of eye tracking studies conducted by Tobii Pro Insight on behalf of brands during 2019. The organization focused on creating a more segment-oriented product portfolio and service offering providing actionable insights that can be leveraged to drive sales in the four main

application areas; understanding the shopper journey, creating great user experiences, optimize package designs and evaluating advertising effectiveness.

PROFESSIONAL PERFORMANCE

The professional performance segment continues to see strong sales growth in Japan and now represents the majority of the sales in the region. The manufacturing skills gap and the Japanese world renowned practice of continuous improvement are two important drivers for applying eye tracking to transfer tacit knowledge and help businesses understand how the work environment impacts employees with the goal to drive efficiencies and improve safety. In addition the Professional Performance segment saw important customer wins in Europe and US during 2019. Customer examples include major automotive and process industry companies, large train operators, pharmaceutical companies and sports teams.



READ MORE

Discover Tobii Pro's range of products at tobiipro.com



Sales channels

Tobii Pro's customers include academic researchers, government institutions and commercial businesses with the common goal of better understanding people and their environments.



Direct sales

of screen based and wearable hardware and/or software for collection and analysis of behavioral data in lab settings, real world or simulated.



Research consultants

conducting eye tracking studies commissioned by companies and run trainings on study design, data collection and interpretation of the results.



Integration Partners –

Eye tracking is commonly used in combination with other research tools such as EEG, GSR or analysis of facial expressions as a means to explain the reaction to a visual stimuli. Tobii Pro has an extensive network of technology partners selling Tobii Pro products and enabling combination of data streams.



Channel Partners

such as global marketing research companies are partners of Tobii Pro. Tobii Pro's research consultants acts as eye tracking experts and supplies eye tracking studies on behalf of the marketing research companies end clients.

PRODUCTS AND SOLUTIONS**EYE-TRACKING SOLUTIONS FOR DIFFERENT RESEARCH QUESTIONS**

Tobii Pro provides a wide range of leading products for eye tracking research, to accommodate for different segments, research questions and price points. The analytics software Tobii Pro Lab, the entry-level eye tracker Tobii Pro Nano, the new portable Tobii Pro Fusion, top of the line Tobii Pro Spectrum and Tobii Pro Glasses 2 comprise a broad and industry leading portfolio of portable, stationary and mobile eye-tracking solutions for behavioral studies.

Tobii Pro Sprint, Tobii Pro Pulse and Sticky by Tobii Pro are all designed for quick and actionable consumer insights for the Marketing Research & UX segment. The Tobii Pro Insight service organization, which conducts studies on behalf of Tobii Pro's customers, is an important component of the full offering. It also plays a key role in helping customers understand how they can draw insightful conclusions from eye tracking contributing to their business growth.



Tobii Pro Glasses 2, the division's flagship product, is used to study attention and capture natural behavior in any real-world environment.

Tobii Pro Fusion takes Tobii's latest advancements in eye tracking technology and puts them into a discreet, ultra-light peripheral device enabling researchers to run lab grade research out in the community.



Tobii Pro Lab is Tobii Pro's flagship analysis software. It works with all Tobii Pro eye trackers and guides and supports the customer through the entire research workflow from simple to complex experiments.



STRATEGY FOR PROFITABLE GROWTH

The market for eye tracking solutions for understanding human behavior has grown rapidly over the past decade, with on average 10-15% per year. This growth is fueled by the strong benefits that come from gaining deeper insight into consumers, employees and within academic research. There is strong potential for continued market growth, as the use of eye tracking become ever more wide-spread across both academic and enterprise customers. Tobii Pro's long-term financial target is to increase revenue on average by 15-20% per year, and to reach an operating margin of 15% in 2020.

EXPAND RANGE OF SPECIALIZED SOLUTIONS

In order to take advantage of growth opportunities in existing and new sub-segments, Tobii Pro is investing heavily in its product portfolio. Based on its market-leading position in advanced eyetracking solutions, Tobii Pro is expanding its offering with innovative new applications to meet the strong and diverse demand from its three core market segments. In 2019, Tobii Pro launched the new screen based eye tracker Tobii Pro Fusion, a powerful and portable eye tracker collecting data at high data rates, and made numerous improvements to its Tobii Pro Lab software.

GROW THE RESEARCH CONSULTING BUSINESS

A strong focus for Tobii Pro is its rapidly growing research consultancy business, Tobii Pro Insight. This team of eye tracking research experts conducts studies on behalf of businesses providing them with insights that help them make better marketing investments, design and placement decisions as well as improve their internal processes. The team support clients at any or each part of their research providing them with insights that support them in their business growth. Tobii Pro Insight is strategically important – because it represents a large business opportunity in itself and also accelerates growth of the market for hardware and software solutions.

ADDRESS CORE SEGMENTS WITH MORE FOCUS AND FORCE

Tobii Pro has formed three core segment teams with the aim of increasing sales and customer satisfaction and improving internal efficiency. There is significant potential to increase penetration in each of the segments.

CONTINUE GEOGRAPHIC EXPANSION

Tobii Pro has a strong international presence through its global direct sales organization and network of resellers. In the past few years, Tobii Pro has grown its global sales force and increased its local presence to drive additional sales and to better serve its customers. In 2019, Tobii Pro also opened offices in South East Asia (Singapore) and Latin America (Chile) to further expand its business in these regions.

ACQUIRE CHANNELS AND PRODUCTS

Tobii Pro has a proactive acquisition strategy aimed at adding sales channels, products and expertise to increase growth. In 2018, Tobii Pro acquired its UK reseller Acuity. In 2019, in conjunction with the opening of a Tobii Pro office in Santiago, Chile, Tobii Pro took over parts of the staff and purchased some of the assets from former reseller Eye On Media.







"The I-Series has made it possible for me to continue to do what ALS otherwise would have taken away from me. I can keep in touch with friends on Facebook, enjoy the latest shows on Netflix and go to live concerts. But most importantly, I can continue to coach the kids in basketball, football and deliver my pre- and post-game speeches to them," says Jeff.

Reaching your full potential

Tobii Dynavox's users have varying needs, but they all need assistive technology to communicate effectively. Most of our users are unable to speak by themselves. Some users need language learning support, while others have motor disabilities. Common diagnoses among Tobii Dynavox's end users are cerebral palsy, spinal cord injuries, ALS, autism and aphasia. Communication opens up new opportunities – to interact with siblings, children or friends, to graduate from high school and college, to express our free will and opinions – things that most of us take for granted, but from which many of our users have been completely excluded.

At the age of 38, Jeff started to feel twitching in his left arm and soon thereafter he was diagnosed with ALS. Being an avid sports enthusiast and youth sports coach for 20 years, it turned his life upside down. But for Jeff, it was never an option to stop coaching the kids. With his communication device, Jeff still coaches and motivates them and stays active in the community. He has also produced the short film "Who is Lou Gehrig?", about the everyday life of a person with ALS.

Assistive technology that gives our users a voice and independence

Tobii Dynavox is the world's leading supplier of assistive technology for communication. Our products and ecosystem of resources and support empower people with disabilities to do what they once did, or never thought possible. For some, this involves developing reading and writing skills, for others the ability to return to work. We support our users in their development journey, wherever it begins. The ability to communicate and the opportunity for a more independent life often have a dramatic impact on quality of life for our users and their families and close friends.

IMPORTANT EVENTS IN 2019

- Launch of the new I-Series, the lightest, fastest and most durable communication device with integrated eye tracking
- Launch of Computer Control, a new PC desktop control tool, enabling the user to intuitively interact with and control their device using their eyes
- Continued localization of the symbol based communication software Snap Core First, now supporting 14 languages
- The British Competition and Markets Authority (CMA) required Tobii to divest Smartbox Assistive Technology Ltd.

FINANCIAL PERFORMANCE

FINANCIAL TARGETS

Increase revenue per
year on average by

10%

Reach an operating
margin of

15-20%

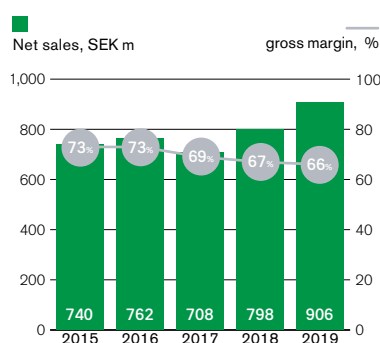
SHARE OF THE GROUP'S GROSS SALES



REVENUE, SEK M

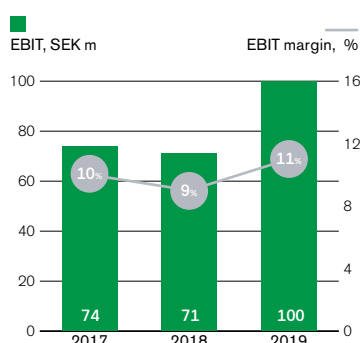
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REVENUES AND GROSS MARGIN



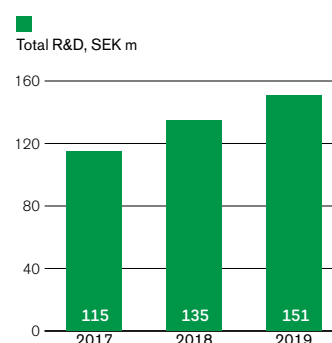
Tobii Dynavox revenue increased by 14%, or 6% adjusted for currency effects, compared to 2018. The division's touch screen devices continued to show good growth and the launch of the eye-tracking equipped new I-Series, boosted sales in the fourth quarter.

OPERATING PROFIT/LOSS (EBIT) AND OPERATING MARGIN



The improved operating margin can be attributed to the revenue increase and unchanged operating expenses.

RESEARCH & DEVELOPMENT



Tobii Dynavox increased its R&D expenditures with 12% in 2019. Taking currency effects into account, they were however largely flat compared to 2018.

MARKET, POSITION AND CUSTOMERS

EXTENSIVE NEED, BUT FEW HAVE ACCESS TO THE RIGHT HELP

Tobii Dynavox is driven by providing as many people with disabilities as possible with access to assistive technology for communication. The needs are great. Globally, more than 50 million individuals need assistive technology to be able to communicate effectively. However, very few people have access to these tools due to low awareness of what is available and the lack of societal and financial infrastructure to offer the right support. The fundamental value our products offer combined with the low penetration rate make for a large growth potential in this market.

STRONG POSITION AMONG NICHE COMPANIES AND TECHNOLOGY GIANTS

The main markets currently comprise about a dozen countries with functioning systems for prescribing and reimbursing assistive technology for communication. Tobii Dynavox has around 40% share of the total market for assistive technology for communication and about 70% share in eye-controlled products. Competition in the lower price segments primarily comes in the form of consumer tablets and computers, while a number of specialized suppliers compete in the market for medical-grade products.



READ MORE

Discover Tobii Dynavox's range of products at tobiidynavox.com

The support network around our customers and users

Tobii Dynavox's users have varying needs, but most of them are unable to speak without assistive technology for communication. Some need language learning support, while others have motor disabilities. Common diagnoses among Tobii Dynavox's end users are cerebral palsy, spinal cord injuries, ALS, autism and aphasia.



End users are often people with disabilities who are highly dependent on a well-functioning support network.



Speech therapists play a key role in the value chain by evaluating both the needs of the end user and the available solutions, after which they recommend and prescribe suitable assistive technology.



Customers are usually funding sources such as government or private insurance agencies, or schools that provide assistive technology for communication to the end user in certain markets. Some solutions are sold directly to the end user.

tobiidynavox

Tobii Dynavox and other specialized suppliers offer assistive technology for communication in the form of hardware and/or software, as well as services and support that help users become successful with the products.

PRODUCTS AND SOLUTIONS

ASSISTIVE TECHNOLOGY FOR VARIED ABILITIES

Tobii Dynavox has a broad portfolio to meet varying needs and circumstances of its users. Medical-grade solutions are sold together with extensive service commitments through insurance coverage. Products in the mid-range segment are sold to schools, directly to individuals and also enable expansion into new geographic markets with limited funding systems. The core of the assistive technology solutions are communication software based on clinically developed language systems. The same software suite can be used across different hardware devices, which enables scale of economy and continuous improvements as well as customer

and user satisfaction and loyalty. The simplest and least expensive communication solution involves apps used on ordinary consumer tablets, which serves as an effective method to raise awareness among new users and their families.

LEADING SPECIAL EDUCATION SOFTWARE

Tobii Dynavox's globally leading suite of special education software, symbols, pre-made curriculum and assessment tools support education and communication for more than 6 million students in 51 countries.

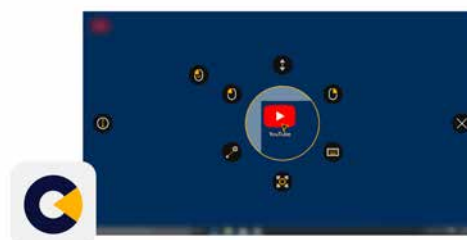
TOBII DYNAVOX PRODUCT PORTFOLIO

	Eye-controlled communication devices	Touch screen-controlled communication devices	Computer accessories for access and eye control
Medical-grade products	✓	✓	✓
Mid-range products	✓	✓	✓
Software and apps for communication	✓	✓	✓
Special Education software	✓	✓	✓

Snap Core First is a symbol-based communication app enabling a path to literacy at any age or stage of language development. This solution converts symbols to clear speech and fosters growth, engagement and literacy.



Computer Control is a new PC desktop control tool, enabling the user to intuitively interact with and control their device using their eyes. It creates a more accurate eye gaze interaction, while minimizing the amount of eye movements.



I-Series is Tobii Dynavox's family of high-end, medical grade communication devices with built-in eye tracking. The devices enable speech generation, access to common computer functions and environmental control.



STRATEGY FOR PROFITABLE GROWTH

Tobii Dynavox's long-term financial target is to increase revenue on average by 10% per year with an EBIT margin of 15-20%. The division's targets are based on underlying market growth, the potential to increase penetration, capture additional market share, address new customer groups and expand into new geographic markets. To achieve this growth Tobii Dynavox drives a number of strategic initiatives:

INCREASE KNOWLEDGE AND AWARENESS

The percentage of people with access to appropriate assistive technology for communication is very low, and also varies greatly between countries, regions and diagnoses, even in those countries where funding is available. The main reason is inadequate knowledge of the potential and the value that assistive technology for communication creates for the individual and society. In 2019 Tobii Dynavox trained 60,000 therapists and prescribers in assistive technology for communication and its solutions. Tobii Dynavox is also engaged in long-term initiatives to increase awareness among the general public and to influence decision-makers and legislation.

OFFER LEADING SOLUTIONS ACROSS WIDE PRICE SPECTRUM

Tobii Dynavox's product strategy is to offer leading solutions for all types of communication obstacles and the varying needs and circumstances of end users, including both eye-controlled and touch screen-based communication devices, as well as communication software. By offering solutions across a very wide spectrum of price points, Tobii Dynavox can reach many more users and expand into new geographical markets. Tobii Dynavox offers software that can be used interchangeably on either our own proprietary hardware or on consumer tablets such as iPads and Windows based tablets. Our customers do not have to learn a new language system when the need for a new and more advanced device arises, which is a major advantage for them and an important sales lever for Tobii Dynavox.

EXPAND TO NEW MARKETS AND USER GROUPS

There is substantial growth potential by addressing new user groups and new geographic markets. Several potential user groups end up in the institutional care system, instead of receiving help with their communication skills. One explanation is that no vendor has focused on addressing the specific needs of this group. With its development resources and extensive clinical expertise, Tobii Dynavox has the potential to develop outstanding products for additional user groups. By customizing its products to local languages and cultures, Tobii Dynavox can also expand in the long term to major geographic markets where use of assistive technology for communication is currently nonexistent.

ACQUIRE COMPLEMENTARY CHANNELS AND PRODUCTS

Tobii Dynavox has completed several acquisitions in the assistive technology market, which have added sales channels, products and expertise, thereby contributing to growth in the division. Tobii Dynavox also sees future opportunities to both broaden and strengthen its position and accelerate growth through carefully selected acquisitions, and is therefore actively pursuing such a strategy.





Key enabler for truly intuitive user interfaces

Eye tracking is a unique sensor technology that makes it possible to improve how we interact with devices. A device equipped with eye tracking can “see” the user. It knows whether the user is present and what the user is looking at. As a result, it can understand the user’s interest, focus and intent. This in turn sets the stage for a more intuitive user experience as the device adapts to our natural behaviour.



TOBII TECH WELCOMES ANAND SRIVATSA AS CEO

In July of 2019, Anand Srivatsa joined Tobii as the new Division CEO of Tobii Tech. Anand brings 15 years of experience from his time at Intel corporation where he most recently was Vice President in the Client Computing Group and General Manager of Intel's Desktop, Systems and Channels Groups. Anand brings a wealth of expertise directly relevant to Tobii's ecosystem and customers.



The world's leading supplier of eye-tracking technology for integration into consumer electronics and other products

Technology that improves lives and drives innovation

Tobii Tech provides eye tracking technology to a wide range of OEM customers and partners for incorporation into a variety of product offerings. Through world-leading eye tracking and other user-sensing technologies, Tobii Tech offers its customers the means to create revolutionary products that understand users. In mass market products such as computers, VR and AR-headsets the technology contributes to more intuitive and natural user interfaces and experiences. Eye tracking also creates substantial value in a wide range of innovative healthcare and industrial applications.

IMPORTANT EVENTS IN 2019

- Increased external revenue by 82%.
- Dell launched three new portable gaming PC:s under the Alienware brand integrating Tobii eye tracking.
- HTC launched the Vive Pro Eye, the first major VR-headset that integrates Tobii eye tracking.
- Pico announced the Neo 2 Eye, the first standalone VR headset to integrate Tobii eye tracking (Jan 2020).
- Started deliveries of the new Tobii IS5 eye tracking platform.
- Lenovo launched an all-in-one PC that integrates the new Tobii Aware software.
- Won several customers within Niche Applications.

FINANCIAL PERFORMANCE

SHARE OF THE GROUP'S GROSS SALES



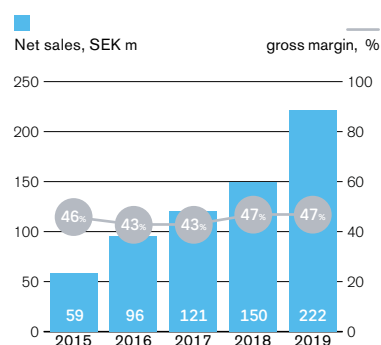
REVENUE, SEK M

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FINANCIAL TARGET

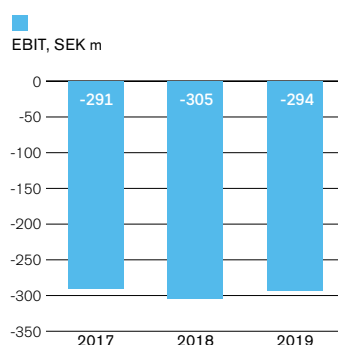
Long term, Tobii Tech's goal is to achieve sales of several billion SEK with good profitability. In the medium term, Tobii Tech's financial target is to reach profitability in 2021.

NET SALES AND GROSS MARGIN



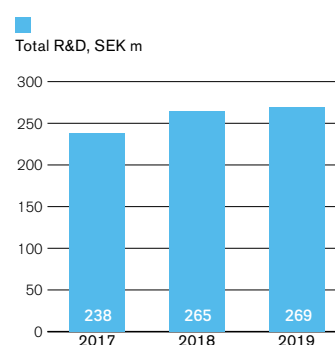
Tobii Tech's external revenue increased by 82%, or 69% currency-adjusted, during 2019. Total revenues increased by 55%, or 42% currency-adjusted. External growth was primarily driven by the PC and Niche Application segments but also the VR-segment contributed to growth.

OPERATING PROFIT/LOSS (EBIT)



In 2019, Tobii Tech's operating expenses flattened out which, in combination with revenue growth, resulted in an improved operating result.

RESEARCH & DEVELOPMENT



Tobii Tech has increased staff and R&D investments during several years but the R&D expenditures flattened out in 2019.

Tobii Tech offers a range of solutions for eye tracking integration

Tobii Tech continuously invests in developing and improving its core technology to meet the demands of volume customers for accurate eye tracking with small, power-efficient and cost-effective components. Tobii Tech provides eye-tracking technology for integration via hardware platforms and components as well as licensing of software, reference designs and patents.

EYE-TRACKING HARDWARE PLATFORMS

Complete hardware platforms contain Tobii's custom-developed components on a circuit board and are sold together with algorithms and licenses for IP and software applications. In 2019, the new Tobii IS5 eye tracking platform started shipping. The IS5 is used for integration in a broad variety of products ranging from laptops and stand-alone eye-trackers to medical products. The development of the platform has also meant that we have taken important new steps forward in terms of components and subsystems such as illuminators, cameras and algorithms. Since the IS5 is smaller in total size and modular, it enables integration of eye tracking capabilities in a broader range of laptops and other devices, as demonstrated in 2019 with the integration of IS5 into three new gaming laptops. It has also been integrated in the new I-Series, in an enhanced version as part of Tobii Pro Fusion and is being integrated into several industrial and healthcare products.

SYSTEM LICENSES AND COMPONENTS

For deeper or more complex integrations, Tobii provides eye tracking technology in the form of system licenses. Tobii works closely with the customer to adapt or develop an optimized system consisting of optical components such as eye tracking cameras and illuminators that are deeply integrated into the product. In addition, Tobii provides eye tracking algorithms, which may also need to be adapted or optimized to the customers' selected compute platform. The business model is based on a combination of project and licensing revenues. In many cases, Tobii also provides custom-designed hardware components that are applied to the customer's system design. Examples of such components include Tobii EyeChip (ASIC, which contains Tobii's eye tracking algorithms), Tobii Eye-Camera and Tobii EyeSensor. In 2019 the Tobii VR4 system design was integrated into the world's first mass production VR headset with eye tracking, the HTC Vive Pro Eye.

SOFTWARE ONLY SOLUTIONS

To meet the demand for more attentive PCs, Tobii launched Tobii Aware for computers to work on generally available web and near-infrared cameras. First announced customer was Lenovo in 2019.

TECHNOLOGY AND PATENT LICENSING

Tobii offers technology and patent licensing to customers who partly or wholly develop their own eye tracking solutions. In the long term, patent licenses can generate substantial revenue for Tobii.



READ MORE

Learn about Tobii's patent strategy on page 15.

GOALS AND MARKET OUTLOOK

Tobii's belief is that most computers, VR and AR headsets, will increasingly be equipped with user-facing sensor technologies, such as eye tracking. Given high future penetration in these areas, Tobii estimates that the total market in the long term can amount to more than several hundred million units with eye tracking annually.

One overarching objective for Tobii Tech is to retain its position as the world's leading supplier of eye tracking technology for integration into high-volume products and, in the long term, to achieve sales of several billion SEK with good profitability. This development is expected to take place gradually over several years and requires considerable investments in technology and market development.

The goals are based on underlying market estimates and the potential to capture a leading market share. Eye tracking creates clear value for Tobii's integration customers such as

differentiation, better products and better user experiences. In certain cases, eye tracking is a fundamental enabler which the product cannot function without.

Central to the strategy of the business Division is to focus on sub-segments with great future potential for which Tobii's technology is well suited. Tobii Tech's primary focus in 2019 was the PC market, VR and high-value healthcare and industrial markets, sometimes referred to as "niche applications". AR is another area which has been explored to a certain degree. Tobii Tech also delivers eye-tracking technology

to the two other business units in the Tobii Group.

The competition mainly consists of small players who specialize in a certain market segment. Some larger technology companies also invest in development of eye-tracking technology, expertise and IP, primarily for their own use.

FOCUS AREAS



A vital component in innovative niche applications, particularly healthcare and industrial applications

Eye tracking is used in a rapidly increasing range of innovative and disruptive applications, where the technology is often absolutely essential to the use and value of the solution. Applications include screening for, identification and in some cases also treatment of various health conditions, optometry, robotic surgery and reading assessments for students. These customers usually develop turnkey solutions including the application software themselves and purchase Tobii's integration platform, including eye-tracking algorithms.

In 2019 Tobii added several new companies to the list of customers in this area, and also worked with repeat customers on new versions and further development of their solutions.

The market potential within healthcare and industrial applications is good. Although product volumes are smaller than in the mass market segments, the margins per unit are often many times higher, which typically results in high profitability with these customers and businesses.



RightEye

RightEye combines its software solution with Tobii hardware to analyze eye movement behavior and translate that into simple, objective reports. This system is simplifying the process of diagnosing and treating certain issues for doctors, therapists, educators, and human performance professionals. It can for instance be used to diagnose Parkinson's disease at early stages.



NovaSight

NovaSight delivers eye tracking-based solutions for accurate screening and treatment of early vision disorders. NovaSight's EyeSwift® system accurately and objectively screens for multiple vision impairments, within seconds, supporting a wide range of care givers – ophthalmologists, optometrists, orthoptists and pediatricians. NovaSight's CureSight™ system treats children's lazy-eye while they watch a video.



ControlRad

ControlRad is developing products that reduce radiation exposure to patients and healthcare professionals in procedures that require continuous use of X-rays. Using the same principle as foveated rendering, during a procedure eye tracking is used to direct radiation only to a small area — where the operator is looking.

PC market represents a large opportunity

MARKET, POSITION AND CUSTOMERS

Long-term, Tobii believes that a large portion of all computers and tablets will incorporate advanced sensor technologies to understand the user, including eye tracking. Tobii's initial focus is to address the PC-segment by introducing eye tracking in the gaming computer segment. The PC gaming industry alone represents a large potential market with around one billion active players. It also serves as an early adopter to the larger mainstream computer market. Some 250 million desktop computers and laptops and around 130 million tablets

were shipped in 2019. The annual sales of premium gaming computers amounted to approximately 35 million units, about 20 million of which were gaming notebooks, the segment which is expected to have the greatest growth.

Market penetration is still low and Tobii is working in close cooperation with world-leading manufacturers of gaming computers, game studios and esports training tools and tournament providers to create strong user experiences and drive market developments.



READ MORE

Visit gaming.tobii.com

ENHANCING COMPUTER GAMES AND ESPORTS

Immersive gaming experience

Eye tracking contributes to more immersive experiences, realism, and intensity in many different types of games. Combining eye control with traditional gaming controls makes it possible, for instance, to move in one direction and aim in another at the same time. Or the scene moves to where the player is looking just as when looking around in real life. Additionally, different effects can be created depending on where the player is looking. For example, a zombie may charge when the player looks at it. Tobii has over the past three years worked closely with game studios to obtain an extensive catalogue of around 150 games with additional experiences from eye tracking.

Streaming and broadcasting

Streamers – gamers who broadcast live video when they play – are increasingly using eye tracking to provide their viewers with more insight into what is happening in the game. Eye tracking is also used in esports tournaments. Being able to see where the players are looking allows for a more engaging and coherent viewing experience. Tobii's product offering for streamers, Tobii Ghost, is used by thousands of streamers, generating nearly ten million views of eye tracking content each quarter, and is regularly used in many of the world's largest esports tournaments from organizations such as the ESL, ELEAUGE and WESG.

Competition-oriented game coaching

Game coaching software based on eye tracking will be able to provide esports players with unique training and development insights. In November 2019 Tobii announced a partnership with game training leader Mobalytics to bring the power of eye tracking to competitive League of Legends players in 2020. This is a core part of Tobii Tech's strategy moving forward, which includes partnering with leading companies in esports, such as Mobalytics, to collaboratively bring the power of eye tracking to a wide and relevant audience.



DEVELOPMENTS IN 2019

During 2019, Tobii Tech's largest customer, Dell, significantly increased their engagement in eye tracking, by launching three new gaming laptops with Tobii's new IS-5 eye tracker platform integrated. With this step, Dell now offers Tobii eye tracking as a part of all models of their Alienware gaming laptop product line.

Tobii Tech closely cooperates with integration customers, game studios and other participants in the ecosystem

to increase the value and use of eye tracking. During 2019, Tobii worked on numerous game integrations with both major titles and smaller continuous play hits including The Division 2, Shadow of the Tomb Raider, Assassin's Creed Odyssey and Euro Truck Simulator. Players of some of the world's largest gaming tournaments produced by both professional leagues and game studios used eye tracking to enable commentators and the audience to watch the

action and gain insight from the player's perspective. Tobii's software offering for streamers, Tobii Ghost, enabled game streamers to stream live video with real time eye-tracking data, generating tens of millions of views of eye tracking enhanced content in 2019.

TOBII AWARE ENABLES SMARTER USER INTERFACES FOR ALL COMPUTERS

For general computing, eye tracking can contribute to more intuitive user interfaces, accessibility modifications, and increased productivity. It can also contribute to increased graphics performance, power efficiency and user identification. Tobii Aware is a software solution that can use the computer's existing smart sensors (Windows Hello camera) to provide the user with a more intelligent, intuitive, and insightful experience. In 2019, Lenovo launched the Lenovo Yoga A940 All-in-One PC, the first system to incorporate the new Tobii Aware software. Tobii Aware is an important part of Tobii's PC offering. It is a way to be able to offer eye tracking related functions at a lower entry cost, and thus reach higher volumes at an early stage of adoption of eye tracking. Tobii works closely with both Intel and several major computer manufacturers, and see good opportunities ahead for this offering.

Examples of functionality:



Increased privacy by automatically blurring the screen or turning it off when the user looks away.



Optimization of power consumption based on user presence.



Increased comfort through health reminders based on screen time, user position and distance from the screen.



Virtual worlds become more real with eye tracking

Eye tracking enables major improvements in virtual reality (VR) and augmented reality (AR), both in the user experience and through improved performance of the device itself. In games and entertainment, eye tracking creates an immersive experience and realism, for example through eye contact and more natural interaction between hand and eye movements. It also simplifies user interaction with objects, menus and the user interface in general. The technology offers manufacturers major advantages, such as greatly reducing the processing power required for graphics rendering through "Foveated rendering", i.e. the ability to process just the graphics at the center of focus in high detail. This lowers the cost of hardware and enables the use of higher-resolution displays. There is broad consensus within the industry* that eye tracking is a foundational component that will be widely implemented across the VR and AR ecosystem.



READ MORE
Visit vr.tobii.com

* XR Industry Insight Report 2019.

STRONG VALUE OF EYE TRACKING IN VR

Better device

- Tobii Spotlight Technology™ enables foveated rendering which significantly improves graphics performance.
- Image quality optimized to the position of the eyes
- User identification and profiles

Better experiences

- Social interaction and eye contact
- Two-step interaction – look-click
- Intuitive hand-eye coordination
- Natural aiming

Actionable Insight

- With user knowledge and their active acceptance, eye tracking can provide important insight regarding user attention.

MARKET, POSITION AND CUSTOMERS

The market for VR and AR is at an early phase. In 2019 some 5 million Head Mounted Display units were sold and this figure is expected to increase more than ten-fold by 2023*. Tobii believes that the majority of future headsets will have integrated eye tracking and Tobii is well positioned as the leading supplier of eye tracking technology. The objective is to retain and expand its market-leading position as these markets develop.

The VR market is currently led by a handful of headset manufacturers, with Facebook, Sony, HTC, Pico and Valve as some of the leading players. AR is still at a nascent phase but is an area that is receiving heavy investment in technology and which in the long term has great market potential for eye tracking.

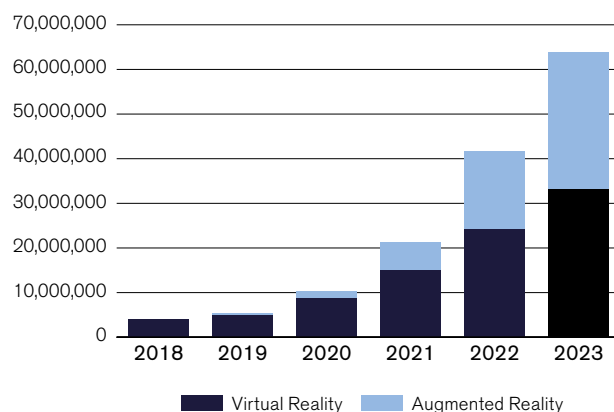
The competition consists primarily of smaller, specialized eye tracking companies and start-ups, as well as competition in the form of a few headset manufacturers that choose to develop their own eye tracking technology, primarily for their own use.

DEVELOPMENTS IN 2019

During the year Tobii expanded collaboration with a number of VR manufacturers and other participants in the ecosystem. As a result of these collaborative efforts, HTC initiated shipments of the first major VR headset with built-in eye tracking, the industry-leading Vive Pro Eye headset. Tobii also announced (in January 2020) the first integration of its eye tracking technology into a standalone headset (the Pico Neo 2 Eye), based upon the Qualcomm Snapdragon 845 reference design that Tobii and Qualcomm announced in 2018. In addition, Tobii announced the integration of its eye tracking technology into a second reference design of industry leader Qualcomm. At Siggraph 2019 Tobii participated in an industry panel with partners Nvidia and HTC to unveil Tobii Spotlight Technology™ for foveated rendering. Tobii continues to have a handful of collaborative efforts ongoing with important VR/AR headset manufacturers that have not yet been publicly announced.

* Source: IDC, 2019Q3, excluding screen-less viewers.

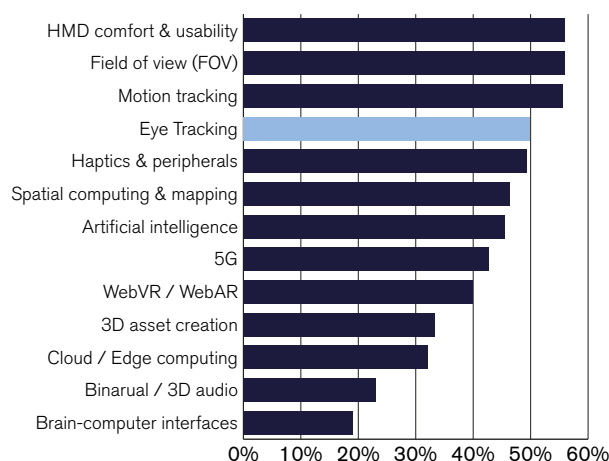
ESTIMATED GLOBAL SHIPMENTS OF VR & AR HEADSETS



Source: IDC, 2019Q3, excluding screen-less viewers.

THE IMPORTANCE OF EYE TRACKING IN VR AND AR

Which components and functions do you believe are most important to develop, improve and integrate for XR to be more widely adopted?



Source: XR Industry Survey 2019.

There is a broad agreement in the eco system that eye tracking is a key ability in VR. Tobii expects the adoption of eye tracking in VR to occur gradually and that eye tracking will be a de-facto standard by 2023.



Tobii and Qualcomm are working together to make eye tracking standard for standalone VR headsets and are collaborating on several of Qualcomm's reference designs that include Tobii's eye-tracking. Qualcomm is a leading supplier of system on chip (SoC) and is positioned as a key technology partner for many headset manufacturers.



Vive Pro Eye is HTC's latest high-end VR headset. It's aimed at the enterprise segment and is equipped with Tobii eye tracking. Having one of the leading suppliers in the industry launch a product with eye tracking is a breakthrough both for Tobii and for the technology itself. Shipments of the Vive Pro Eye initiated in 2019.



Pico Neo 2 Eye (announced in January 2020) is the first standalone VR headset to incorporate Tobii eye tracking technology. The Neo 2 Eye is an enterprise-focused headset powered by the Snapdragon 845 mobile platform.



Tobii's value-creation factors

World leader in eye tracking, a technology that changes lives, provides unparalleled insights and enables more natural user interfaces.

LEADING TECHNOLOGY AND PRODUCTS

Tobii has a world-leading technology and patent portfolio in eye tracking. Our highly refined proprietary technology includes a range of eye-tracking hardware, algorithms and software that create unique user benefits within several different application areas. Tobii has world-leading products in all segments addressed by its three divisions.

Tobii is the market leader in all segments addressed by the divisions. Market penetration is however still quite low, also in the two more established areas of Tobii Dynavox and Tobii Pro which therefore have good long-term growth potential. Tobii Tech addresses several mass market opportunities in which eye-tracking is still at an early stage, but where the long-term potential is very large.

PRODUCTS AND SERVICES THAT PROVIDE SUSTAINABLE BENEFITS TO SOCIETY

Many of Tobii's products and services have a strong positive impact on both society and on individuals. Our assistive technology for communication is often of crucial life-altering significance for our users and eye tracking.

It has also contributed to thousands of new scientific research findings and improvements of products, user experiences and operational performance across a broad range of industries. Tobii delivers quality products and services that take into account the needs, security and safety of users and strive to do so in a manner that minimizes environmental impact.

ATTRACTIVE EMPLOYER

As one of the highest ranked employers (#5) in Sweden, Tobii is well-equipped to attract top talent. Tobii was also ranked as one of the best employers at its second largest office in Pittsburgh, USA. An open and inclusive company culture in which everyone is encouraged to contribute and take initiatives result in excellence in our products, services and operations, while contributing to a sustainable society, employee productivity and job satisfaction.

STRATEGY FOR PROFITABLE GROWTH

All three divisions contributed to Tobii's currency adjusted growth of 9% in 2019. Tobii's two largest divisions, Tobii Dynavox and Tobii Pro, contribute with profitability and positive cash flows to the Group, while major investments are being made in Tobii Tech to develop mass market segments with substantial long-term potential. Tobii has reached the size necessary to implement the strategic plan and is focused on achieving operational and financial targets, especially the Group's target of reaching profitability in 2020.

The share and shareholders

The Tobii share has been listed on Nasdaq Stockholm since 2015, where it is traded under the TOBII ticker. At the end of 2019, Tobii's market capitalization was about SEK 3,715 million (2,666) and its share price was SEK 37.56 (27,08).

SHARE CLASS AND NUMBER OF SHARES

There is only one class of shares and all shares have the same right to dividends and carry entitlement to one vote per share at shareholders' meetings. The number of outstanding shares on December 31, 2019 was 98,925,103 and 99,525,103 after dilution, given the strike price of warrants and stock options and of the share price at the end of the period. The dilution is attributed to the outstanding warrants and employee stock options within the framework of the Company's incentive programs that entitles subscription for an equal number of shares. The subscription price for these options varies depending on when the option series are issued. The series with the lowest subscription price entitles holders to subscribe for shares at SEK 20.00 and the series with the highest right entitles holders to subscribe for shares at SEK 73.70 per share, see Note 8.

PRICE TREND

The share price reached a 52-week high of SEK 45.66 and a 52-week low of SEK 27.18. Tobii's market capitalization at year-end was SEK 3,715 million. In 2019, 75,115,330 Tobii shares were traded on Nasdaq Stockholm, which corresponds to an average daily turnover per trading day of 301,667

shares.

OWNERSHIP STRUCTURE

On December 31, 2019, Tobii had around 24,000 known shareholders. The ten largest shareholders' share amounted to 42.7 %. The Board of Directors and Group Management had 12.5% of the shares in the Company, of which the Company's three founders accounted for 9.8 %¹⁾. The share of foreign-owned shares was 23,6%.

DIVIDEND POLICY

All shares carry equal rights to dividends and to the Company's assets and potential surpluses in the event of liquidation. It is the intention of the Board of Directors to continue to give priority to Tobii's development and expansion plans for the division Tobii Tech over shareholder dividends over the next few years.

SHARE DATA

Marketplace	Nasdaq Stockholm
Listed	April 24, 2015
Segment	Mid cap
Sector	Technology
Ticker	TOBII
ISIN code	SE0002591420
Currency	SEK
Number of shares	98,925,103
52-week high 2019	SEK 45.66
52-week low 2019	SEK 27.18
Closing rate 2019	SEK 37.56
Share performance 2019	+39%

ANALYSTS

ABG Sundal Collier	Daniel Thorsson
Carnegie	Mikael Laséen
SEB	Sebastian Olsson
Handelsbanken	Daniel Djurberg

TEN LARGEST SHAREHOLDERS

Shareholder	Number of shares	Share, %
Swedbank Robur Fonder	9,214,769	9.3
Handelsbanken Fonder	7,975,000	8.1
Henrik Eskilsson ¹⁾	4,526,117	4.6
Sixth AP Fund	4,000,630	4.0
Deka Investments	3,050,000	3.1
Invesco	3,000,000	3.0
John Elvesjö	2,874,572	2.9
Mårten Skogö	2,604,930	2.6
Catella Funds	2,516,589	2.5
Avanza Pension	2,469,703	2.5
Total ten largest shareholders	42,232,310	42.7
Other shareholders	55,124,447	55.7
Total	98,925,103	100.0

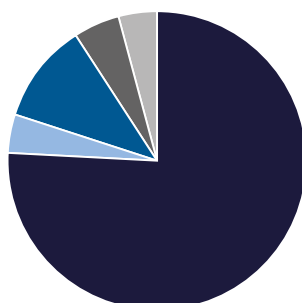
¹⁾ Excluding 2,835 shares owned by Henrik Eskilsson AB, a company wholly owned by Henrik Eskilsson, and 1,565,511 shares owned by Eskilsson Consulting AB, a company where Henrik Eskilsson is a minority shareholder with 22.5% of the shares.

Source: Euroclear and Modular Finance.

SHAREHOLDER STRUCTURE

Shareholding	No. of shareholders	Number of shares	Shares/votes, %	Market value, SEK 000
1 - 500	16,511	2,438,986	2.5%	91,608
501 - 1000	2,905	2,286,024	2.3%	85,863
1001 - 10000	3,781	10,856,199	11.0%	407,759
10001 - 100000	383	9,132,130	9.2%	343,003
100001 - 500000	38	8,149,065	8.2%	306,079
500001 - 1000000	12	8,174,755	8.3%	307,044
1000001 - 5000000	14	31,941,820	32.3%	1,199,735
5000001 -	3	23,284,232	23.5%	874,556
Anonymous ownership		2,661,892	2.7%	9,9981
Total December 31, 2019	23,647	98,925,103	100.0%	3,715,627

HOLDING BY REGION



- Sweden 76%
- Other Nordic countries 4%
- Europe (excl. Sweden and the Nordic countries) 11%
- US 5%
- Other 4%

SHARE PRICE

April 24, 2015 – December 31, 2019



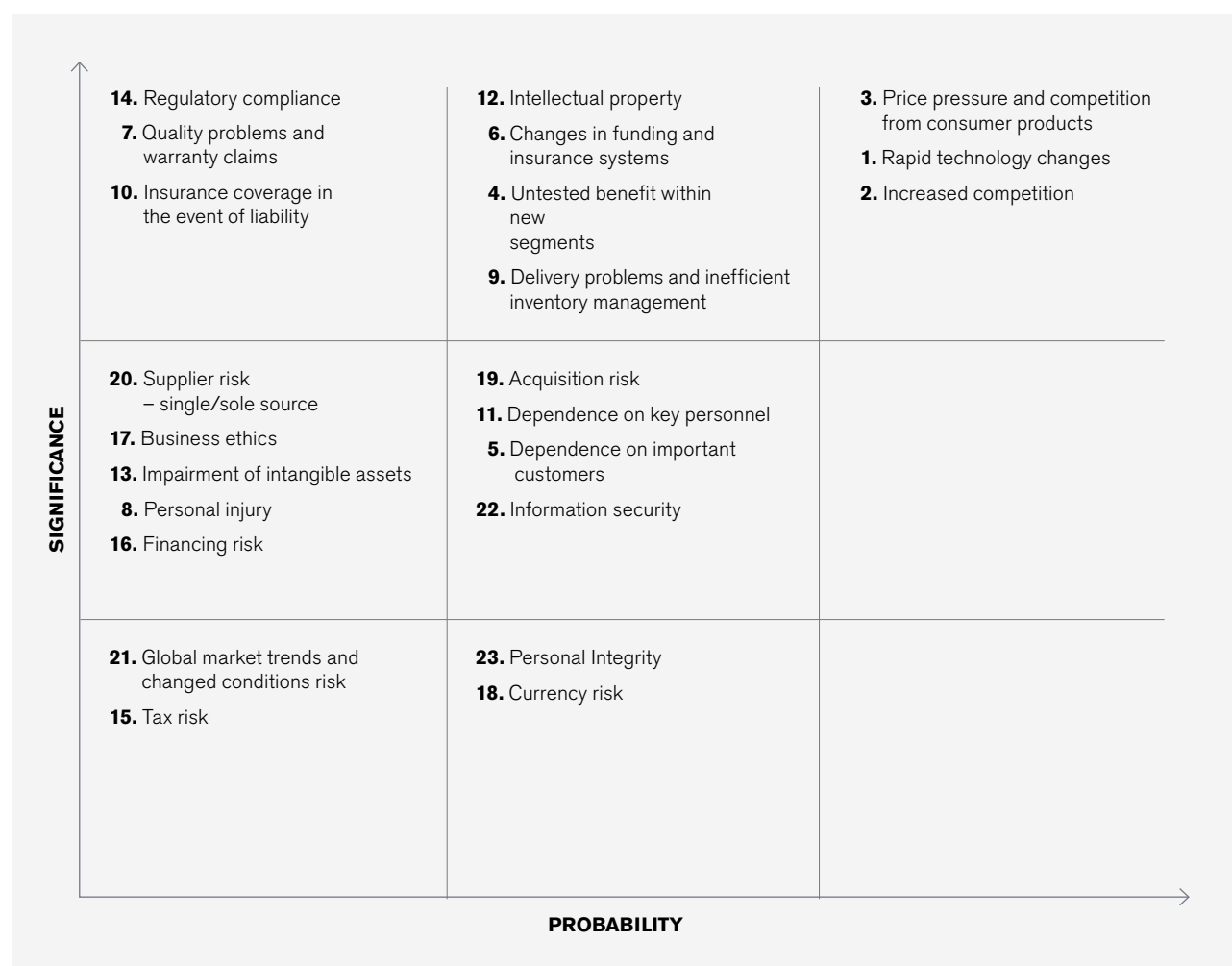
Source: Monitor, Modular Finance

Risks and risk management

Tobii is exposed to various risks that can influence the Group's business, profit or financial position. Below is a summary of the most important operational risks and how they are managed.

The risk description does not claim to be exhaustive, but only addresses a selection of the risks to which the Group is exposed or may become exposed. For example, global, macroeconomic risks that affect companies in general are

not described. A description of financial risks and risk management in addition to those described below is presented in Note 3. The Group's management of risks is also addressed in the Corporate Governance Report, see page 65.



RISK	MANAGEMENT
1. Rapid technological changes	
The markets that Tobii addresses are characterized by rapid technological changes. Consequently, the ability of each division to predict technical advances and market needs, and to adapt their products accordingly, is critical for the continued success of both the divisions and the Group as a whole.	Close dialogue with customers, monitoring market trends and investments in development of core technology and products in all three divisions
2. Increased competition	
If Tobii's competitors or new players develop technologies and products that offer a better price and performance, there is a risk that they will take market share from Tobii. Moreover, it is likely that in the future Tobii will encounter competition to a greater extent from large, well-established and well-financed entities.	Investments in R&D, with a focus on developing technology that offers better performance at a lower cost, as well as investments in a strong patent portfolio that can provide important competitive advantages as we move toward broader applications in consumer electronics.
3. Price pressure and competition from consumer products	
Both Tobii Dynavox and Tobii Pro offer specialized products that encounter competition from simpler and less expensive consumer products. There is a risk that this trend will continue and also impact more product categories.	Develop clearly differentiated products and solutions, that enable Tobii Dynavox and Tobii Pro to offer high-value solutions at maintained price points as well as very cost-effective and lower priced products in significantly higher quantities.
4. Untested benefit within new segments	
For Tobii Tech, there is a risk that the strategy of entering new volume markets could fail, for example, if customers do not feel that user benefits warrant the cost or if the technology's performance is insufficient.	Invest in own development of applications that showcase and realize the benefits of eye tracking. In parallel with this, create and grow an eco-system of game and other software development partners that create applications that integrate and realize new user experiences based on eye tracking. Conduct customer satisfaction surveys among early adopter end-users.
5. Dependence on important customers	
Tobii Tech enters certain contracts with large integration customers without binding volume commitments or guarantees. There is a risk that customers might choose not to implement planned integrations, even if they have been announced as "design wins."	Close collaboration with key customers; cultivate relationships with more integration customers. Address more sub-segments.
6. Changes in funding and insurance systems	
Most of Tobii Dynavox' and Tobii Pro's end users depend on reimbursement from public and private funding systems to buy Tobii's products. Changes in such systems could have both positive and negative effects. Tobii may also be affected by changes in applicable legislation and in procurement processes.	Proactive initiatives within Tobii Dynavox to lobby and build relationships with legislative or governing bodies and to improve the long-term opportunities for funding assistive technology for communication.
7. Quality problems and warranty claims	
Defects in Tobii's own products or the components that Tobii supplies to integration customers could lead to considerable warranty claims, costly recall programs and lowered confidence in the Company and its products.	Comprehensive quality program during the product development process and control of subcontractors.
8. Personal injury	
If faults in Tobii's products should cause personal injury, it could lead to substantial damage claims, costly recall programs or that the product can no longer be sold.	Comprehensive quality program during the product development process, and verification and certification of the products against current standards.
9. Delivery problems and inefficient inventory management	
Tobii is dependent on a small number of external providers for the supply of components and product assembly. If these do not deliver according to the Company's requirements, it could lead to quality issues, delayed deliveries, loss of revenue or higher costs. Faults or omissions in forecasts or orders from Tobii or its customers could result in excess or insufficient inventories of a particular component or product, which in turn could lead to loss of revenue or higher costs.	Collaborate closely with large, highly reputable suppliers. Strive for parallel suppliers. Make continuous forecasts and measure sales to adapt inventory and delivery capacity. Conduct audits of key suppliers.

RISK	MANAGEMENT
10. Insurance coverage in the event of liability	
Tobii has insured its businesses against loss and/or potential liability in case of third-party claims relating, for example, to property damage, business interruption, occupational injuries, product liability or product recall. There is a risk that Tobii's insurance coverage may not fully reimburse Tobii for any and all liability.	Regular review and, when needed, alter insurance coverage.
11. Dependence on key personnel	
Tobii is dependent on a variety of expert competencies and key individuals. If Tobii fails to retain senior executives and key personnel or to recruit highly skilled personnel, this could hamper the Group's future expansion.	Offer market terms and conditions, incentive programs for key personnel, and initiatives to maintain and develop Tobii's "employer brand" and appeal as a workplace.
12. Intellectual property	
Tobii deems that the importance of intellectual property will increase in pace with the establishment of eye tracking in volume markets. If patent protection does not provide the market benefits the Company expects, or if Tobii is sued for infringement of others' intellectual property, it could lead to costly legal and administrative processes, claims, licensing fees, or sales stops of Tobii's products.	Map patents within new product areas. Further development of the Company's own patent portfolio. See more on page 15.
13. Impairment of intangible assets	
A large part of Tobii's R&D expenditures is capitalized as intangible assets. If Tobii's technology and product development initiatives result in products that do not fulfill Tobii's or the market's requirements and therefore do not become commercial successes, this may lead to significant impairments	Regularly perform impairment tests through analysis of future expected earnings related to the projects and brands that are included in the balance sheet. For more, see Note 15.
14. Regulatory compliance	
Irregularities in Tobii's compliance and routines can expose the Company to considerable financial risks, market risks or operational risks. For example, many of Tobii Dynavox's products are registered as medical devices, which places particular demands on certification.	Regularly review certifications and personal data handling routines.
15. Tax risk	
Tobii's sales are realized primarily through subsidiaries in several countries. Transactions are made in accordance with the Group's Transfer Pricing Policy. If local tax authorities make an assessment of transfer pricing that deviates from the Company's, there is a risk of higher tax costs.	Annual review of tax risks together with external tax experts. Adjust tax appropriations on the basis of this review.
16. Financing risk	
Inadequate access to financing for investments could lead to limited growth opportunities.	Good transparent communication to the stock market and lenders, as well as focus on cost efficiency within the divisions.
17. Business ethics	
Compliance with Tobii's business ethics principles, as well as laws and regulations is important for the Company's continued success. Failure to comply would involve both specific business risks and the risk of a negative impact on the Company's reputation.	Through Tobii's Code of Conduct, which also includes our Supplier Policy, all employees and suppliers sign in agreement with the Company's business ethics principles and zero tolerance for all forms of bribery and corruption. Recurrent training for employees, risk analysis and review of suppliers.
18. Currency risk	
Since Tobii has large parts of its business and its primary revenue in geographic markets other than Sweden, there is a risk of negative impact from currency fluctuations.	Tobii has chosen not to hedge its net exposure to currencies such as the USD, EUR and JPY since Tobii's currency mix entails a limited net impact.

RISK

MANAGEMENT

19. Acquisition risk

Tobii evaluates potential acquisitions in line with the Company's acquisition strategy and there is a risk that the Company will not succeed in identifying suitable companies to acquire, or fail to carry out acquisitions because of, for example, competition from other participants or lack of adequate financing. Because of Tobii's leading position in specific markets, competition law could also pose obstacles

Meticulous acquisition analyses and analyses of market conditions, as well as compliance with applicable rules and legislation.

20. Supplier risk – single/sole source

Single source supply, i.e. when only one supplier is used when volumes are low, exposes the Group to different risks. Single source may result in a close relationship between the buyer and supplier where the buyer will be highly vulnerable to problems that may hit the vendor. This could for instance be financial problems, an inability to meet increased demand or product quality issues.

Sole Source is sometimes the case when for instance certain special techniques are used for manufacturing of state-of-the-arts products. In these cases, there is often only one possible vendor, resulting in different risks. The vendor can for instance make claims that are not true regarding expertise, sustainable price levels or quality. Prices can also be changed on short notice which could have a material impact on the Group's profitability.

Regularly assess and map risks related to single and sole source supply. Actively work with Business Continuity Planning and closely manage the relationship with concerned suppliers. Keep safety stock on key products in case of sole source and secure second source when volumes motivate in single source cases.

21. Global market trends and changed conditions risk

The Group is exposed to local, as well as global, market trends, conditions and events such as a trade war or a pandemic. Should the Group incur additional costs and/or reduced revenues due to local fluctuation in supply and demand or prices, this could have a material negative impact on the Group's operations, profitability and financial position.

Regularly monitor changes in areas like economic growth trends, geopolitical structures, trade and globalization trends. Make relevant analysis and propose potential changes in our business models or further mitigating actions.

22. Information security

An external intrusion or an intrusion by a malicious insider may result in theft and/or exposure of sensitive data. This can for instance concern intellectual property, financial information, business plans, strategies and personal data of employees, customers or end-users. The impact could be significant regulatory fines, loss of customer's confidence, negative brand impact, copy-cat solutions or other advantages to competitors.

Support and monitor the implementation of an Information Security Management System. Quarterly review of each risk. Information Security awareness program within the entire group. Support audits for IT-services built, managed, and administered by the divisions and R&D.

23. Personal integrity

In several of its products, services and internal administrative processes, Tobii handles data and information that may be sensitive from the perspective of personal integrity. If Tobii does not handle such information properly, there is a risk to the company's reputation and the potential for interruption in the delivery of products and services. In addition, in some situations, eye tracking data can be sensitive information for an end user. If eye tracking data is used incorrectly and irresponsibly (by Tobii itself, by Tobii's customers or by providers that provide software that uses eye tracking data), there is a risk that consumer confidence in eye tracking as technology will be negatively impacted.

Tobii already has an established framework for GDPR handling of personal data, which is applied to the company's products, services and internal processes. With regard to the broader issue of trust in eye tracking as a technology, Tobii is actively working to define and establish principles and legal frameworks to responsibly establish regulations for the management of eye tracking data in ways that take far-reaching responsibility for personal privacy. Tobii also collaborates actively with competitors and other players in the ecosystem on these issues.

Sustainability at Tobii

Tobii's sustainability agenda is to create long-term value and to transform and improve lives and entire industries through technology adapted to humans. One of our strongest driving forces is to provide first-class products and services to our customers and users.

We want our employees to have fun and challenging jobs, while having the opportunity to be inspired by a higher purpose. Moreover, Tobii advocates good work conditions among its subcontractors and takes environmental responsibility in production and product handling.

As Tobii grows, sustainability becomes a bigger and more important part of our business. This encouraged us to become signatories to the United Nations Global Compact (UNGC) in 2019. While the ten principles of UN's Global Compact have been incorporated into Tobii's Code of Business Conduct and Supplier Code of Conduct for several years, we now look forward to the opportunities it entails being part of a global family

of more than 12,000 UNGC signatories, all dedicated to address the ten principles and deliver on the SDGs (Sustainable Development Goals). The 17 SDGs are a common language for business, the public sector and third sector, i.e. the civil society. It is an agenda to be achieved by 2030, which requires the commitment of the private sector, including Tobii. The UN's approach to "Making global goals local business" is a great way for Tobii to learn more about the SDGs and how the goals are relevant to our business.

Tobii will create a framework around the SDGs during 2020, defining objectives and indicators to focus on.



COMMUNICATION ON
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

This sustainability report serves as Tobii's first Communication of Progress to the UN Global Compact.

Tobii's sustainability areas:

- Products that provide benefits to society
- Our employees, our greatest success factor
- Business ethics and values
- Sustainable product design and environmental impact
- Sustainability in the supply chain



Our employees, our greatest success factor

Tobii's foremost success factor is our ambitious and passionate people who together shape the open, innovative and dedicated culture that is reflected throughout our entire organization. Tobii places great emphasis on being able to offer an inspiring workplace that fosters personal growth and a good work-life balance. This gives us a unique combination of high purpose technologies and big heart, which enables us to retain and continue to attract top talent in a highly competitive job market and deliver on the business' ambitious goals.

TOP-RANKED WORKPLACE

Tobii strives to be a top-ranked employer in Sweden and internationally. In 2019 Tobii was ranked as Sweden's fifth most appreciated employer in market research company Universum's annual ranking and our US office in Pittsburgh received a similar ranking locally.

LEADERSHIP AND LEARNING

Tobii offers a stimulating workplace with generous opportunities for our employees to grow both individually and as part of a team of colleagues. Skills development is provided through challenging work tasks and exchanges with colleagues, as well as through internal and external training. Employees can rotate among projects, business units and industries at Tobii to broaden the exchange of knowledge and career development within the company.

With a rapidly growing organization, it is particularly important for Tobii to provide support and training for experienced and new managers, giving them the tools they need, enabling them to pass on our culture and equip their teams for success. Tobii is also dependent on highly specific skills, many of which are in short supply. Therefore, we place a high priority on retaining talent by investing in continuous development.

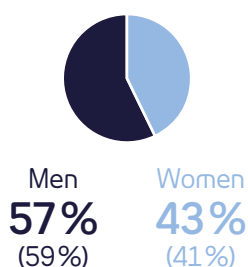
"Our learning culture is a big part of our DNA at Tobii! We have a broad combination of learning initiatives both for leaders and staff. There is a focus on creating internal learning initiatives through our own TobiiUni. Here we offer both structured programs as well as more agile fora:s for learning such as Lunch&Learn:s, Leadership forums, hackathons and more. We are also very proud of our frequently visited, yearly events such as the internal R&D fair Develop Beyond and division-specific events such as Tobii Pro's Bootcamp, Tobii Dynavox' Power2BU and Tobii Tech's Tech Together"



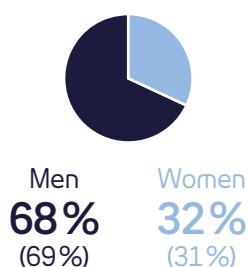
– Sara Jakobsson,
Global HR Partner, Tobii Pro.

Employees in numbers*

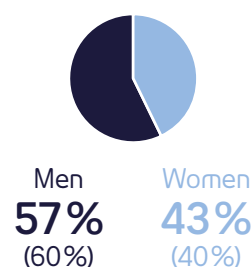
GENDER DISTRIBUTION, TOTAL



GENDER DISTRIBUTION, SWEDEN



MANAGERS, TOTAL



At the end of the year 495 people were employed in Sweden, 158 of whom are women.

The distribution between women and men was 13%/87% in Tobii's Group Management, 37%/63% in Divisional Management and 38%/62% in the Board of Directors.

*The figures cover employees in the Tobii Group as at December 31, 2019, excluding staff in the acquired company Smartbox Assistive Technology.



DIVERSITY, GENDER EQUALITY AND INCLUSION

Tobii is an international, multicultural workplace characterized by openness, curiosity and friendship. For example, in our Stockholm office, we have employees from over 50 different countries. Diversity and the way we treat each other strengthen us and are key factors behind Tobii's success. Our different backgrounds, personalities and experiences bring new ideas and approaches. Together we make Tobii an attractive, world-class workplace.

We put knowledge, skills and abilities first and respect each other regardless of sex, gender identity, ethnicity, religion, disability, sexual orientation or age. We strive to attain diversity and an even distribution among individual functions, managers and throughout the company in general. The proportion of female employees in the Group is 43% (41%) at the end of 2019, but the gender distribution varies between different divisions and functions. In 2019, we continued to increase the proportion of female managers and women in under-represented occupational groups and teams.

In the Stockholm office, we embraced a broader approach to diversity and gender equality with initiatives in ethnic diversity, LGBTQ and how we include both extroverted and introverted personality types. We also work actively to raise

awareness of prejudices and unconscious biases and how they affect decision making and work in favour of/against different groups. At Tobii everyone is accepted as they are, which creates a sense of security and pride among our employees across the globe.

WELLNESS AND FUN AT WORK

We work proactively to offer all Tobiians a work environment that aims to prevent stress and psychosocial illness. We also encourage our employees to actively participate in creating an atmosphere where we all enjoy working and performing at our best.

As work life evolves to be characterized by constant availability, flexible work and a rapid pace of change, it is becoming increasingly important to focus on wellbeing, work-life balance and supporting each other. Tobii has grown rapidly in the past few years. As such, it was during 2019 natural to continue focusing on working with organizational development and equipping ourselves to meet any future challenges that can arise in a rapidly changing business.

The physical work environment has a great impact on job satisfaction and efficiency. During 2019 we have continued to make efforts to meet the varying needs of our employees

EMPLOYEES, REGION

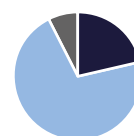


Sweden
45%
(46%)

US
39%
(38%)

Other countries
16%
(16%)

AGE DISTRIBUTION, EMPLOYEES



Under 30
21%
(32%)

30-50
72%
(61%)

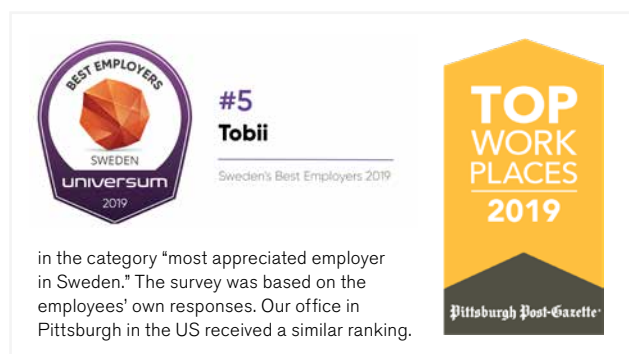
Over 50
7%
(7%)

The total number of full-time equivalent employees was 1,011 (956) at the end of the year. An additional 24 consultants were working at the office in Kyiv.

Age distribution for employees in Sweden.

with a better design, more representative and creative spaces – all to make our offices a greater place for collaboration and sense of togetherness.

Tobii offers health screenings for employees every year in Sweden and China. We also carry out a number of different activities around exercise, sleep, stress and diet to encourage employee wellbeing. The employee-led group behind these activities is called Team Tobii. There are similar initiatives, adapted to local needs and cultures, in many of Tobii's offices.



FOCUS 2020

For Tobii to continue being a top ranked employer of choice internationally and a workplace where exciting things get done and goals are achieved, our focus for 2020 will be:

- Continued development of skills and leadership through increased engagement in knowledge sharing and internal training
- Continued ambitions on diversity and inclusion in our ways of working, creating psychological safety and health which leads to higher team effectiveness and higher job satisfaction
- Continued work on creating organizational effectiveness through clarity, supporting a healthy, fun and engaging workplace

VERY STRONG RESULTS IN THE EMPLOYEE SATISFACTION SURVEY

Tobii's annual employee satisfaction survey continues to show very satisfied employees. The results of the survey are used in all parts of the organization to highlight our strengths and identify potential for further improvement.

Regular performance reviews is another important part of our feedback process. Our ambition is to cover 100 % of employees worldwide. In 2019 94 % (95 %) of people employed for more than one year have had performance reviews.

PARTICIPATION

88% (93%)
globally

EMPLOYEE INDEX

79% (79%)
Proportion of positive responses on questions that reflect job satisfaction. The industry average is 67% (67%)

LEADERSHIP INDEX

86% (86%)
Proportion of positive responses to questions about the employee's manager. Industry peer average is 74%
Source: Zondera

Employees in numbers

PERMANENT EMPLOYEES, FTE

1,011 (956)

In addition to permanent and project employees, Tobii also engages some 104 (129) consultants. Employee turnover for permanent employees within the Tobii Group was 14 % (12 %) in 2018. In Sweden and the US, the countries where Tobii has the most employees, turnover was 14 % (15 %) and 10 % (9 %), respectively. This can be compared with an industry standard in Sweden of some 20 % (15 %) and approximately 19 % (30 %) in the US.



88 % (88 %) of employees stated that their work is engaging, 86 % (84 %) said that they find their work meaningful.

From Tobii's employee satisfaction survey 2019

Values and Code of Conduct guide us

It is important for us to be a transparent and responsible company that builds and earns trust, collaboration and high dedication. We have strong common values and high ambitions in terms of our business ethics and our actions, as a company and as individuals. This is important in order to be a positive force in society, and to retain a good reputation, repeat customers, and motivated employees.

CULTURE AND VALUES

Tobiians are driven by dedication and a constant will to improve, renew and surpass themselves, making Tobii the world leader in eye tracking. Our common mission binds us together and we believe that our differences are some of the greatest advantages of working at Tobii. At Tobii, you will find all kinds of people, from different parts of the world and with different professional backgrounds, preferences and personalities.

Our common values are reflected throughout our organization and form a central basis for our collective behaviour. By doing things "the Tobii way" we reinforce our company culture, which is shaped by ambitious, resourceful employees, teamwork and passion.

TOBII'S CODE OF BUSINESS CONDUCT AND ETHICS

Tobii's Code of Business Conduct and Ethics defines the business ethics principles that the organization follows. It is based on the UN Global Compact, the OECD Guidelines for Multinational Enterprises, and the Swedish Corporate Governance Code. The Code of Business Conduct is a policy framework that includes the Employer Policy, Anti-corruption Policy, Export Policy, Information Policy, Insider Trading Policy, Whistle blower Policy, Environmental Policy and Supplier Policy.

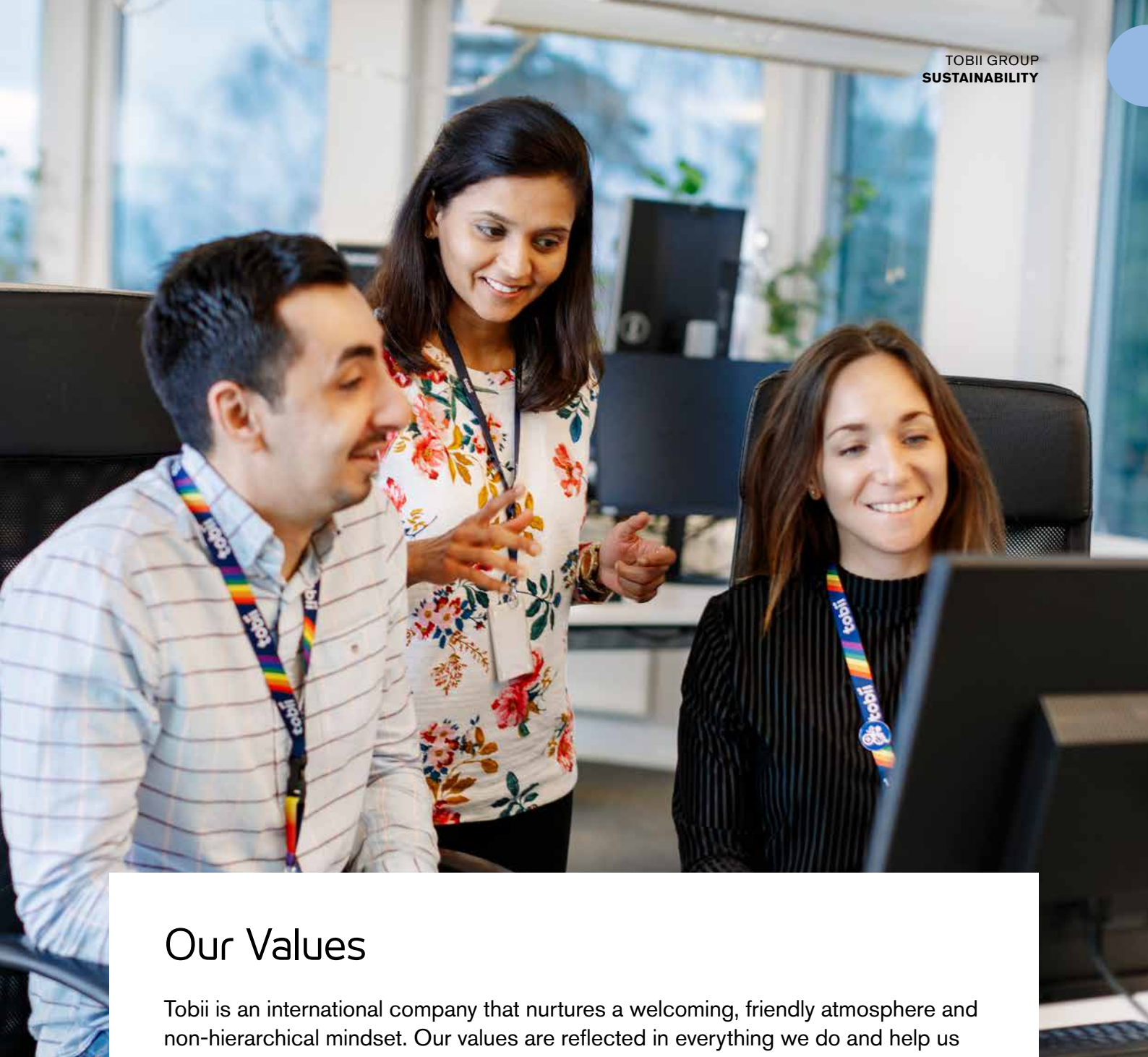
All employees are expected to act in accordance with our values and principles of business ethics. All new employees undergo training in the Code of Business Conduct as part of the introduction program. The training comprises lectures and a web-based training course in which all employees certify that they understand the content of the Code and commit to follow it. The Code also includes information on how to report complaints, as well as whistleblowing procedures. Tobii has clear procedures for handling different issues, and it is very unusual for suspected irregularities to be reported.

Risks of bribery and corruption are tackled as part of the risk analysis that the Group Management conducts every year together with the Board of Directors. To minimize such risks, in 2019 Tobii continued worked with offices in regions where the risk of corruption is considered to be higher, by special training during local leadership forums and during our global introduction days. This helps us increase risk awareness and work on day-to-day situations encountered by our employees. Tobii's Supplier Policy also stipulates zero tolerance of all forms of bribery, corruption, extortion and embezzlement.

FOCUS 2020

- Development of current business ethics training program including the Whistle blower- and Crisis management policies
- Recurrent follow-up of risk analysis and action plan





Our Values

Tobii is an international company that nurtures a welcoming, friendly atmosphere and non-hierarchical mindset. Our values are reflected in everything we do and help us create an atmosphere of fun collaboration, creativity and positive energy throughout our company. By doing things the Tobii way, we spur career opportunities, innovative ideas and – equally important – fun at work!

Amaze our customers – Happy and successful customers are the key to our own long-term success. We combine a profound understanding of their needs with an ambition to deliver amazing products in every detail.

Succeed together – Success is always a united effort. We work as one team with a common purpose in a flat, open and informal organization where helping one another is a natural part of life.

Beat yesterday – Challenging goals are in our DNA. To stay in the lead, we are bold and relentless in improving what we do and how we do it, from visionary innovations down to the smallest detail.

Make it real – We want to create a better reality. We each take responsibility for bringing our ideas to life. We have the freedom and the courage to make decisions. We dig in and do the hard work needed.

Share passion – Our passion and positive energy are contagious. By sharing them, we make our adventure together even more fun, exciting and meaningful.

Products that provide benefits to individuals and society

Many of Tobii's products have a strong positive impact on both society and on individual lives. Our assistive technology for communication is often of crucial significance to those who use it, eye tracking contributes to new insights and breakthroughs in scientific research, and adds major benefits across a range of clinical applications. Tobii's ambition is to deliver meaningful, quality products that are as safe as possible for users and the environment.

Tobii's assistive technology for communication helps people with disabilities to express themselves and live richer, more independent lives. For many, the difference in their lives is huge, leading to increased well-being and the ability to attend school, complete their education and get a job. For society at large, this leads to increased inclusion and democracy, increased work productivity and reduced care costs. In 2019 we helped an additional 30,000 people to gain a voice.

Tobii's eye tracking contributes to ground-breaking research advances in research in disciplines such as neurology and developmental psychology. In 2019 alone, we estimate that over 2,000 research articles were published where Tobii Pro's eye tracking solutions was used as a research tool. Many of the solutions developed by Tobii Tech's integration customers are innovative break-through health-care applications. For example, this has led to safer new early identification methods for conditions such as autism, dyslexia and Parkinson's, diagnosis and treatment of amblyopia (lazy eye), as well as solutions that increase safety in conjunction with advanced surgery.

Our technology also enables more natural and intuitive interfaces across all sorts of consumer devices, empowering us as users to accomplish more.

KNOWLEDGE AND INFLUENCE

In our effort to help more people with special needs, Tobii is committed to spreading knowledge and influencing attitudes and legislation. We want to promote change in a society where communication is still far from a universal right. Tobii

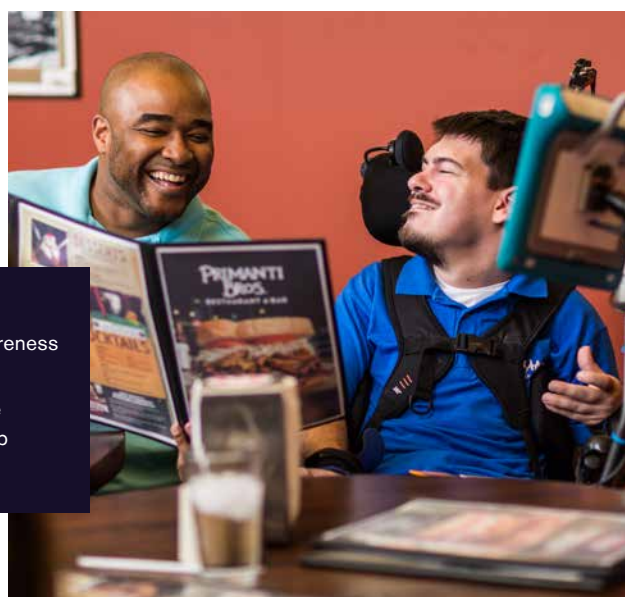
Dynavox continues to engage in large scale training efforts to educate speech therapists and other medical professionals about our products and to show how they can be optimally adapted to help users. In 2019 we trained some 60,000 therapists and prescribes. We also pursue a long-term public relations and lobbying strategy to influence and inform politicians and the public of the available products and the needs of people with disabilities.

THE CUSTOMER JOURNEY IN FOCUS

Tobii maintains an ongoing dialogue with our customers to improve commitment and customer satisfaction and thereby boost the levels of use, repeat customers and recommendations. In 2019, Tobii Pro implemented a structured approach for onboarding new customers. The goal is to build a solid foundation for our customers' eye tracking journey and establish a value relationship with our customers right from the start. Tobii Dynavox also used automated customer feedback and measured usage levels to help reduce obstacles, increase product use and ensure that products actually achieve their full potential value. Tobii Tech focussed on automating and scaling customer support for a broader consumer base.

FOCUS 2020

- Work further to increase awareness and knowledge
- Continue to measure and use customer feedback to develop activities and products





Congratulations!

Sebastian Jansson is 22-years old and was born with cerebral palsy. He is one of Tobii's early users and started his assistive technology journey over 10 years ago. It has empowered him to be more independent, study graphic design and graduate from high school. Tobii threw a graduation party for him last summer, here with Fredrik Ruben, Division CEO of Tobii Dynavox.

Environmental impact from products and operations

Tobii strives to offer quality products with economic and environmental efficiency throughout the entire supply chain, from design and production to sales and delivery. We continually strive to reduce the environmental impact of our business. Activities in the value chain where Tobii can achieve the greatest changes are in product design and transportation.

PRODUCT DESIGN AND MATERIAL CHOICES

It is essential for our customers that our products maintain their high quality and perform as expected. Many of Tobii's users are dependent on our products, so it goes without saying that we strive for the highest product safety possible. Tobii complies with the regulations for the production of consumer electronics and uses only materials and components that meet the RoHS2 and REACH standards. Some products also meet additional requirements such as medical classification.

Materials play a major role in how users perceive our products. When choosing materials, Tobii aims to improve the user experience, as well as the lifetime and usability of the product. The choice of materials is defined in the early phase of product development and design. Tobii is working on the development of clear procedures and material requirements early in the design phase.

To ensure that we comply with customer requirements and implement effective processes, Tobii is working according to ISO certification at the Stockholm, Suzhou and Pittsburgh offices, which are the largest in process terms. Stockholm's operations are certified according to ISO 9001 and ISO 14001. Operations in Pittsburgh are certified under the quality management system ISO 13485 for medical devices. Suzhou is certified according to ISO 9001.

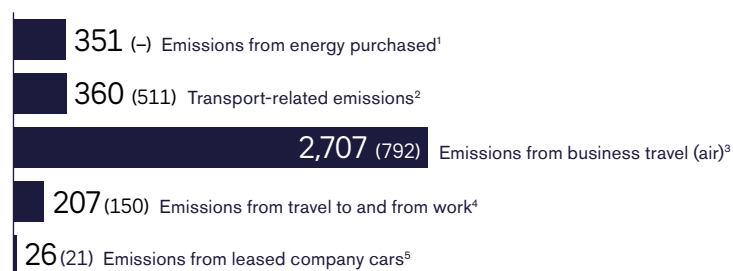
Continual R&D has helped to gradually reduce the size of Tobii's products. This trend is driven by user demand for small, discreet components as well as lightweight, easy-to-use products. Other advantages of this trend include lower material use, and waste reduction when a product can no longer be used. The aggregated environmental impact of the product is also reduced by using conscious packaging and packing materials for shipping. Tobii AB's shipping instructions, shipping boxes and filling material are all made of recycled, environmentally preferable materials.

Tobii's environmental impact in figures

Energy consumption, MWh

	2019	2018
Energy consumption	2,212 ¹	106.1 ²
(Electricity, district heating and fuel consumption)		

Emissions, tons CO₂e



Tobii continuously develops its methodology for measuring the environmental impact and larger differences between the years can mostly be attributed to changes in scope. Measurements have been focused on Tobii's two largest offices, Stockholm and Pittsburgh. Some 45% of Tobii's employees work out of the office in Stockholm and around 35% out of the Pittsburgh office.

1) In 2019, the report includes (a) measured consumption for some 20% of the Stockholm premises, (b) estimated consumption for remaining parts of the Stockholm office and (c) estimated consumption for Pittsburgh premises.

2) In 2018, only the energy consumption relating to approximately 20% of Tobii's office in Stockholm could be measured and reported.

3) 2019 measurement includes Stockholm and Pittsburgh offices. Tobii has no scope 2 emissions from energy purchased in Stockholm. Only data for the Stockholm office included 2018.

2) Scope 3 transport-related emissions applies to Tobii Stockholm. 347 tons CO₂e are offset by freight partners.

3) 2019 emissions from business travel applies to air travel booked through travel agency as well as directly by Tobii's employees in Stockholm. Scope 3 emissions for direct travel bookings (only 2019) are estimated from travel costs. In 2018, only trips booked through travel agency was included.

4) Scope 3 emissions from travel to and from work relates to an estimate of employees' car travel to and from the Stockholm office.

5) Scope 3 emissions for leased company cars in Stockholm is supplied by the leasing contract partner.



GREENHOUSE GAS EMISSIONS

As a growing, global company, Tobii wants to minimize the greenhouse gas emissions caused by its business. In conjunction with ISO certification of Tobii AB's operations in Stockholm, a register of environmental aspects was drawn up in 2018. The analysis showed that a substantial portion of Tobii's climate-changing emissions come from transport of products from the manufacturer to customers and from employee business travel. Tobii is a global company with employees and customers all over the world. We are constantly improving our infrastructure for virtual meetings but these cannot entirely replace face-to-face meetings. Air travel is therefore often considered to be necessary. Tobii offsets the greenhouse gas emissions that arise in transporting products.

ENERGY USE

Part of Tobii's environmental impact comes from energy use in our offices. We have therefore introduced 100% renewable energy on the premises where we have our own contracts with energy suppliers. While renovating the head office and moving four of our regional offices, Tobii introduced measures for more efficient design and energy consumption. There is currently no systematic monitoring of energy consumption in other offices and manufacturing units because Tobii does not have direct contracts with electricity suppliers for these premises.

"The majority of Tobii's products are manufactured in Southeast Asia and are transported to customers in Asia, Europe and North America. During 2019, we focused on optimizing our shipment routines in order to reduce costs and carbon emissions over time."

– Caroline Sundström,
Head of Quality and Environment



FOCUS 2020

- Introduce clearer procedures in managing and complying with regulatory aspects regarding choice of material, recycling and guarantees
- Use EcoDesign principles throughout the value chain

Safe and fair working conditions at our subcontractors

As a producer of components and end-user products, Tobii strives to ensure that our subcontractors manufacture products according to the highest applicable standards regarding working conditions and environmental impact. Tobii's suppliers assemble various components and do not handle the raw material itself. The work is performed in high-tech factories where the risk of child labor, forced labor, or improper handling of hazardous materials is low.

COMPLIANCE WITH COMPANY AND INDUSTRY POLICIES

Tobii's Code of Business Conduct and Ethics and its Supplier Code of Conduct aim to ensure that all companies throughout the supply chain assume environmental and ethical responsibility, that working conditions within the supply chain are safe and fair, and that workers are treated with respect and dignity. The Code applies to all direct suppliers and must be signed by all new suppliers. Tobii has also signed the Responsible Business Alliance (RBA – formerly the EICC) Code of Conduct, which is an industry standard for companies in the electronics industry and has updated the Company's policies accordingly.

Under Tobii's Code of Business Conduct and Ethics, suppliers must also continually adopt measures to ensure that labour rights are respected. Tobii's Code prohibits working weeks longer than 60 hours, except in emergencies or unusual situations. The Code also places demands on suppliers to constantly strive to reduce their environmental impact over time, specifically with respect to use of materials, energy consumption, and manufacturing and transport-related pollution.

"We conduct comprehensive reviews of suppliers regarding social and environmental issues, as well as anti-corruption/business ethics and quality, in partnership with an external consulting company. The supplier selection is based on risk assessment. Together with the suppliers we follow-up on improvements. The review program is evaluated each year and in 2019, the program was updated to reflect the updated Supplier Code of Conduct. In addition, we further strengthened our competence in this area in the Tobii office in Suzhou."

– Catharina Hökfelt, Head of Strategic Sourcing

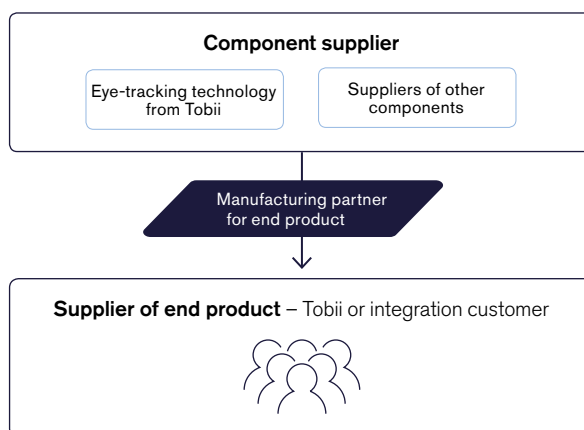


TOBII'S REVIEW PROGRAM

Within the remit of Tobii's review program, annual plans are drawn up indicating which suppliers are to be audited and when. The plans are based on mapping and risk assessment of component suppliers, where the evaluation incorporates geographical location (country risk analysis), industrial analysis (type of production) and the supplier's proportion of Tobii's purchasing. About ten component suppliers based in South-east Asia are covered. Before entering into new supplier partnerships, Tobii always carries out an assessment which includes ISO 9001 and 14001 as criteria. We also always visit the supplier before embarking on a partnership and carry out a visual inspection.

By working closely with suppliers and encouraging continual improvement, Tobii can indirectly address risks farther down the chain. One such risk is the use of conflict minerals. Our Supplier Code of Conduct includes a provision regarding responsible purchasing of tantalum, tin, tungsten, and gold to ensure that conflict minerals do not directly or indirectly finance or otherwise favor conflicts and violations of human rights.

SUPPLY CHAIN FOR PRODUCTION OF END-CUSTOMER PRODUCTS



FOCUS 2020

- Broaden the scope of the program to reflect increased focus on global Corporate Social Responsibility
- Develop the program to reflect more aspects aligned with Tobii's Sustainability Program

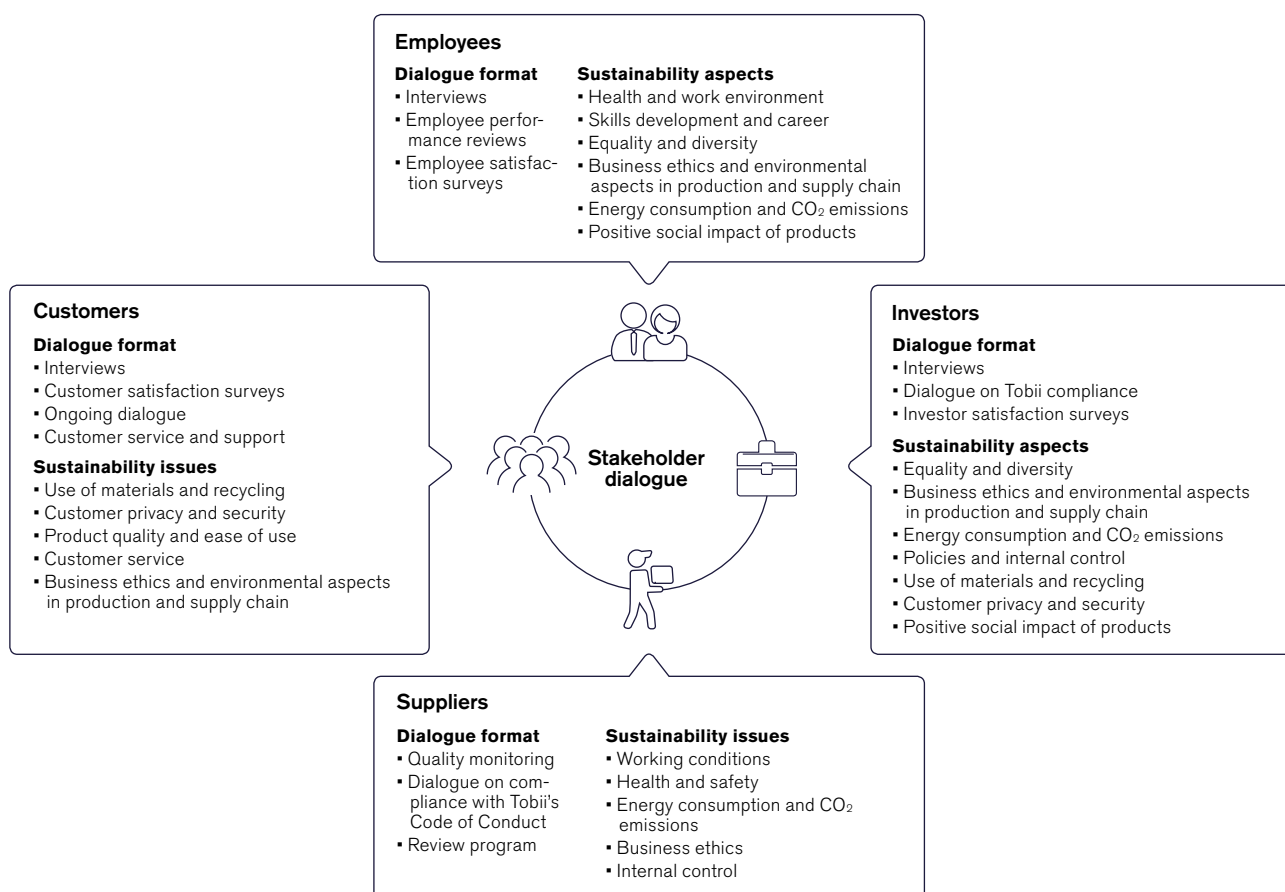
Sustainability reporting and stakeholder analysis

Sustainability reporting is done in accordance with the GRI standards, Core option, and is based on the impact our business has, the risks and business opportunities identified, as well as stakeholder input. The reporting covers the whole group, although some data and examples only refer to certain operations where indicated.

STAKEHOLDERS CONTRIBUTE TO TOBII'S FOCUS ON SUSTAINABILITY

Tobii values an ongoing, transparent dialogue with stakeholders. Feedback is gathered throughout the year through ongoing dialogue with customers, employees, investors, and suppliers. In producing the 2018 sustainability report, Tobii carried out a detailed stakeholder analysis. To ensure that all relevant groups were involved, we used the recommendations in "Business reporting on the SDGs – Integrating the SDGs into corporate reporting: A practical guide". Additionally, Tobii carried out a minor supplement to the stakeholder dialogue conducted in 2016 and 2017. The results were reaffirmed in 2019.

We continually work to implement improvements based on the feedback received from the various stakeholder groups. The parts of the organization responsible for specific issues receive feedback regarding the results of the sustainability-specific stakeholder dialogue. The customer experience is a key aspect of our strategy and governance, as are our efforts to ensure that Tobii can attract and retain the right talent. Good relationships with the right suppliers are crucial for our ability to deliver quality products to our customers and also help to build trust among our stakeholders.



MATERIAL ASPECTS

The materiality analysis draws on the result of the stakeholder dialogue and an assessment of Tobii's actual impact on aspects such as the environment and climate, social conditions and work environment respecting, human rights and combatting corruption.

MANAGEMENT TABLE

The table below provides an overview of Tobii's key sustainability issues, the policies that underlie our work and how we monitor and evaluate our work. Governance is evaluated via an annual review and update of Tobii's policy framework. Operations in Pittsburgh are certified under the quality management system ISO 13485 for medical devices. Stockholm operations were certified under the quality and environmental management systems ISO 9001 and ISO 14001 in 2018. During 2019, implementation of ISO 9001 was successfully finalized in Suzhou while ISO 14001 implementation is in progress in Pittsburgh.

Topic	Governance/Policies	Purpose	Monitoring/review	Responsibility
Anti-discrimination, diversity and gender equality	Code of conduct, employer policy, whistleblower policy, diversity policy	Tobii wants to be a top-ranked employer in which all employees are respected for their knowledge and enjoy their work.	Annual performance reviews, action plans drawn up on the basis of the result in the employee satisfaction survey.	Chief Human Resources Officer
Business ethics and anti-corruption	Anti-corruption policy, export control policy, supplier code of conduct, insider trading policy, whistleblower policy	We work preventively to combat corruption by creating clarity on the fact that our business is always to be characterized by good business ethics. This is fundamental to long-term, sustainable business.	Dialogue with local offices in risk markets, training all employees in Tobii's Code of Business Conduct and Ethics, clear processes for following up reports of irregularities received.	Senior VP Global Operations, sales managers, purchasing managers
Work environment for our employees	Work Environment Policy, employee handbooks, induction days, performance reviews, intranet	All Tobiians must have a healthy, satisfactory and productive working environment. At Tobii, people are to feel stimulated and challenged in their work, and included in the team and the company irrespective of their background and characteristics.	Annual employee satisfaction surveys, performance reviews, individual conversations between manager and employee. Work environment issues are also handled by local work environment teams.	Chief Human Resources Officer
Skills development	Employee handbooks, induction days, performance reviews, intranet	Employees are offered skills development by working on different types of projects, testing new duties and learning from colleagues. Tobii provides internal conferences and courses and an opportunity to attend external training courses.	Supported by their line manager, each employee draws up a personal development plan with regular monitoring that activities are carried out. Monitoring also takes place through annual performance reviews and employee satisfaction surveys.	Chief Human Resources Officer
Suppliers' working conditions	Supplier code of conduct	Tobii works to ensure that our products are manufactured in line with the highest applicable standard in terms of environmental and social issues at suppliers.	Review program with annual plans for which suppliers are to be audited and when based on the company's risk assessment.	Head of Strategic Sourcing
Customer health and safety	Quality policy	Good quality products are essential to customers' and thus also Tobii's success. Many users are also dependent on our products and striving for the highest product safety goes without saying.	Safety testing of all products, ISO certification of relevant sites, following up customer support cases, including user feedback in the R&D process.	Senior VP Global Operations, product managers
Materials	Environmental policy	Material choices are made in the design and product development process in terms of user experience, usability, lifetime and environmental impact.	Only materials and components approved under RoHS2 and REACH are used.	Senior VP Global Operations
Energy consumption	Environmental policy	Tobii strives to minimize environmental impact from energy consumption and strives to use renewable energy in the parts of the business where this is possible.	Energy consumption is measured and followed up for the premises where Tobii has contracts with energy providers.	Senior VP Global Operations Heads of local offices
Environmental impact of suppliers	Supplier code of conduct	To minimize the environmental impact throughout the value chain Tobii sets criteria for subcontractors whereby compliance with industry policies and local legislation is a minimum requirement.	Review program with annual plans for which suppliers are to be audited and when based on the company's risk assessment.	Senior VP Global Operations
Emissions of greenhouse gases	Environmental policy, travel policy/employee handbook	As a growing, global company, Tobii wants to minimize greenhouse gas emissions caused by its business.	Monitoring emissions from transport and climate offsetting such emissions. Evaluation of alternative logistics solutions to reduce emissions of greenhouse gases and cut costs.	Senior VP Global Operations, Chief Human Resources Officer

SUSTAINABILITY REPORT IN ACCORDANCE WITH THE ANNUAL ACCOUNTS ACT

Tobii is subject to the requirement to produce a sustainability report under the Swedish Annual Accounts Act.

This report contains information required under the points shown here.

- Business model – Strategy (p. 14)
- Our business units (p. 17)
- Policies and results for key areas:
 - Staff – Employees (p. 46)
 - Social issues, human rights – Employees (p. 46), Values and Code of Business Ethics (p. 50), Working conditions at our subcontractors (p. 56)

- Anti-corruption – Values and Code of Business Conduct and Ethics (p. 50), Working conditions at our subcontractors (p. 56)
- Environment – Environmental impact (p. 54)
- Governance – Governance table (p. 58)
- Risks – Risks and risk management (p. 43)

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102-9 Supply chain		56
102-10 Significant changes to the organization and its supply chain		6, 8
102-11 Precautionary Principle or approach	Tobii follows the Precautionary Principle, which means that we avoid using materials for which there is any doubt regarding impact on humans or the environment.	
102-12 External initiatives		50, 54, 56-57
102-13 Memberships of associations	Tobii is a member of the International Society for Augmentative and Alternative Communication (ISSAC), which works to improve the quality of life of children and adults who use AAC in their daily lives.	
2. STRATEGY		
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102-16 Values, principles, standards and norms of behavior	Tobii has signed the Responsible Business Alliance (RBA) Code of Conduct	10, 50
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6. REPORTING PRACTICE		
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102-48 Restatements of information	Not applicable	
102-49 Changes in reporting	Not applicable	
102-50 Reporting period	January 1 - December 31, 2018	
102-51 Date of most recent report	April 10, 2019	
102-52 Reporting cycle	Annual, calendar year	

102-53 Contact point for questions regarding the report	Rica Pantermehl, Head of Quality and Environment (interim), rica.pantermehl@tobii.com
102-54 Claims of reporting in accordance with the GRI Standards	GRI Standards, Core level.
102-55 GRI content index	59-61
102-56 External assurance	The GRI report is the Tobii Group's sustainability report for 2018 and has been approved by the Board of Directors. The report has not been audited by a third party.

Material aspects	Description	Comments	Page
BUSINESS ETHICS			
GRI 103: Management Approach 2016	103-1 Explanation of the impact of the material topic and its Boundary		50
	103-2 The management approach and its components		58
	103-3 Evaluation of the management approach		50, 58
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures		50
MATERIALS			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary		54
	103-2 The management approach and its components		58
	103-3 Evaluation of the management approach		54
GRI 301: Materials 2016	301-2 Recycled input materials used	Indicator is not reported.	
ENERGY CONSUMPTION			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary		55
	103-2 The management approach and its components		58
	103-3 Evaluation of the management approach		55, 58
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Refers to energy use at the Stockholm and Pittsburgh offices only.	54
EMISSIONS OF GREENHOUSE GASES			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary		55
	103-2 The management approach and its components		58
	103-3 Evaluation of the management approach		55
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Tobii has no direct emissions of greenhouse gases as emissions from leased company cars are reported under scope 3.	
	305-2 Energy indirect (Scope 2) GHG emissions	Data for 2019 includes both Stockholm and Pittsburgh offices.	54
	305-3 Other indirect (Scope 3) GHG emissions	Indirect greenhouse gas emissions in scope 3 are reported only for Tobii AB in Stockholm	54
ENVIRONMENTAL IMPACT OF SUPPLIERS			
GRI 103: Management Approach 2016	103-1 Explanation of the impact of the material topic and its Boundary		56
	103-2 The management approach and its components		56, 58
	103-3 Evaluation of the management approach		58
GRI 308: Supplier Environmental Assessment 2016	308-2 Negative environmental impacts in the supply chain and actions taken	Indicator is not reported. Monitoring and improvement measures are carried out in line with a plan reviewed annually.	

WORKING ENVIRONMENT FOR OUR EMPLOYEES

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary		47-48
	103-2 The management approach and its components		48, 58
	103-3 Evaluation of the management approach		58
GRI 403: Occupational Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases, absenteeism, work-related fatalities	Data only available for Tobii AB in Sweden. Only a few cases of work-related sick leave occurred in 2018; none resulted in long-term sick leave. The exact number of cases is not reported out of respect to employee privacy. <15 people (>5 people) were on sick leave for more than 14 days during the year. Not reported by gender. In 2018 the number of employees increased by just over 120 full-time equivalent staff.	

TRAINING AND EDUCATION

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary		13, 46
	103-2 The management approach and its components		46, 58
	103-3 Evaluation of the management approach		58
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	Not reported by employment type or gender.	48

DIVERSITY AND GENDER EQUALITY

GRI 103: Management Approach 2016	103-1 Explanation of the impact of the material topic and its Boundary		13, 46-47
	103-2 The management approach and its components		56, 58
	103-3 Evaluation of the management approach		58
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Gender distribution per age group reported only for permanent employees in Sweden. In 2018 48% of new recruits were women globally and 43% in Sweden.	46

SUPPLIERS' WORKING CONDITIONS

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary		56
	103-2 The management approach and its components		58
	103-3 Evaluation of the management approach		58
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	Indicator is not reported. Assessment and improvement measures are carried out in line with a plan reviewed annually.	

CUSTOMER HEALTH AND SAFETY

GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary		52, 53
	103-2 The management approach and its components		58
	103-3 Evaluation of the management approach		58
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Indicator is not reported. All product categories are tested with respect to health and safety for the user.	

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in Tobii AB, corporate identity number 556613-9654

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability report for the year 2019 on pages 45–61 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm April 3, 2020
PricewaterhouseCoopers AB

Johan Engstam

Authorised Public Accountant

Questions to Tobii's Chairman of the Board



Kent Sander, Chairman of the Board

WHAT HAS CHARACTERIZED THE BOARD'S WORK IN 2019?

Tobii has now reached a new stage in its development as a company. We have been investing heavily in R&D and increased the number of employees every year since the IPO in 2015. In 2019, the operating expenses flattened out and the past R&D investments resulted in several new important Tobii product launches. For the Board, this has meant that we have shifted part of our focus from investments and R&D to market expansion and Sales. In May 2019 there were also some changes made in the Board when Jörgen Lantto and Mårten Skogö joined as new Board members. We are now in total eight Board members and have divided the work between us to be able to work more efficiently and gain a deeper collective understanding of the challenges and opportunities in the three divisions.

WHAT HAVE BEEN THE MOST IMPORTANT QUESTIONS FOR THE BOARD OF DIRECTORS IN 2019?

Tobii has an important financial target to reach profitability in 2020 and a fair amount of the Board's time has been spent on following up the progress towards that target. As operating costs are no longer increasing and all three divisions have continued to grow sales, we have taken important steps towards this target in 2019. The second question that has taken quite some time is acquisitions. Tobii has an active acquisition agenda which means that we continuously evaluate possible acquisition candidates. We look for companies that for example have an established partnership with Tobii today, a long track record with well proven business models and are EBITDA positive. Acuity and Smartbox were acquired in 2018 and met those requirements. The integration of Acuity was carried out according to plan but unfortunately the integration of Smartbox could not be performed due to the outcome of the British CMA's investigations. This process has of course taken both time and energy, but we are now in the process of divesting Smartbox and expect to be able to move ahead with other acquisition opportunities we have identified. Acquisitions are an important growth driver and we are very pleased to have successfully completed the issuance of another SEK 150 million in bonds in January this year.

WHAT CAN YOU TELL US ABOUT THE STRATEGIC REVIEW?

The Strategic Review takes place in the autumn when the Board and Management meet to review the strategy and planning for the different divisions. Their businesses and strategies are quite different, and the Board therefore spends a couple of days on this process. When it comes to Tobii Pro we have been focusing on how to grow outside the scientific research segment – in other words, how to expand the business with enterprise customers. With the launch of the new I-Series, Tobii Dynavox has an unmatched product portfolio. The market penetration is however very low so the main question is how we can expand as efficiently as possible. Tobii Tech addresses multiple vertical segments with different eco-systems and business logic which of course increases the complexity. Although eye tracking has been around for some time, the technology is still early on the adoption curve. A key challenge for Tobii Tech is to understand how the adoption of the technology can be accelerated and how to prioritize among the different business opportunities.

HOW DOES THE BOARD VIEW TOBII FROM A SUSTAINABILITY POINT OF VIEW?

Sustainability can mean a lot of different things for different companies. In the case of Tobii it is above all inherently built into the business model as this is a company that genuinely does good and clearly contributes to the development of society. In the past five years, Tobii Dynavox has equipped some 100,000 people with a communication solution, a new voice and improved their possibilities to take an active part in society. Tobii Pro has provided thousands of researches all over the world with the tools and knowledge required to understand human behavior. Altogether, they have published thousands of academic research papers which have relied on eye tracking provided by Tobii Pro. In Tobii Tech we have seen how eye tracking has triggered innovation within healthcare and can be used to assess and treat different kind of conditions such as Parkinson's and lazy eye. In addition to this, Tobii is an attractive employer and a truly diverse company with more than 50 nationalities represented in its Stockholm office alone. The company has a Sustainability framework in place and takes steps forward to increase the engagement every year. In 2019, Tobii was accepted into the UN Global Compact and became part of a growing family of about 12,000 members in more than 160 countries, supporting the 10 principles of UN Global Compact and the 17 UN Sustainable Development Goals for 2030.

HOW SHOULD INVESTORS VIEW TOBII?

Eye tracking is a technology that creates value in a broad range of applications and devices. We are still early on the adoption curve of this technology but over time we will see eye tracking finding its way into most devices we interact with. The established businesses of Tobii Pro and Tobii Dynavox are growing with profitability. Tobii Tech's sales is also growing but the division is still in the investment phase. In 2019, Tobii's operating expenses flattened out which, in combination with revenue growth, resulted in improved operating result. Tobii has so far largely followed its plan and is the undisputed leader in eye-tracking, both when it comes to market position and technical know-how, and is well positioned to capitalize on the long-term growth opportunity of eye tracking.

Director's report

The Board of Directors of Tobii AB (publ) (corp. id no. 556613-9654) hereby presents the following annual report and consolidated financial statements for fiscal year January 1, 2019 to December 31, 2019. The Company's registered office is in Danderyd, Sweden.

The Company's shares have been listed on Nasdaq Stockholm since April 24, 2015.

THE GROUP'S OPERATIONS

Tobii AB (publ) and its subsidiaries ("the Group") are global market leaders in eye-tracking solutions. Eye tracking is a technology that, with a high level of precision, shows where a person is looking. This information can be used to design natural and effective user interfaces for computers and other devices, or to gain deep insights into human behavior.

The Group conducts its business through three divisions, each with its own distinct markets, products and organizations. The divisions are accounted for as separate segments.

- Tobii Dynavox is the world's leading supplier of assistive technology for communication.
- Tobii Pro is the world's leading supplier of eye-tracking solutions for understanding human behavior.
- Tobii Tech is the world's leading supplier of eye-tracking technology for integration into consumer electronics and other products.

Tobii AB was founded in 2001 and the Group operates globally with about 1,000 employees and seventeen offices in twelve countries. Sales are conducted directly and via resellers.

CHANGES IN THE STRUCTURE OF THE GROUP

On January 1, 2019, Tobii adapted the legal corporate structure to the operational structure with independent divisions, which then became wholly owned subsidiaries of Tobii AB., while Group functions remained in the Parent Company. This structure provides the right conditions for managing several different market opportunities and maximizing focus, expertise and entrepreneurship in each area. The aim is that this also will give the financial market increased transparency and insight into how Tobii Group operates

In February 2019 Tobii announced the issuance of 3-year senior covered bonds of SEK 300 million under a loan facility of SEK 600 million with maturity in February 2022. The interest rate for the bond loan was set at 3 months STIBOR + 575 basis points. 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.

CMA, the British competition and markets authority, initiated a phase 2 investigation of the effects of Tobii's acquisition of Smartbox Assistive Technology Ltd. As a consequence of this, the integration of Smartbox was halted and Tobii's engaged in CMA's investigation increased, with increased process related costs as a consequence.

In August, the CMA required Tobii to divest Smartbox. As a result, Smartbox was from the report of the third quarter reported by applying IFRS 5 "Non-current assets held for sale and discontinued operations". This means that all earnings and process related costs relating to Smartbox were reported separately in the income statement on the line "Net profit/loss for the period from discontinued operations". Comparative periods

were restated in a similar way and the operating profit or loss for the Group and the Dynavox division were presented excluding Smartbox. In addition, all Smartbox-related balance sheet items were recognized beginning on September 30, 2019 as "Held for sale assets" or "Liabilities directly related to assets held for sale". Tobii also appealed the CMA's decision to the UK Competition Appeal Tribunal (CAT).

In this report, Smartbox has been reported according to the same principles as above.

Tobii Pro opened a new sales office in Singapore in order to strengthen sales coverage in Southeast Asia. The division also opened a new sales office in Santiago, Chile. The expansion enabled direct sales of Tobii Pro's products in Latin America.

No other material changes occurred in the Group structure during the financial year. Additional information can be found under Events after the reporting period below. Additional acquisition-related information is presented in Note 31.

SALES

The Group's revenue rose by 17% in 2019 to SEK 1,501 million (1,278). Adjusted for currency effects, the increase was 9%.

Revenue for Tobii Dynavox rose by 14% to SEK 906 million (798). Adjusted for currency effects, the increase was 6%. Growth was largely driven by a positive sales trend for the division's new touchscreen products.

Tobii Pro's revenue rose by 12% to SEK 443 million (397). Adjusted for currency effects, growth was 5%. Tobii Pro's revenue during the year was negatively impacted by lower sales of a few specific older, now phased-out products, uncertainty regarding research grants in the US and by Brexit, which had a temporary strongly negative effect on research grants for academic customers in the UK. The comparison year 2018 was also positively impacted by many customers who switched to Tobii Pro as supplier after Apple acquired Tobii Pro's competitor, SMI, part of which is assessed to be a one-off effect.

Tobii Tech's revenue rose by 48% to SEK 222 million (150). Adjusted for currency effects, the increase was 36%. External revenue of eye-tracking technology to integration customers totaled SEK 152 million (84), an 82% increase.

The North American market accounted for 59% (59%) of consolidated revenue, the European market 21% (22%), and the rest of the world 20% (19%).

RESULTS

The Group's gross margin was 69% (71%). The operating loss for the Group was SEK -138 million (-189) and the EBIT margin was -9% (-15%). Tobii Dynavox contributed SEK 99 million (71) and Tobii Pro SEK 54 million (45), while investments in Tobii Tech had a negative impact of SEK -294 million (-305) on the Group's operating result. Increased operating expenses also had a negative impact on earnings, though they did level off during 2019. Other operating income, primarily currency translation differences, had an impact on operating result of SEK 12 million (24).

Tobii Dynavox had a gross margin of 66% (67%). Operating profit totaled SEK 99 million (71) and the operating margin was 11% (9%). The improved operating margin can be attributed to the increase in revenue, as well as unchanged operating expenses.

Tobii Pro's gross margin was 75% (75%). The operating profit totaled SEK 54 million (45) and the operating margin was 12% (11%).

Tobii Tech's gross margin was 47% (47%) and the operating result amounted to SEK -294 million (-305). Increased operating expenses have had a negative impact on earnings but have largely been unchanged since the second quarter of 2018.

PROFIT/LOSS BEFORE TAX

The Group's pretax loss was SEK -150 million (-164). Net financial items totaled SEK -12 million (25) and were mainly impacted by interest expenses related to the Bond loan and financial leasing according to IFRS 16 of SEK -21 million (-). It also includes currency translation differences. The loss from discontinued operations was SEK -12 million (-2).

NET PROFIT/LOSS AND EARNINGS PER SHARE

The net loss for 2019 was SEK -171 million (-174) and the loss per share amounted to SEK -1.73, compared with SEK -1.79 in the corresponding period in 2018. The average number of outstanding shares for full-year 2019 was 99 million (98), and the number of shares at period-end was 99 million (99).

CASH FLOW, LIQUIDITY AND FINANCIAL POSITION

Cash flow from operating activities before changes in working capital was SEK 18 million (-21). The change in working capital had a negative impact on cash flow of SEK -31 million (8).

Continuous investments amounted to SEK 249 million (224), of which SEK 204 million (200) related to capitalization of R&D. Cash flow after continuous investments was SEK -262 million (-237). Acquisitions had an impact on cash flow by SEK -1 million (-159).

The issuance of bonds in February 2019 had a positive impact of SEK 293 million (48) on cash flow from financing activities. At the close of the period, the Group had SEK 185 million (192) in net cash.

RESEARCH AND DEVELOPMENT

To preserve and further strengthen the Group's leading position, every division invests significant resources in research and development (R&D). Of the Group's more than 1,000 employees as per December 31, 2019, nearly 340 worked in R&D. The organization also includes about 60 consultants.

The Group's total R&D expenditures rose by SEK 27 million to SEK 518 million (491), of which SEK 204 million (200) or 39% (41%) was capitalized, while R&D amortization declined by SEK 4 million to SEK 124 million (128). Consequently, R&D expenses reported in the income statement rose to SEK 438 million (419), corresponding to 29% (33%) of revenue.

PERSONNEL

The average number of employees in the Group in 2019 grew by 64 to 1082. The number of employees recalculated to full-time equivalents at the close of the period was 1,011 (956). Compared with the same time in the previous year, the number of employees increased by 55, or 6%, through an expansion of the R&D, sales and marketing organizations.

Guidelines for salaries and remuneration to the Group's senior executives resolved by the General Meeting are presented in the Corporate Governance Report on pages 65–69. Due to the new rules that enter into force in 2019–2021, the Board of Directors proposes that the Annual General Meeting 2020 adopts updated guidelines for remuneration to senior executives.

Details about the actual amounts paid in 2019 are presented in Note 8.

SUSTAINABILITY

In 2019 Tobii's sustainability group worked with the various functions of the organization to monitor, measure, and set targets for the Group's sustainability efforts. The Board of

Directors approved the Group's sustainability agenda for 2019. A description of Tobii's sustainability efforts can be found in the sustainability report on pages 45–61 of this annual report. The sustainability report for 2019 has been prepared in accordance with GRI Standards at the Core level.

THE PARENT COMPANY

The Parent Company, Tobii AB (publ) with around 100 employees, is involved in procurement, manufacturing, technical support, administration, human resources and IT. The Parent Company's revenue during the full year totaled SEK 147 million (849) and the operating loss was SEK -3 million (-251). The decline in revenue was due to the adaptation of a new legal corporate structure as of January 1, 2019. At the end of the period, the Parent Company had SEK 57 million (92) in cash and cash equivalents.

CHANGES IN THE BOARD

At the Annual General Meeting on May 9, 2019, Kent Sander, Charlotta Falvin, Nils Bernhard, Åsa Hedin, Heli Arantola and Jan Wäreby were re-elected to serve as members of Tobii's Board of Directors. Mårten Skogö and Jörgen Lantto were elected to serve as new board members. Kent Sander was re-elected as Chairman of the Board.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Pico Interactive launched the world's first standalone VR headset with Tobii eye tracking, the Neo 2 Eye, at CES.

Tobii entered into an agreement for a loan facility of SEK 50 million, intended for the Group's working capital needs.

In order to secure financial preparedness for potential future acquisitions, Tobii successfully issued subsequent bonds in the approximate amount of SEK 150 million under its 2019/2022 senior secured bond loan with a framework amount of SEK 600 million.

The British competition regulator's Competition Appeal Tribunal (CAT) dismissed Tobii's appeal regarding Smartbox. Tobii continues with the divestment.

The covid-19 pandemic has in several ways negatively affected operations during the first quarter and created uncertainty regarding the estimates for the near term. See page 2.

OUTLOOK

Tobii estimates that the long-term market potential for the Group's divisions is good. All three took important steps during the year, and made R&D and market investments to consolidate its leading position in established and new areas. The long-term financial targets are described on page 17.

The covid-19 pandemic creates uncertainty and will negatively impact the business near term. See page 2.

DIVIDENDS

Board of Directors' proposal for 2019 is that no dividend should be paid to shareholders.

PROPOSED APPROPRIATION OF NON-RESTRICTED EQUITY

Non-restricted equity in the Parent company at the disposal of the Annual General Meeting:

Premium reserve	1,630,656
Retained earnings	-477,831
Profit/Loss for the year	69,102
Total	1,221,927

The Board of Directors and the CEO propose that the amount be carried forward: 1,221,927

Corporate Governance Report

Tobii AB (publ) is a Swedish public limited liability company with its registered office in Danderyd, Sweden. The Company's shares have been listed on Nasdaq Stockholm since April 24, 2015. Tobii's Corporate Governance Report, examined by the Group's auditors, is presented below. The report describes the division of responsibility between the Company's three decision-making bodies — the Annual General Meeting, the Board of Directors and the CEO — and how they act and interact in accordance with applicable laws, regulations and internal processes.

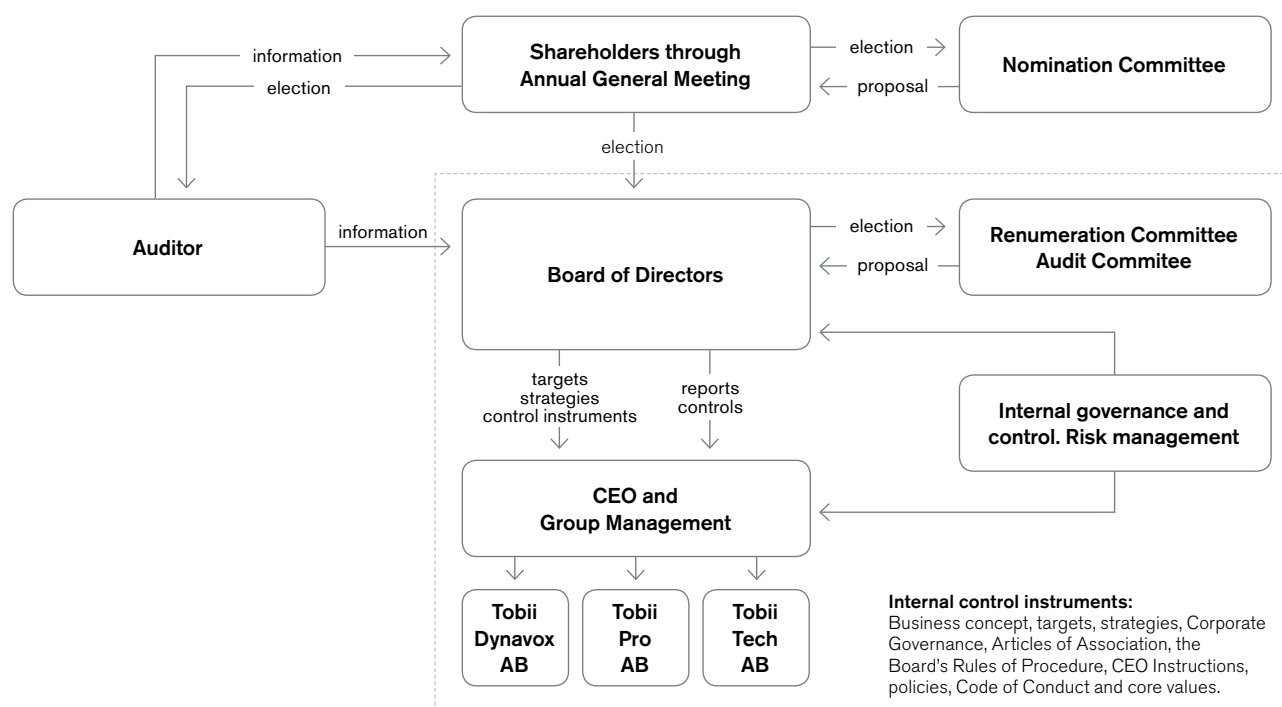
PRINCIPLES FOR TOBII CORPORATE GOVERNANCE

Governance of the Company and the Group is based on Tobii's Articles of Association and external regulations such as the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers and the Swedish Corporate Governance Code ("The Code"). In addition, Tobii applies internal regulations and policies. The responsibility for governance and control is divided among the shareholders at the Annual General Meeting, the Board and the CEO. An overview of the Group's governance and control, including internal and external governance instruments, is presented in the illustration below.

COMPLIANCE WITH THE SWEDISH CORPORATE GOVERNANCE CODE

Since the first day of trading on Nasdaq Stockholm (April 24, 2015), Tobii has applied the Code and, as of December 1, 2016, Tobii applies the revised Code. The Code is applied in all Swedish companies with shares listed on a regulated market in Sweden. The Code is based on the "comply or explain" principle, which means that the Code itself allows room to deviate from the rules, under the condition that all such deviations and chosen alternatives are explained and that the reasons for the deviations are detailed in the corporate governance report. Tobii reports no deviation from the Code in 2019.

Corporate governance structure



INTERNAL RULES

To ensure compliance with the laws and rules that apply, and to fulfill Tobii's demands on its own operations, Tobii also applies internal rules and policies that include:

- Tobii's own Articles of Association and the Board of Directors' Rules of Procedure.
- Tobii's Code of Conduct and Business Ethics and policy framework that covers all employees, regardless of position or stationing, as well as consultants and others who have been commissioned by the company.
- Tobii Group-wide governance document and manuals, as well as ISO and FDA certifications.

Authorized personnel can access Tobii's governance documents on the Company's intranet. All policies are reviewed every year and updated as needed.

ARTICLES OF ASSOCIATION

The current Articles of Association were adopted on March 9, 2015. The Articles of Association stipulate that the Company's business is to conduct research, development and sales of software and computer-related hardware and any other activities compatible therewith. The Articles of Association also define the rights of the shareholders, the number of Board members and auditors, that the Annual General Meeting is to be held once a year within six months after the end of the fiscal year, how notice of the Annual General Meeting is to be issued and that the registered office of the Company's Board is in Danderyd, Sweden. The current Articles of Association are available on Tobii's website.

SHAREHOLDERS

For information regarding ownership structure and the largest shareholders, refer to pages 38–40 in this Annual Report.

VOTING RIGHTS

There is only one class of shares and all shares have the same number of votes – one vote per share.

GENERAL MEETING OF SHAREHOLDERS

Shareholders exercise their right to decide on Tobii's affairs at the Annual General Meeting, which is the Company's highest decision-making body. The Annual General Meeting must be held in Danderyd or Stockholm within six months from the close of the fiscal year. General meetings of shareholders are to be convened by publication of the convening notice in the Swedish National Gazette (Sw. Post- och Inrikes Tidningar) and on the Company's website. At the time of notice, an announcement that the notice has been issued is to be published in Svenska Dagbladet. At the Annual General Meeting, decisions are made regarding the adoption of the Company's income statements and balance sheets, appropriation of the Company's earnings, granting discharge from liability for the Board of Directors and CEO, election of Board members, Chairman of the Board and auditors, adoption of remuneration to the Board and auditors, and other issues that are a matter for the meeting in accordance with the Swedish Companies Act, the Articles of Association or the Code. Extraordinary General Meetings are held when the Board deems it necessary in accordance with the Swedish Companies Act. The Articles of Association contain no separate rules regarding the meeting's amendment of the Articles of Association.

TOBII'S 2019 ANNUAL GENERAL MEETING

At the 2019 Annual General Meeting held on May 9 in the presence of 77 shareholders, directly or through proxy, and the Company's auditor, it was decided that the Company's Board should comprise 8 ordinary members, and no alternate board members. Kent Sander was re-elected Chairman of the Board and Nils Bernhard, Charlotta Falvin, Åsa Hedin, Heli Arantola and Jan Wäreby were re-elected members of the Board. Jörgen Lantto and Mårten Skogö were elected to serve as a new board members. Johan Engstam was appointed to serve as the auditor in charge from PwC.

In addition, the Annual General Meeting granted discharge from liability for the Board of Directors and the CEO, adopted the income statements and balance sheets in the annual report, and resolved in accordance with the Board's and the CEO's proposed appropriation of non-restricted equity. The Meeting also resolved to authorize the Board to decide, during the period up until the next Annual General Meeting, on the issue of new shares corresponding to an increase of a maximum 10 percent and to implement a new long-term incentive program for senior executives and other key individuals within the Tobii Group.

The Annual General Meeting resolved in accordance with the Nomination Committee's proposal for fees to the Board of Directors. For more information, see "Remuneration to the Board and Committees" below.

The Annual General Meeting resolved in accordance with the Board's proposed guidelines for remuneration to the CEO and other senior executives, see below under "Remuneration to the CEO and other senior executives."

The minutes from the Annual General Meeting are available on Tobii's website.

TOBII'S 2020 ANNUAL GENERAL MEETING

Tobii AB will hold its Annual General Meeting on May 12, 2020 in Stockholm, Sweden. The convening notice is available on Tobii's website.

NOMINATION COMMITTEE

The Nomination Committee's primary task is to submit proposals to the Annual General Meeting regarding the composition of the Board of Directors, which is then resolved by the Annual General Meeting. The work of the Nomination Committee begins with reviewing the evaluation of the work of the Board that the Board has commissioned. The Committee then submits proposals in respect of Board member candidates and Chairman of the Board for the pending mandate period. Furthermore, the Nomination Committee submits proposals regarding the election of auditors and remuneration to the Board and auditors.

COMPOSITION OF THE NOMINATION COMMITTEE

It was resolved at the Extraordinary General Meeting held on March 9, 2015 that prior to every Annual General Meeting, the Nomination Committee is to comprise representatives from the three largest shareholders listed in the shareholders' share register maintained by Euroclear Sweden as of September 30 each year, together with the Chairman of the Board. In total, the Nomination Committee is to comprise four members. Should any of these shareholders opt to waive the right to appoint a representative, the right shall pass to the largest shareholder next in line, and so on. As long as the three founders Henrik Eskilsson, John Elvesjö and Mårten Skogö together own shares in the Company, directly or indirectly, that make them one of the three largest owners, they have the right to jointly nominate one of the three shareholder representatives in the Nomination Committee. The member representing the largest shareholder is to convene the first meeting of the Nomination Committee and

be appointed Chairman of the Nomination Committee unless the Committee unanimously appoints someone else. However, the Chairman of the Board may not serve as Chairman of the Nomination Committee.

Ahead of the 2020 Annual General Meeting, the Nomination Committee was appointed in accordance with the above principles.

The Nomination Committee has had two recorded meetings in the fall of 2019 and one in January 2020. Tobii's Nomination Committee fulfills the requirement for independence. The table below presents the members of the Nomination Committee and the owners who appointed them.

NOMINATION COMMITTEE AHEAD OF THE 2020 ANNUAL GENERAL MEETING

Member	Appointed by	Share of votes
Jan Andersson	Swedbank Robur	9.31 %
Helen Fasth Gillstedt	Handelsbanken	7.73 %
Henrik Tellving	Tobii's three founders	9.80 %
Kent Sander	Director serving as Chairman of the Board	Not applicable

CONTACT THE NOMINATION COMMITTEE

Tobii's Nomination Committee can be contacted via email at valberedning@tobii.com.

THE BOARD OF DIRECTORS

The Board of Directors is responsible for Tobii's organization and the management of the Company's affairs.

COMPOSITION OF THE BOARD OF DIRECTORS

According to Tobii's Articles of Association, Board members elected by the Annual General Meeting are to comprise a minimum of three and a maximum of nine, with no alternate members. At present, the Company's Board of Directors comprises eight ordinary members. The requirement to achieve diversity and breadth, as well as an effort to achieve an even distribution of gender, have been taken into account in the composition of Tobii's Board of Directors. The Board members have vast experience in the industry and expertise in both technology and international business. For more information about the Board members, see page 70.

The Articles of Association contain no separate rules regarding the appointment or removal of Board members.

The composition of the Board fulfills the Code's stipulation concerning independent members. Independent assessments for each Board member are presented in the table below.

THE BOARD'S RULES OF PROCEDURE

The Board adopts Rules of Procedure for its work every year. The Rules are adopted in conjunction with the statutory Board meeting and are amended thereafter as needed. The Rules of Procedure describe the responsibilities and duties of the Board and its Committees, the internal division of duties and practices, and the division between the Board members and the CEO. The current Rules of Procedure were adopted on May 9, 2019.

WORK OF THE BOARD

According to the Rules of Procedure, Tobii's Board is to convene a minimum of six times in addition to the statutory meeting. Normally, the Company's CFO serves as secretary at the Board meetings.

The Board held 22 recorded meetings in 2019, one of which was the statutory Board meeting. The many meetings reflect an intensive business year. Key issues during the year concerned strategy, market position, product development and significant risks. The Board's work year is illustrated in the diagram on the following page.

EVALUATION OF THE WORK OF THE BOARD

According to the Board's Rules of Procedure, the Chairman of the Board is to ensure that the work of the Board is annually evaluated through a systematic and structured process aimed at developing the Board's processes and efficiency. In 2019 this evaluation was conducted using an externally developed questionnaire. The results were presented at the Board meeting in December 2019.

BOARD COMMITTEES

The Board has established two committees: the Audit Committee and the Remuneration Committee. The Committees have no decision-making authority, but are tasked primarily with presenting proposals and conclusions to the Board.

COMPOSITION OF THE BOARD OF DIRECTORS, COMMITTEES AND MEETING ATTENDANCE

Board members elected by the AGM	year elected	DOB	Independent		Attendance		
			relative the Company	relative largest shareholders	board meetings	audit committee	remuneration committee
Kent Sander, chair	2014	1953	yes	yes	21/22	■	
Heli Arantola	2016	1969	yes	yes	19/22		
Nils Bernhard	2004	1947	yes	no	20/22	■	
Charlotta Falvin	2018	1966	yes	yes	20/22	■	
Åsa Hedin	2015	1962	yes	yes	19/22	■	
Jörgen Lantto*	2019	1963	yes	yes	12/22		■
Mårten Skogö*	2019	1977	yes	no	12/22		
Jan Wäreby	2016	1956	yes	yes	19/22		■

* Jörgen Lantto and Mårten Skogö were elected to serve on the Board in May 2019 and have only been present at Board meetings after that date. Mårten Skogö stepped down from the position as Chief Science Officer of Tobii in 2019 and is therefore independent in relation to the Company.

THE BOARD'S WORK YEAR



AUDIT COMMITTEE

On behalf of the Board, the Audit Committee, without prejudice to the Board's responsibilities and tasks, is to monitor the following:

- the Company's financial reporting
- the effectiveness of the Company's internal controls
- internal auditing and risk management
- the audit of the annual accounts and consolidated financial statements
- the impartiality and independence of the auditors
- whether auditors are providing other services besides audit services for the Company

Moreover, the Audit Committee is to assist in the preparation of proposals to the Annual General Meeting's election of auditors, regularly meet with Tobii's auditors and report to the Board of Directors. The Audit Committee is appointed annually by the Board. In 2019, the Committee was made up of Åsa Hedin, Chair, and members Charlotta Falvin and Nils Bernhard.

The Audit Committee held five recorded meetings in 2019.

REMUNERATION COMMITTEE

The Remuneration Committee is tasked primarily with addressing issues concerning guidelines for remuneration, salaries, variable compensation, incentive programs, pension and other forms of remuneration to Group management.

In 2019, the Committee was made up of Kent Sander, Chairman, and members Jörgen Lantto and Jan Wäreby. The Committee held 3 recorded meetings in 2019.

REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS AND COMMITTEES

Remuneration to the Board of Directors is decided at the Annual General Meeting. The 2019 Annual General Meeting resolved that Board fees would amount to SEK 2,150,000 to be allocated as SEK 575,000 for the Chairman of the Board and SEK 225,000 each for other Board members. Fees for Committee

work are as follows: SEK 100,000 to the Chairman of the Audit Committee and SEK 50,000 each to the other two members of the Audit Committee and SEK 37,000 to the Chairman of the Remuneration Committee and SEK 21,000 each to the other two members of the Remuneration Committee. Remuneration to the Board is presented in detail in Note 8.

CEO AND GROUP MANAGEMENT

The CEO is responsible for the day-to-day management of Tobii in accordance with the Board's guidelines and instructions. The current CEO's instructions were adopted by the Board on May 8, 2018. The CEO is tasked with compiling information and decision-making documents ahead of the Board meetings.

The CEO is assisted by Group Management consisting of the three division CEOs (from January 1, 2019 they are also the CEOs of the companies Tobii Dynavox AB, Tobii Pro AB and Tobii Tech AB), as well as the Chief Financial Officer, Global Human Resources Director. The extended group management team also includes the Senior VP Global Operations and the Chief IP Officer.

Group Management holds monthly meetings during which issues concerning operations are discussed. A more detailed presentation of the CEO and the Group Management Team is on page 71.

REMUNERATION TO THE CEO AND SENIOR EXECUTIVES

The Board has decided on the current remuneration levels and other employment conditions for the CEO and other senior executives. To the extent it is possible, agreements regarding retirement benefits are to be based on defined contributions and coincide with the levels, practices and collective agreements that apply in the country where the senior executive is employed. CEO Henrik Eskilsson, and other Group management members have an employee agreement with up to six month's mutual period of notice and the right to four-month severance pay under the condition the Company is the party giving notice. Other senior executives have employee agreements with up to

six month's mutual period of notice, without severance pay, or the longer period of notice that follows according to law. The CEO and other senior executives are not entitled to any additional remuneration in conjunction with the termination of their employment. In 2019, total remuneration to the CEO and senior executives amounted to approximately SEK 19.3 million. In 2019, the Board has in three cases decided to deviate from the guidelines decided by the Annual General Meeting in May 2019 (see Tobii's Annual General Meeting 2019 above). Two of these in connection with the payment of so-called retention bonuses, and in one case a so-called sign-on bonus.

Remuneration to the CEO and other senior executives is presented in detail in Note 8.

AUDITORS

Tobii's auditors are responsible for reviewing the annual report, the consolidated statements, the Corporate Governance Report and accounting as well as the administration of the Board of Directors and the CEO. The auditors follow an audit plan and report their observations to the Audit Committee. The auditors participate in the Annual General Meeting to present the Auditors' Report, which describes the audit process and the observations made. Furthermore, the auditors normally participate in one Board meeting each year.

The Company's audit firm, PricewaterhouseCoopers AB, was re-elected at the 2019 Annual General Meeting through to the 2020 Annual General Meeting. Auditor in charge is Authorized Public Accountant Johan Engstam.

REMUNERATION TO THE AUDITOR

The 2019 Annual General Meeting decided that the auditors fee should be paid on account. Remuneration to the auditors is presented in detail in Note 7.

INTERNAL CONTROL AND RISK MANAGEMENT REGARDING FINANCIAL REPORTING

Internal control and risk management regarding financial reporting is a central component in Tobii's corporate governance. The process is intended to provide reasonable security in terms of reliability of the interim reports, year-end statements and annual reports, and that these statements are prepared in accordance with applicable laws, accounting standards and other regulations.

Since the Board's decision in November 2016, Tobii's risk management and internal governance and control is based on the Internal Control - Integrated Framework launched by the Committee of the Sponsoring Organizations of the Treadway Commission (COSO) in 2013. According to COSO, internal governance and control is a process that involves the following components: control environment, risk assessment, control activities, information and communication, and monitoring.

CONTROL ENVIRONMENT

Control environment is the foundation of the internal control and risk management within Tobii and comprises the values and the culture that the Board and management communicate and operate from, together with the organization structure, leadership, delegation of authority, decision-making structures and employee expertise. A number of internal steering documents, adopted by the Board, are associated with this.

The Board has the overall responsibility for internal control and reporting, and has appointed an Audit Committee tasked with and responsible for overseeing Tobii's financial reporting and monitoring the efficiency of this process. For more information, refer to the section under the "Audit Committee" heading above.

RISK MANAGEMENT

The significant risks that influence internal control in terms of financial reporting are identified and managed at Group level, business unit level and subsidiary level. In the Board, the Audit Committee is responsible for identifying and managing significant financial risks or risks for errors in the financial reports to ensure correct financial statements. Particular priority is given to identifying processes where the risk for material errors relatively speaking are higher due to the complexity of the process or in contexts involving substantial values. For more information, see "Risks and risk management", pages 41-44.

CONTROL ACTIVITIES

The risks identified regarding financial reporting are managed via the Company's control activities. Control activities are intended to prevent, uncover and correct misstatements and deviations. This is managed through manual controls in the form of reviews and inventories, as well as automatic controls through the IT system. Detailed financial analyses of the results and follow-up against budget and forecasts complement the operations-specific controls and provide an overall confirmation of the reporting quality.

INFORMATION AND COMMUNICATION

The Board has prepared an Information Policy for the dissemination of external information that will ensure that the market receives relevant, reliable, correct and pertinent information about the Company's development and financial position. The Board has also prepared an Insider Trading Policy aimed at safeguarding the integrity of the dissemination of information.

The Company's internal steering instruments in the form of policies, guidelines and manuals concerning internal and external communication are regularly updated and communicated internally via relevant channels, including internal meetings, email and the Company's intranet.

MONITORING

Risk assessment and implementation of the control activities are monitored regularly. This includes both formal and informal routines used by those responsible at each level. Procedures include monitoring results against budget and plans, analyses and key ratios. The Board regularly receives reports on the Group's financial position and development. After each quarter, the Group's financial situation is addressed and Group management analyzes the financial reports in detail every month. The Audit Committee monitors the accounts at its meetings and receives reports from the auditors regarding their observations.

Tobii does not have an internal audit function. The Board of Directors has determined that the follow-up of internal control carried out by the Board of Directors and the management serves as an adequate audit function considering the operations and size of the Company.

EVENTS AND ACTIVITIES 2019

One new accounting standard also entered into force on January 1, 2019: IFRS 16, Leasing. Tobii amended its policies and procedures to comply with the new standard. The Company also reported in accordance with IFRS 5, Assets held for sale and discontinued operations, since the interim report of the third quarter following the CMA ruling regarding the Smartbox acquisition.

Otherwise, Tobii continued throughout the year to improve internal controls and governance in pace with growing operations and intensified requirements.

Board of Directors



KENT SANDER
Chairman of the Board
Elected: 2014
Born: 1953
Education: BSc in Business Administration.
Main assignments and experience: More than 30 years in leading positions at international IT and telecom companies. Chairman of the Board of Serneke Group AB, Mr Green & Co AB, OnePhone Holding AB and Triboron International AB. Formerly CEO of TruePosition, Executive VP Sales for Ericsson USA and Chairman of the Board for Transmode.
Shareholding in Tobii*: 42,000 shares and 80,000 warrants.



HELI ARANTOLA
Elected: 2016
Born: 1969
Education: Doctor of Science in Economic Sciences
Main assignments and experience: Member of the board of directors of S-Bank Ltd, Berner Ltd, Leipurin Plc. and HRM Partners Ltd. Chairperson of the board of directors of the Aalto University Foundation for Science and Technology. Previously EVP Categories and Concepts at HK Scan and several executive positions in Fazer Group, as well as Sonera.
Shareholding in Tobii*: Holds no shares or warrants in the Company.



NILS BERNHARD
Elected: 2004
Born: 1947
Education: MSc in Electrical Engineering and MSc in Business and Economics.
Main assignments and experience: Board member of Alfa Invest AB and Pajeb Kvarts AB. Founder of Precise Biometrics AB and Dannemora Mineral AB among others. Approximately 30 years of experience as board member, entrepreneur and private investor in many different industries and actively involved in seven companies' IPOs. Long experience of senior positions in the shipbuilding sector and the SKF Group's steel operations.
Shareholding in Tobii*: 2,205,000 shares directly and indirectly through companies and 28,000 warrants.



MÅRTEN SKOGÖ
Elected: 2019
Born: 1977
Education: Studies in Engineering Physics, Royal Institute of Technology, Sweden.
Main assignments and experience: Co-founder of Tobii AB and part of the Tobii group management until May 2019. Member of the Board of directors at Ingrid Cloud AB. Currently employed as CTO at Industrifonden.
Shareholding in Tobii*: 2,604,930 shares and 67,993 warrants



JÖRGEN LANTTO
Elected: 2019
Born: 1963
Education: Technical college graduate, telecommunications, Midskogsskolan. CEO of Fingerprint Cards and prior to that, more than 25 years of experience from leading positions within Ericsson group.
Main assignments and experience: Chairman of the Board in Zwipe AS. Board member of Dirac Research AB and Wirepas Oy.
Shareholding in Tobii*: 45,000 shares



CHARLOTTA FALVIN
Elected: 2018
Born: 1966
Education: MSc in Business Administration, Lund University.
Main assignments and experience: Many years of experience from leading positions in IT and telecom, e.g. at Axis, Decuma and TAT. Current assignments: Chairman of the Faculty of Engineering, Lund University (LTH), Skåne Startups and Handelsbanken regional board, board member of the listed companies Invisio, Net Insight, Bure Equity and Boule Diagnostics, the Malmö incubator Minc and Handelskam-maren. Previously member of the board of directors at e.g. Axis, Doro and CLX Communications.
Shareholding in Tobii*: Holds no shares or warrants in the Company.



ÅSA HEDIN
Elected: 2015
Born: 1962
Education: MSc in Biophysics and Bioengineering, BSc in Physics.
Main assignments and experience: More than 30 years in leading positions in international med tech and tech companies. Industrial Advisor at the Department of Microtechnology and Nanoscience at Chalmers AB. Chairman of Artificial Solutions International AB. Board member of C-rad AB, Nolato AB, Cellavision AB, Biotage AB and E. Öhman J:or Fonder AB. Previously CEO of Elekta Instrument AB and business unit EVP of Elekta Neuroscience.
Shareholding in Tobii*: 7,000 shares and 28,000 warrants.



JAN WÄREBY
Elected: 2016
Born: 1956
Education: MS.c.
Main assignments and experience: Chairman of the Board of RISE AB and Obelix AB. Board member of The Swedish Export Credit Agency(EKN), GapWaves AB, Incell International AB, Defentry AB, Astor Technologies AB and Agapi Boating AB. Extensive experience from senior positions within the Ericsson Group, Senior VP of Sales at Ericsson, Senior VP of Multimedia Business Unit, and Executive Vice President and Head of Sales and Marketing at Sony Ericsson.
Shareholding in Tobii*: 30,800 shares.

* December 31, 2019.

Group Management



From left: Johan Wilsby, Fredrik Ruben, Henrik Eskilsson, Anand Srivatsa, Cecilia Eriksson and Tom Englund.

HENRIK ESKILSSON

**Chief Executive Officer
and Co-founder of Tobii**

Employed: 2001

Born: 1974

MSc in Industrial Engineering and Management, International Profile, Linköping University.

Co-Founder of Tobii AB. Founder of Trampolin-specialisten i Stockholm AB.

Shareholding in Tobii*: 4,526,117 shares and 403,000 warrants. Henrik Eskilsson also owns 2,835 shares through Henrik Eskilsson AB, and 22.5% of the company Eskilsson Consulting AB, which in turn owns 1,565,511 shares in Tobii.

ANAND SRIVATSA

Division CEO, Tobii Tech

Employed: 2019

Born: 1978

Anand Srivatsa joined as Division CEO for Tobii Tech in 2019, bringing two decades of high-tech industry experience. Before joining Tobii, he was Vice President in the Client Computing Group and General Manager of Intel's Desktop, Systems and Channel Groups. He has also held various senior positions in Intel within sales and marketing in the United States and Taiwan, including responsibility for some of Intel's largest customers. Anand holds a Masters' degree in electrical engineering from Stanford University.

Shareholding in Tobii*: 27,245 and 156,500 employee stock options.

JOHAN WILSBY

Chief Financial Officer

Employed: 2017

Born: 1966

MSc in Business and Economics, Stockholm School of Economics. Previously CFO at Finger-print Cards and Transmode, Chief Financial Officer at Hewlett-Packard in the Nordic countries and the Baltic and CFO for western Europe at Microsoft.

Shareholding in Tobii*: 10,253 shares and 144,000 warrants.

FREDRIK RUBEN

Division CEO, Tobii Dynavox

Employed: 2014

Born: 1977

MSc in Industrial Engineering and Management, Linköping University. Formerly CEO and President of 3L System Group (publ) and CEO of Vitec Mäklarsystem AB.

Shareholding in Tobii*: 59,950 shares and 268,200 warrants.

CECILIA ERIKSSON

Global HR Director

Employed: 2011

Born: 1983

BSc in Human Resources and Behavioral Science, Örebro University. Global HR Director since 2015. Formerly management consultant at PwC and has held numerous roles in the recruiting and staffing industry.

Shareholding in Tobii*: 58,600 warrants.

TOM ENGLUND

**Division CEO of Tobii Pro,
Deputy CEO of Tobii Group**

Employed: 2009

Born: 1976

MSc in Industrial Engineering and Management, Linköping University. Studies at École Polytechnique Fédérale de Lausanne and HEC in Lausanne. International experience from leading positions at Atlas Copco and as a management consultant at Accenture.

Shareholding in Tobii*: 54,120 shares and 317,200 warrants.

* December 31, 2019.

Financial statements 2019

Multi-year overview, Group

SEK m	2019	2018	2017	2016	2015
Net Sales, SEK m	1,501.3	1,277.8	1,078.9	1,053.3	967.3
EBITDA, SEK m	32.3	-28.2	-52.4	50.3	81.1
Operating profit/loss (EBIT), SEK m	-138.1	-188.8	-191.4	-67.0	-35.7
Net Profit/Loss for the year, SEK m	-171.2	-174.3	-192.0	-49.8	-24.6
Gross margin, %	68.7	70.6	70.7	72.3	74.8
EBITDA margin, %	2.2	-2.2	-4.9	4.8	8.4
EBIT margin, %	-9.2	-14.8	-17.7	-6.4	-3.7
Cash flow from operating activities	-13.4	-13.0	-34.8	67.6	79.9
Cash flow after investing activities, SEK m	-262.2	-237.5	-221.4	-74.5	-40.7
Earnings per share, SEK	-1.73	-1.79	-1.98	-0.57	-0.30
Earnings per share, diluted, SEK	-1.73	-1.79	-1.98	-0.57	-0.30
Equity per share, SEK	6.8	8.5	10.1	12.5	9.1
Working capital, SEK m	-6.1	-30.4	-44.5	16.8	22.9
Total assets, SEK m	1,629.9	1,324.8	1,342.7	1,486.6	1,035.4
Net cash (+)/net debt (-), SEK m	-204.2	192.3	536.8	771.7	370.9
Equity, SEK m	676.1	835.0	978.9	1,215.1	793.8
Equity/assets ratio, %	41.5	63.0	72.9	81.7	76.7
Net debt/equity, %	30.2	neg	neg	neg	neg
Return on total equity, %	-22.8	-19.6	-17.7	-6.2	-3.6
Average number of shares, million	98.9	97.6	97.1	87.9	81.8
Number of outstanding shares at period-end, million	98.9	98.9	97.3	97.0	87.6
Average number of employees	1,003	917	779	682	582

Multi-year overview, business units

SEK m	2019	2018 ³⁾	2017 ⁴⁾	2016	2015
Net revenue					
Tobii Dynavox	906.3	797.6	708.3	761.7	740.3
Tobii Pro	442.9	396.6	304.1	244.9	209.5
Tobii Tech	221.7	149.8	120.6	96.4	58.6
Other and eliminations ¹⁾	-69.5	-66.2	-54.0	-49.7	-41.1
The Group	1,501.3	1,277.8	1,078.9	1,053.3	967.3
Gross margin, %					
Tobii Dynavox	65.5	66.4	68.5	70.9	72.9
Tobii Pro	75.2	74.9	74.2	73.5	75.1
Tobii Tech	47.4	46.9	43.4	43.4	45.8
The Group	68.7	70.1	70.7	72.3	74.8
EBITDA					
Tobii Dynavox	169.6	138.0	135.2	184.9	182.1
Tobii Pro	91.2	100.8	65.5	45.1	44.3
Tobii Tech	-260.2	-267.1	-253.2	-179.7	-145.2
Other and eliminations ²⁾	31.8	0.2	0.0	0.0	-0.2
The Group	32.4	-28.0	-52.4	50.3	81.1
EBITDA margin, %					
Tobii Dynavox	18.7	16.9	19.1	24.3	24.6
Tobii Pro	20.6	25.4	21.6	18.4	21.2
Tobii Tech	neg	neg	neg	neg	neg
The Group	2.2	-2.1	-4.9	4.8	8.4
Operating profit/loss (EBIT)					
Tobii Dynavox	99.5	70.9	73.6	124.7	119.0
Tobii Pro	53.8	44.9	25.8	15.5	21.2
Tobii Tech	-293.8	-304.7	-290.8	-207.2	-175.7
Other and eliminations ²⁾	2.4	0.1	0.0	0.0	-0.2
The Group	-138.1	-188.8	-191.4	-67.0	-35.7
EBIT margin, %					
Tobii Dynavox	11.0	8.8	10.4	16.4	16.1
Tobii Pro	12.1	11.3	8.5	6.3	10.1
Tobii Tech	neg	neg	neg	neg	neg
The Group	-9.2	-14.7	-17.7	-6.4	-3.7

¹⁾ Other and eliminations refers entirely to internal sales from Tobii Tech to Tobii Dynavox and Tobii Pro.

²⁾ Other and eliminations refers to effects from IFRS 16 Leasing that is not allocated to business units.

³⁾ Information shows Continuing operations only, reporting restated for Discontinued operations in accordance with IFRS 5, refer to Note 32.

⁴⁾ 2017 figures are presented as restated for IFRS 15, implemented in the reporting for 2018. Refer to Annual Report 2018 - Note 32 - for further information.

Consolidated statement of comprehensive income

SEK m	Note	2019	2018
Continuing operations			
Net sales	5	1,501.3	1,277.8
Cost of goods and services sold		-469.6	-376.0
Gross profit		1,031.7	901.8
Selling expenses		-596.7	-549.6
Research and development expenses		-438.3	-419.5
Administrative expenses	7	-146.4	-145.8
Other operating income and operating expenses	11	11.6	24.3
Operating profit/loss	5,6,7,8,9,10	-138.1	-188.8
<i>Profit/loss from financial items</i>			
Financial income	12	17.8	26.8
Financial expenses	12	-30.1	-2.1
Total financial income and expenses		-12.2	24.8
Profit/Loss before tax		-150.3	-164.0
Taxes	13	-9.0	-8.2
Profit/loss for the year, continuing operations		-159.4	-172.2
Profit/Loss from discontinued operations	32	-11.9	-2.1
Profit/Loss for the year		-171.2	-174.3
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange rate differences		3.5	-18.9
Other comprehensive income, net after tax		3.5	-18.9
Total comprehensive income for the year		-167.8	-193.2
<i>Profit/loss for the year attributable to:</i>			
Parent company shareholders		-171.4	-174.6
Non-controlling interests		0.2	0.3
Total Loss for the year		-171.2	-174.3
<i>Total comprehensive income attributable to:</i>			
Parent company shareholders		-168.0	-193.5
Non-controlling interests		0.2	0.3
Total comprehensive income for the year		-167.8	-193.2
Basic earnings per share, SEK	14	-1.73	-1.79
Earnings per share after dilution, SEK	14	-1.73	-1.79
Average number of outstanding shares, (thousands)	14	98,925.1	97,578.9
Average number of outstanding shares after dilution, (thousands)	14	99,525.1	97,840.1

Consolidated balance sheet

SEK m	Note	2019-12-31	2018-12-31
Non-current assets			
Goodwill	15	44.5	107.0
Capitalized product development costs	15	425.8	345.7
Trademarks	15	99.4	114.9
Other intangible assets	15	41.7	91.8
Property, plant and equipment	16	48.6	32.0
Right-of-use assets	16	97.0	–
<i>Financial and other non-current assets</i>			
Deferred tax assets	13	80.6	83.7
Other financial assets		5.3	5.2
Total non-current assets		843.0	780.4
Current assets			
Accounts receivable	18	242.2	206.5
Inventories	19	97.1	86.9
Other receivables		32.6	14.0
Prepaid expenses and accrued income	20	35.4	44.7
Cash and cash equivalents	21	185.2	192.3
Assets held for sale	32	194.4	–
Total current assets		786.9	544.4
Total assets		1,629.9	1,324.8
Equity			
Share capital	23	0.7	0.7
Other paid-in capital		1,635.9	1,629.3
Reserves	24	-1.8	-5.3
Retained earnings including profit/loss for the year		-959.8	-790.6
Total equity attributable to parent company's shareholders		675.1	834.2
Non-controlling interests		0.9	0.8
Total equity		676.1	835.0
Non-current liabilities			
Interest-bearing loans	26	294.0	–
Leasing liabilities	26	66.6	–
Deferred tax liabilities	13	2.0	6.5
Provisions	25	4.0	5.0
Other non-current liabilities	26	110.4	95.5
Total non-current liabilities		477.0	107.0
Current liabilities			
Leasing liabilities	26	28.7	–
Accounts payable	26	92.3	102.1
Other liabilities	26	40.8	29.4
Accrued expenses and deferred income	27	280.4	251.2
Liabilities directly related to assets held for sale	32	34.6	–
Total current liabilities		476.8	382.8
Total liabilities		953.8	489.8
Total equity and liabilities		1,629.9	1,324.8

Consolidated statement of changes in equity

SEK m	Note	Attributable to parent company shareholders					Non-controlling interests	Total equity
		Share capital	Other paid-in 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
Pofit/loss for the year					-174.6	-174.6	0.3	-174.3
Other comprehensive income				-18.9		-18.9		-18.9
Comprehensive income for the year				-18.9	-174.6	-193.5	0.3	-193.2
New share issue, exercise of warrants incentive programs		0.0	41.2			41.3		41.3
Sale of warrants, incentive programs			6.6			6.6		6.6
Equity-settled share-based payment transactions under IFRS 2	8				1.5	1.5		1.5
Closing balance, Dec 31, 2018		0.7	1,629.3	-5.3	-790.6	834.2	0.7	835.0
Pofit/loss for the year					-171.4	-171.4	0.2	-171.2
Other comprehensive income				3.5		3.5		3.5
Comprehensive income for the year				3.5	-171.4	-168.0	0.2	-167.8
New share issue, exercise of warrants incentive program			–			–		–
Sale of warrants, incentive programs			6.6			6.6		6.6
Equity-settled share-based payment transactions under IFRS 2	8				2.2	2.2		2.2
Closing balance, Dec 31, 2019		0.7	1,635.9	-1.8	-959.8	675.1	0.9	676.1

Consolidated cash flow statement

SEK m	Note	2019	2018
Cash flow from operating activities			
Profit/loss after financial items, continuing operations		-150.3	-163.8
Profit/loss discontinued operations ¹⁾		-11.5	-2.1
Adjustment for items not included in the cash flow			
Amortization and write downs on intangible assets	9	123.6	141.4
Depreciation and write downs on property, plant and equipment and right-of-use assets	9	46.8	21.7
Unrealized exchange rate differences		-10.2	-23.9
Changes in provisions		2.0	2.9
Other items not affecting the cash flow		18.2	5.0
Taxes paid		-0.7	-2.2
Cash flow from operating activities before change in working capital		17.9	-20.9
Cash flow from change in working capital			
Increase (-)/Decrease (+) in inventories		-12.9	-24.0
Increase (-)/Decrease (+) in operating receivables		-56.5	-41.2
Increase (+)/Decrease (-) in operating liabilities		38.2	73.0
Cash flow from operating activities		-13.4	-13.0
Investing activities			
Investments in intangible assets		-213.2	-204.2
Investments in property, plant and equipment		-35.3	-18.9
Investments in financial assets		-0.3	-1.4
Cash flow after continuous investments		-262.2	-237.5
Business combinations		-1.5	-158.8
Cash flow after investing activities		-263.7	-396.3
Cash flow from investing activities		-250.3	-383.3
Financing activities			
Bond issue		293.2	–
Sale/exercise of warrants, incentive program		6.6	47.8
Instalments of leasing liability IFRS 16		-24.7	–
Cash flow from financing activities		275.1	47.8
Cash flow for the year		11.4	-348.5
Foreign currency translation, cash and cash equivalents		4.8	4.0
Cash and cash equivalents at the beginning of the year		192.3	536.8
Cash and cash equivalents at the end of the year*		208.4	192.3
<i>* Of which cash and cash equivalents included in Assets held for sale</i>		23.3	–

¹⁾ For information about discontinued operations, refer to note 32.

Parent company income statement

SEK m	Note	2019	2018
Net sales		147.0	849.4
Cost of goods and services sold		-43.8	-374.0
Gross profit		103.2	475.4
Selling expenses		0.7	-206.3
Research and development expenses		-2.1	-415.1
Administrative expenses	7	-104.8	-131.6
Other operating income	11	16.5	52.9
Other operating expenses	11	-15.9	-26.5
Operating profit/loss	5, 6, 7, 8, 9, 10	-2.5	-251.2
<i>Profit/loss from financial items</i>			
Financial income	12	1.2	44.3
Financial expenses	12	-17.7	-1.9
Total financial income and expenses		-16.5	42.6
Profit/Loss after financial items		-19.0	-208.6
Group Contributions		88.1	–
Profit/Loss before tax		69.2	-208.6
Taxes	13	-0.1	-4.2
Profit/loss for the year		69.1	-212.8

The parent company has no items in 2019 or 2018 reported in Other comprehensive income. The profit/loss for the year for the parent company is thus also the year's comprehensive income. Therefore, the parent company does not present a separate "Statement of comprehensive income."

Parent company balance sheet

SEK m	Note	2019-12-31	2018-12-31
Non-current assets			
Goodwill	15	–	10.9
Capitalized product development costs	15	–	338.8
Trademark	15	–	40.7
Other intangible assets	15	40.2	44.1
Property, plant and equipment	16	8.7	5.0
<i>Financial and other non-current assets</i>			
Participations in Group companies	17	507.5	310.3
Deferred tax assets	13	61.7	61.7
Receivables from Group companies	30	830.5	299.8
Other financial assets		–	0.0
Total non-current assets		1,448.7	1,111.3
Current assets			
Accounts receivable	18	8.7	53.9
Receivables from Group companies	30	145.1	94.6
Inventories	19	0.1	36.7
Other receivables		10.7	10.4
Prepaid expenses and accrued income	20	9.8	24.0
Cash and cash equivalents	21	56.9	92.0
Total current assets		231.3	311.6
Total assets		1,680.0	1,422.9

Parent company balance sheet

SEK m	Note	2019-12-31	2018-12-31
Equity			
Share capital	23	0.7	0.7
Statutory reserve		5.3	5.3
Reserve for development expenditures		–	264.5
Total restricted equity		6.0	270.5
Premium reserve		1,630.7	1,624.0
Retained earnings		-477.9	-531.7
Profit/loss for the year		69.1	-212.8
Total non-restricted equity		1,221.9	879.5
Total equity		1,227.9	1,150.0
Provisions	25	–	1.4
Non-current liabilities			
Interest-bearing liabilities		294.0	–
Interest-bearing liabilities to Group companies	30	35.9	5.1
Other non-current liabilities		9.9	22.4
Total non-current liabilities		339.7	27.6
Current liabilities			
Accounts payable		16.2	80.9
Liabilities to Group companies	30	51.7	50.9
Other liabilities		15.2	20.7
Accrued expenses and deferred income	27	29.8	91.7
Total current liabilities		112.9	244.0
Total liabilities		452.6	272.9
Total equity and liabilities		1,680.0	1,422.9

Parent company statement of changes in equity

SEK m	Note	Restricted equity			Premium reserve	Retained earnings	Total equity
		Share capital	Statutory reserve	Reserve for development expenditure			
Opening balance, Jan 1, 2018		0.7	5.3	207.7	1,576.2	-476.5	1,313.4
Profit/loss for the year						-212.8	-212.8
Transfer from unrestricted to restricted equity, reserve for development expenditures				56.8		-56.8	–
Transactions with shareholders							
New share issue, exercise of warrants incentive program		0.0			41.2		41.3
Sale of warrants, incentive program					6.6		6.6
Equity-settled share-based payment transactions under IFRS 2	8					1.5	1.5
Total transactions with shareholders					47.8	1.5	49.4
Closing balance, Dec. 31, 2018		0.7	5.3	264.5	1,624.1	-744.6	1,150.0
Profit/loss for the year						69.1	69.1
Transfer from unrestricted to restricted equity, reserve for development expenditures				-264.5		264.5	–
Transactions with shareholders							
New share issue, exercise of warrants incentive program		–			–		–
Sale of warrants, incentive program					6.6		6.6
Equity-settled share-based payment transactions under IFRS 2	8					2.2	2.2
Total transactions with shareholders					6.6	2.2	8.8
Closing balance, Dec. 31, 2019		0.7	5.3	–	1,630.7	-408.7	1,227.9

Parent company cash flow statement

SEK m	Note	2019	2018
Cash flow from operating activities			
Profit/loss after financial items		69.2	-208.6
Adjustment for items not included in the cash flow:			
Amortization and write downs on intangible assets	9	3.7	146.1
Depreciation and write downs on property, plant and equipment	9	0.6	6.7
Unrealized exchange rate differences		0.0	-23.9
Changes in provisions		-1.4	-0.8
Other items not affecting the cash flow		-8.0	-3.0
Taxes paid		-0.1	0.0
Cash flow from operating activities before change in working capital		63.9	-83.5
Cash flow from change in working capital			
Increase (-)/Decrease (+) in inventories		0.0	-0.6
Increase (-)/Decrease (+) in operating receivables		-96.3	7.6
Increase (+)/Decrease (-) in operating liabilities		-15.6	-8.6
Cash flow from operating activities		-48.0	-85.1
Investing activities			
Investments in intangible assets	15	-14.0	-201.1
Investments in property, plant and equipment	16	-8.2	-3.9
Investments in/proceeds from financial assets		45.8	7.5
Cash flow after continuous investments		-24.3	-282.6
Shareholders contributions paid		-310.6	-
Acquisition of subsidiary companies		-	-143.7
Cash flow after investing activities		-334.9	-426.2
Cash flow from investing activities		-287.0	-341.2
Financing activities			
Bond issue		293.2	-
Rights issue, exercise of warrants		-	41.3
Sale/exercise of warrants, incentive program		6.6	6.6
Cash flow from financing activities		299.8	47.9
Cash flow for the year		-35.1	-378.3
Cash and cash equivalents at the beginning of the year		92.0	470.1
Cash and cash equivalents at year-end	21	56.9	92.0

Notes

Note 1. General information

Tobii AB (publ) (the parent company), corporate identity number 556613-9654, is a Swedish limited liability company with its registered office in Danderyd, Sweden. The address of the head office is Karlsrovägen 2D, Danderyd, Sweden. Tobii AB (publ) and its subsidiaries (referred to collectively as the Group) is a global market-leading provider of eye-tracking solutions. A product with an integrated eye-tracking sensor knows what a user is looking at. This makes it possible to interact with computers and equipment using the eyes.

Tobii operates globally from its offices in Sweden, the USA (offices in Washington D.C., Pittsburgh and Mountain View), China, Japan, Great Britain, Germany, Norway, South Korea, Taiwan, Singapore and Chile.

Note 2. Summary of important accounting policies

BASIS ON WHICH THE STATEMENTS HAVE BEEN PREPARED

The consolidated financial statements have been prepared in accordance with international Financial Reporting standards (IFRS), issued by the international accounting standards Board (IASB) and the interpretation statements of the international Financial Reporting Interpretations Committee (IFRIC) as approved by the European Commission for application within the EU. Furthermore, the Swedish Financial Reporting Board's Recommendation RFR 1, "Supplementary accounting Rules for Groups" has also been applied. The parent company's financial reports have been prepared in accordance with the Swedish Annual Accounts Act and standard RFR 2, Accounting for legal entities.

The preparation of reports in accordance with IFRS requires the use of a number of important estimates for accounting purposes.

It also requires that management carry out certain assessments when applying the Group's accounting policies. For areas that involve a high degree of assessment, which are complex or where assumptions and estimates are of material importance for the consolidated financial statements, see Note 4.

NEW OR AMENDED ACCOUNTING STANDARDS

New standards and interpretations applied from January 1, 2019
IFRS 16 Leases went into effect from January 1, 2019. The standard has replaced IAS 17 Leases and related interpretations. For lessees, the IFRS 16 standard eliminates the classification of leases as either operating or finance and introduces a common model for recognition of all lease. For the transition, Tobii has applied IFRS 16 according to the simplified transition approach, which means that the financial year 2018 has not been 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

reflecting Tobii's credit rating and with consideration taken to the maturity of the lease, the underlying asset, the funds necessary to obtain, and the economic environment. Weighted average discount rate that was used to discount the lease payments for the contracts previously classified as operational leases was 5,07%.

The Group has used practical expedients permitted at the first application of IFRS 16. The applied practical solutions include 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, have been accounted for as short-term leases, which means they have not been recognized on the balance sheet at transition.

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

SUMMARY OF IFRS 16 OPENING BALANCE ADJUSTMENTS

SEK m	2019		2019
Assets		Equity and Liabilities	
Right-of-use assets	121.3	Lease liabilities	116.5
Prepaid lease fees	-4.8		
Total	116.5	Total	116.5

For right-of-use assets, only insignificant amounts are pertaining to other than Buildings – rented office premises.

RECONCILIATION OF IAS 17 OPERATING LEASE COMMITMENTS AND IFRS 16 LEASE LIABILITIES

SEK m	2019
Operating lease commitments at December 31, 2018	122.4
Prepaid lease fees	-4.8
Variable lease fees not related to interest or index	-2.2
Short-term and low-value leases recognized on a straight-line basis as expenses	-2.6
Adjustment resulting from difference in treatment of extension and termination options	25.2
Other	-4.6
Commitments for standard lease agreements	133.4
Discounting effect	-16.9
Lease liability recognized at January 1, 2019	116.5

IFRIC 23 "Uncertainty over Income Tax Treatments", effective from January 1, 2019 has not had any material impact on the consolidated results of the Group.

New standards and interpretations not yet adopted by the Group:

The following new standards have been issued by the IASB to be applied in the future. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Effective 1 January 2020

- Amendment to IFRS 3 "Definition of a Business"
- Amendments to IAS 1 and IAS 8 "Definition of Material"

FUNCTIONAL CURRENCY AND DATES

The parent company's functional currency is the Swedish krona (SEK), which is also the reporting currency for the parent company and the Group. This means that the financial statements are presented in Swedish krona. Unless otherwise stated, all amounts are rounded to the nearest million (SEK million). Amounts in parentheses refer to the previous year. Income statement items refer to the period January 1 – December 31, while balance sheet items refer to December 31.

CONSOLIDATION PRINCIPLES**Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to or has rights to variable returns from its interest in the entity and can affect the returns through its control in the entity. Subsidiaries are included in the consolidated financial statements as of the date on which control was transferred to the Group. They are excluded from the consolidated financial statements as of the date on which control ceases.

Subsidiaries are recognized according to the acquisition method. Acquisition cost consists of the fair value of transferred assets, liabilities and shares issued by the Group. The purchase price also includes the fair value of all assets or liabilities arising as a result of an agreement on conditional purchase price. Acquisition-related costs are recognized as an expense when they arise. Identifiable acquired assets and assumed liabilities in a business combination are initially measured at fair value on the date of acquisition. When acquisition cost in a business combination exceeds the fair value of the acquired assets and assumed liabilities, as well as any contingent liabilities recognized separately, the difference is recognized as goodwill. When the difference is negative, it is recognized in the statement of comprehensive income.

The subsidiaries' financial statements are included in the consolidated financial statements from the date of acquisition until such time as controlling interest is relinquished. When the Group no longer has controlling interest, all remaining holdings are recognized at fair value from the date on when controlling interest ceases. Changes in the carrying amount are recognized in the income statement. The fair value is applied as the initial carrying amount and is the basis for continued recognition of the remaining interest as an associated company, joint venture or financial asset. All amounts referring to the divested entity previously recognized in Other comprehensive income are recognized as though the Group had directly divested the related assets or liabilities. Amounts previously recognized in Other comprehensive income may consequently be reclassified to profit/loss.

Transactions to be eliminated on consolidation

Intra-Group receivables and liabilities, income or expense, unrealized gains or losses that arise from intra-Group transactions are eliminated in their entirety in the preparation of the consolidated financial statements.

Segment reporting

The Group conducts its business through three divisions, Tobii Dynavox, Tobii Pro and Tobii Tech, each of which has its own distinct markets, products and organizations. The Company reports each division as a separate segment. For further description of each segment see pages 16–37.

Operating segments are reported in a manner consistent with the internal reporting presented to the chief operating decision maker. The chief operating decision maker is the function responsible for allocation of resources and analyzing the segment's profit/loss. This function has been identified as Group Management in this Group.

Group Management primarily used sales, operating profit/loss before depreciation, amortization and write-downs (EBITDA), operating profit/loss and investments in research and development in its analysis of the divisions' performance.

Sales per geographic market are separated into the following markets: North America, Europe and other countries. The same accounting principles applied to the consolidated Group also apply to the business segments.

FOREIGN CURRENCY**Transactions in foreign currency**

Transactions in foreign currency are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rates prevailing on the balance sheet date. Non-monetary assets and liabilities recognized at historic cost are translated at the exchange rates prevailing on the date of the transaction. Non-monetary assets and liabilities recognized at fair value are translated into the functional currency at the exchange rate prevailing on the date fair value measurement was applied. Exchange rate differences that arise on the translations are recognized in the income statement, both in operating profit/loss and in net financial items depending on the nature of the underlying transactions.

	Closing rate		Average rate	
	2019	2018	2019	2018
SEK m				
EUR	10.434	10.275	10.588	10.256
USD	9.317	8.971	9.458	8.720
JPY	0.085	0.082	0.087	0.079

Foreign entities' financial statements

The functional currency is the currency in the primary economic environments in which the companies operate. Assets and liabilities in foreign operations, including goodwill and other consolidated surpluses and deficits, are translated from the foreign entities' functional currency to the Group's presentation currency, Swedish krona, at the exchange rate prevailing on balance sheet date. Income and expenses in a foreign entity is translated to Swedish krona at an average rate that is an approximation of the exchange rates pertaining on the dates of the transactions respectively. Translation differences that arise on the translation of foreign entities are recognized in Other comprehensive income as a translation reserve. When a foreign entity is divested, the accumulated translation differences attributable to the entity are recognized in the consolidated statement of comprehensive income.

REVENUE RECOGNITION

General

The Group recognizes revenue in the income statement when its amount can be measured reliably and it is probable that future economic benefits will accrue to the Group. Income is recognized net after VAT at the fair value of the amounts received or expected to be received, less any granted discounts.

Sale of goods

Tobii's revenue from goods consists primarily of the sale of self-manufactured products at fixed prices. Revenue from the sale of goods is recognized when control of the products is transferred, which occurs when the products are delivered to the buyer and there are no unfulfilled commitments that can affect the buyer's approval of the products. If there is significant uncertainty regarding payment, associated expenses or risk of return, revenue is not recognized.

Service assignments

Revenue from services consists primarily of support, service contracts, installations, consultancy assignments and training. These services are provided either based on time and material, and revenue is recognized in the period during which the service is rendered – or as fixed price agreements during a defined period and revenue is recognized in the period during which the service is rendered, allocated on a straight-line basis over the term of the agreement.

Sale of bundles including both goods and services

Certain products are sold as bundles comprised partly of goods that are sold to customers at date of sale, and partly as service commitments in the form of enhanced warranties and customer support which are fulfilled in future periods after the date of sale. For such sales, revenue is allocated between goods and service commitments. Revenue for goods and service commitments, respectively, is then recognized according to the model for the respective sale above.

Rental revenue

Revenue and corresponding expenses regarding leasing of Tobii's products are recognized in the period to which the rental refers.

Royalty revenue

Revenue from royalties is allocated in line with economic implications of the agreement in question.

Government grants

Government grants are recognized in the balance sheet as deferred income when there is reasonable assurance that the grant will be received and the Group will fulfill the terms associated with the grant. Grants are allocated systematically in the income statement in the same manner and over the same periods as the expenses for which the grants are intended to compensate.

Government grants related to assets are reported in the balance sheet as deferred income and allocated over the asset's useful life as operating income.

LEASES

The Group is a lessee under all lease arrangements in place and has no activities as lessor. Leasing arrangements as lessee applies mainly to assets such as office premises and warehouses, vehicles and certain other equipment.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Such an assessment is performed at inception of a contract. An identified lease agreement is further categorized by the group as either a short-term lease, a lease of a low-value asset or a standard lease. Short-term leases are defined as leases with a lease term of 12 months or less.

Lease payments related to short-term leases and leases of low value assets are recognized as operating expenses on a straight-line basis over the term of the lease. The group applies the term 'standard lease' to all identified leases which are categorized as neither short-term leases nor leases of a low-value asset. Thus, a standard lease is a lease agreement for which a right-of-use asset and a corresponding lease liability are recognized at commencement of the lease.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease liability is determined as the present value of all future lease payments at the commencement date using the implicit rate in the contract, if that rate can be readily determined. If the implicit rate cannot be readily determined, the Group's incremental borrowing rate is used, reflecting Tobii's credit rating and with consideration taken to the maturity of the lease, the underlying asset, the funds necessary to obtain, and the economic environment.

A right-of-use asset is measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement day, less any lease incentives received, and any initial direct costs. The right-of-use asset is subsequently measured at cost less accumulated depreciation, any impairment losses as well as any remeasurement of the lease liability. Depreciation is made on a straight-line basis over the shorter of the asset's useful life and the lease-term. Depreciation starts at the commencement date of the lease.

A lease payment related to a standard lease is accounted for partly as amortization of the lease liability and partly as interest expense in the statement of comprehensive income.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses consist of interest income on funds in banks, receivables and interest expenses on borrowings, exchange rate differences, and unrealized and realized gains on financial investments within the financial activities.

Exchange rate differences attributable to financial receivables and liabilities are recognized among financial items in the income statement. Exchange rate differences attributed to operating items are recognized in the respective item in the income statement and included in operating profit/loss.

TAXES

Income tax comprises current tax and deferred tax. Income tax is recognized in the income statement except when the underlying transaction is recognized directly in equity or other comprehensive income, in which case the associated tax effect is recognized in equity or other comprehensive income respectively. Current tax is tax that is to be paid or received for the current year, with application of the tax rates adopted, or adopted in practice, on the balance sheet date. Also included in current tax are adjustments to current tax attributable to previous periods.

Deferred tax is calculated according to the balance sheet method on the basis of temporary differences between tax values and carrying amounts of assets and liabilities. The following temporary differences are not considered: temporary differences arising on initial recognition of goodwill, the initial recognition of assets and liabilities that are not business combinations and do not influence either recognized or taxable profit/loss on the date of transaction.

Furthermore, temporary differences attributable to interests in subsidiaries and associated companies that are not expected to be reversed within the foreseeable future. The measurement of deferred tax is based on how the carrying amounts of assets or liabilities are expected to be realized or settled. Deferred tax is measured at the tax rate expected to be applied and tax laws that have been enacted or in practice by the balance sheet date.

Deferred tax assets on deductible temporary differences and loss carry-forwards are recognized only to the extent it is likely they can be utilized. The value of deferred tax receivables is reduced when it is no longer considered likely that they can be utilized.

Any income tax surcharges arising in conjunction with the payment of dividends are recognized at the same time the dividend is recognized as a liability.

FINANCIAL INSTRUMENTS**Recognition and measurement of financial instruments**

A financial asset or a financial liability is reported in the balance sheet when the Group becomes party to the contractual terms and conditions of the instrument. Accounts receivable is reported in the balance sheet when an invoice is sent. A liability is reported in the balance sheet when the counterpart has performed and there is a contractual obligation to pay even if the invoice has not yet been sent. Supplier invoices are reported as a liability when the invoice is received.

At initial recognition the Group measures a financial asset or financial liability at fair value. In the case of a financial asset or financial liability that is not measured at fair value through profit or loss, transaction costs are included in cost, while transaction costs for financial assets and financial liabilities recognized at fair value through profit or loss are expensed through profit or loss.

A financial asset is derecognized from the balance sheet when the rights in the contract are realized, expired or the Group loses control over them. A financial liability is removed from the balance sheet when it is extinguished; i.e., when the obligations in the agreement are discharged, canceled or terminated.

Financial assets – classification and subsequent measurement

The Group classifies its financial instruments in the following measurement categories:

- fair value through profit or loss
- fair value through other comprehensive income, or
- amortized cost

Accounts and loan receivables

Accounts and loan receivables are measured at amortized cost. Amortized cost is determined based on the effective interest which is calculated at acquisition date. The expected maturity of accounts receivable is short, and values are recognized at nominal amount with no discounts.

Impairment and expected loss

Tobii assesses expected credit losses that are linked to financial receivables. A provision for assessed losses is recognized on each reporting occasion. For accounts receivable, a method is applied under which the provision for doubtful accounts receivable corresponds to expected credit losses for the remaining maturity. If a provision is considered insufficient due to individual assessments, the provision is increased to cover the actual expected losses.

Cash and cash equivalents

The Group's cash and cash equivalents consist of cash and bank balances at financial institutions and are recognized at their nominal amount. Tobii invests a portion of its cash and cash equivalents in a Swedish short-term fixed income fund which allows access to funds within two to three bank days and where the risk of value fluctuation during this time is insignificant. These instruments are continuously measured at fair value with changes in the period recognized in profit or loss as Other financial items.

Financial liabilities – classification and subsequent measurement**Interest-bearing liabilities**

Borrowings are initially recognized at fair value net of transaction costs incurred. After initial recognition, borrowings are valued at amortized cost using the effective interest method.

Other financial liabilities

Contingent considerations are recognized at fair value through profit or loss. Other financial liabilities are classified and subsequently measured at amortized cost. This category includes accounts payable. The expected maturities of Tobii's accounts payable are short and values are recognized at nominal amount with no discounting.

INVENTORIES

Inventories are measured at the lower of the cost and the net realizable value. Net realizable value is the estimated selling price from operating activities less the estimated cost of production and sales. Impairment of inventories, if any, is recognized under Cost of goods and services sold

Cost for inventories is calculated using the first-in-first-out method (FIFO) and includes expenses that arise on acquisition and transportation of the inventory assets to their current location and condition. Cost for manufactured goods and work in progress includes a reasonable proportion of overhead based on normal capacity.

Intra-group profits arising from deliveries between Group companies are eliminated in the consolidated accounts.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, owned by the Group, are recognized as assets in the balance sheet if it is probable that future economic benefits will accrue to the Group and cost for the asset can be calculated reliably.

Property, plant and equipment are recognized at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and expenses directly related to transporting the asset to its location and in a condition so that it can be utilized as intended. Examples of directly related expenses included in cost are delivery and handling, installation, registration of title, and consultant and legal services.

Depreciation principles

The straight-line basis for depreciation is used for all owned property, plant and equipment.

The following periods for depreciation are applied:

- | | |
|--------------------------------------|---------|
| ▪ Equipment, tools and installations | 5 years |
| ▪ Demonstration units | 2 years |

Computer equipment used in the Group is recognized as an expense when they arise. Assets' residual value and useful lives are estimated every year and adjusted as required.

INTANGIBLE ASSETS**Goodwill**

Goodwill consists of the difference between cost and the Group's share of the fair value of an acquired subsidiary's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill has an indeterminate useful life and is not amortized, but tested annually for any possible impairment.

Research and development

Research costs are recognized as an expense immediately. Expenses for development projects (related to the design and testing of new or improved products) are capitalized in the balance sheet as intangible assets to the extent these expenses are expected to generate future economic benefits. Other development costs are recognized as expenses as they arise.

Development costs previously recognized as expenses are not capitalized as assets in the balance sheet in subsequent periods. Direct expenses include personnel costs for development employees and a proportion of the indirect costs.

Amortization of capitalized development costs is made on straight-line basis and commences when the product is available for general use. The useful life is reassessed annually.

The unamortized amount of capitalized development is tested for impairment annually (in accordance with IAS 36) when the products resulting from the development are not yet available for sale.

- Amortization periods - capitalized development costs: 2–4 years

Trademarks

Trademarks acquired through business combinations are recognized at fair value on the day of acquisition. The Group's acquired trademarks have an indeterminate useful life and are not amortized, but tested annually for any possible impairment.

Patents

Expenses for patents are capitalized in the balance sheet and amortized on a straight-line basis over its estimated useful life.

IMPAIRMENT

The recognized values of the Group's assets are tested at each balance sheet date to assess whether there is evidence of impairment. The Group applies IAS 36 for impairment testing of assets other than financial assets, inventories and deferred tax assets. The asset's recoverable amount is calculated if there is indication of impairment loss. Assets exempted according to the above are tested in accordance with the relevant standard.

IMPAIRMENT TESTING FOR PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND PARTICIPATIONS IN SUBSIDIARIES.

If there is indication of impairment, the asset's recoverable amount is calculated according to IAS 36 (see below). The recoverable amount is calculated annually for goodwill and other intangible assets with indeterminate useful lives and intangible assets not yet ready for use.

If it is not possible to determine substantially independent cash flow to an individual asset when testing for impairment, then assets are to be grouped at the lowest level at which substantially independent cash flows can be identified (cash-generating units). Impairment loss is recognized when an asset or cash-generating unit's carrying amount is higher than its recoverable amount. Impairment is recognized in the income statement.

Impairment of assets attributable to cash-generating units (group of units) is initially allocated to goodwill. Thereafter, other assets included in the unit (group of units) are proportionally impaired.

Reversal of impairment

Impairment of goodwill is not reversed. Impairment of other assets is reversed if there has been a change in the assumptions that formed the basis for calculating the recoverable amount. Impairment is reversed only to the extent the asset's carrying amount after reversal does not exceed the carrying amount the asset would have had if impairment had not been recognized, with consideration to the depreciation/amortization that would have been recognized.

SHARE CAPITAL

Dividends

Dividends are recognized as a liability after the shareholders' meeting has approved the dividends.

Earnings per share

The calculation of earnings per share is based on the year's profit/loss in the Group attributable to the parent company's shareholders and the weighted average number of outstanding shares during the year.

When calculating earnings per share after dilution, the profit/loss and average number of shares are adjusted to take into account the effects of potential dilutive ordinary shares that, during the reporting period, stem from the long-term incentive program.

EMPLOYEE BENEFITS

Defined-contribution retirement plans

Commitments concerning premiums for defined-contribution plans are recognized as an expense in the income statement as they arise. Defined-contribution plans are those plans where the Company's obligations are limited to the contributions the Company has committed to pay. In such cases, the size of the employee's retirement benefit is dependent on the contributions that the Company pays into the plan or insurance company, and the returns on capital that these premiums generate. Subsequently, it is the employee who bears the actuarial risk (that benefits are lower than expected) and the investment risk (that invested assets will be insufficient to generate the expected benefits).

Defined-benefit retirement plans

The Group has no defined-benefit plans at present.

Severance pay

A provision is recognized in conjunction with terminations of employees only if the Company is formally obliged to prematurely terminate employment or when remuneration is offered as an incentive to initiate voluntary redundancy.

Share-based compensation to employees

The Group applies IFRS 2 for a share-based remuneration plan that began in 2010 and is recognized as equity-settled share-based transactions in accordance with IFRS 2. Expenses for employee stock options and warrants are measured at fair value, allocated over the duration of the program and recognized in equity. The Group recognizes a reserve for accrued social security contributions for the program based on the calculated taxable benefits payable to participants. The fair value of the employee stock options and warrants are calculated using Black& Scholes pricing model.

PROVISIONS

A provision differs from other liabilities in that there is a certain prevailing uncertainty about the date of payment or the amount required to settle the provision. A provision is recognized in the balance sheet when the Group has an existing legal or informal commitment as a result of an event that has occurred, and it is probable that an outflow of economic resources will be required to settle the commitment and the amount required can be estimated reliably. In those cases when the effect of when payment is made is material, discounting is made of expected future cash flow at an interest rate before tax that reflects actual market assessments of the time value of money and, if applicable, those risks associated with the liability.

Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical data regarding warranties and a considered evaluation of the potential outcomes in relation to the probabilities associated with those outcomes.

PARENT COMPANY'S ACCOUNTING PRINCIPLES

The parent company has prepared its annual report in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for Legal Entities". The statements issued by the Swedish Financial Reporting Board that apply to publicly listed companies have also been applied. RFR 2 requires that the parent company in the annual report for the legal entity apply all the IFRS and statements adopted by the EU to the extent that these correspond with the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, taking account of the association between accounting and taxation. The recommendation specifies which exemptions from and additions to IFRS are to be observed.

Classification and presentation methods

The Parent Company's income statement and balance sheet are set out in accordance with the Swedish Annual Accounts Act's schedule. The difference compared with IAS 1, "Presentation of Financial statements" which is applied in the presentation of the consolidated financial statements, relates primarily to the recording of financial income and expenses, non-current and current assets, equity and the presence of provisions as a separate heading in the parent company's balance sheet.

Goodwill recognized in the Parent Company is amortized over 5 years.

Group contributions provided or received by the Parent Company are recognized in the income statement.

All lease agreements where the Parent Company is a lessee are reported as operating leases, regardless of whether the agreements are finance or operating leases. The leasing fee is recognized as an expense on a straightline basis over the lease period.

Note 3. Financial risks and risk management

Tobii, through its international operations, is exposed to financial risks that are managed in accordance with the policies adopted by the Board of Directors. The exposure comprises mainly currency risk, interest rate risk, credit risk and financing and liquidity risk.

CURRENCY RISK

Currency risk refers to the risk that fluctuating exchange rates will have a negative impact on the Group's net profit/loss, balance sheet or cash flows. Currency exposure arises when products and services are bought or sold in other currencies than the local currencies used by the respective subsidiaries (transaction exposure), and when the balance and income statements from non-Swedish subsidiaries are converted to SEK (translation exposure). Tobii's global operations give rise to significant cash flows in currencies other than SEK. Tobii is mainly exposed to changes in EUR, USD and JPY in relation to SEK.

Tobii continuously assesses the impact of the trends of the most important currencies. Presently the Group does not use any currency hedge.

Net exposure per currency in the consolidated balance sheet

SEK m	2019	2018
USD	292	330
EUR	35	40
JPY	20	28
Other	-35	27
Total	312	424

A change in the exchange rate in relation to SEK by +/- 10 percent in USD, EUR, JPY and other currencies in the consolidated balance sheet would impact the balance sheet by +/- SEK 42 (38) million.

INTEREST RATE RISK

Interest rate risk arises when changes in market interest rates affect interest income from the Group's interest-bearing assets and interest expense on the Group's interest-bearing liabilities, which affects the Group's net interest and cash flow.

Based on the interest-bearing assets and liabilities at the close of 2019, an increase of one percentage (100 basis points) is calculated to have an impact on earnings by SEK -0.8 million (1.9).

CREDIT RISK

Credit risk is the risk that a customer or other party in a transaction involving a financial instrument is unable to fulfill its commitments. Credit risk arises in the context of cash and cash equivalents, other balances with banks and financial institutions, and credit exposure through accounts receivable. The maximum exposure to credit risks regarding financial assets is equivalent to the reported value of each category as shown in note 22.

Financial credit risk

Tobii's cash and cash equivalents at December 31, 2019 amounted to SEK 208 (192) million, of which SEK 23 million (-) included in Assets held for sale. Of the total amount, SEK 41 million (0) was placed in a quoted Swedish fixed income fund, which is a risk category 1 on a scale of 1–5 where category 1 is a risk-free investment. Other cash amounts are placed in bank accounts in accordance with the Group's placement policy which among other things, requires a maximum amount to be placed at a single financial institution and only allows placement with highly regarded financial institutions with high credit ratings.

Credit risk in accounts receivable

In markets where Tobii has its own sales company, the Company is responsible for marketing and sales to the customer. In other markets, Tobii collaborates with a network of resellers and distributors, whose capacity to carry losses can impact the Group. The amount of the credit risk is assessed for each customer and outstanding accounts receivable is reviewed regularly. Total accounts receivable at December 31, 2019 amounted to SEK 249 (231) million. No single customer accounted for 10 percent or more of Tobii's total accounts receivable. The maturity profile of outstanding accounts receivable is presented in note 18.

FINANCING AND LIQUIDITY RISK

The Group's objective is to have a capital structure that secures its capacity to continue its operations while keeping the cost of capital low. As part of this strategy, Tobii carried out a rights issue in December of 2016, raising SEK 449 million to finance investments in products with eye tracking. In February 2019, Tobii issued 3-year covered bonds of SEK 300 million under a loan facility of SEK 600 million with maturity in 2022. In the event that Tobii requires access to future external financing, it is dependent upon factors such as market conditions, general access to credit and Tobii's creditworthiness. There is a risk that Tobii is not able to secure such financing with favorable terms, but Tobii's assessment is that the Company is fully financed to carry out the current business plan and to meet the financial target to achieve profitability in 2020. Tobii's has an active acquisition strategy in all three divisions and potential acquisitions may require individual financing.

Liquidity risk pertains to the risk of not being able to cover payment obligations due to insufficient cash and cash equivalents or difficulties in obtaining external financing. To manage these uncertainties and risks the Group's operating companies prepare cash flow forecasts that are aggregated to consolidated Group values by the finance department. The forecasts are followed up regularly to ensure that the Group has sufficient cash funds to meet the estimated needs of its operations. At the close of 2019, Tobii had unutilized credit facilities for a total of SEK - (250) million. Subsequent to year end, Tobii has entered into an agreement for a loan facility of SEK 50 million with a maturity of one year, and issued bonds in the approximate amount of SEK 150 million with maturity in 2022. To a certain extent the Group also has the option to change the rate at which investments are made so as to adapt the yearly capital needs to the Group's actual financial resources.

Note 4. Important estimates and assessments when applying the accounting policies

The preparation of financial statements in accordance with IFRS requires that corporate management make assessments when applying the accounting policies. Management also makes estimates and assumptions about the future that are based on past experiences and a number of other factors that under the prevailing circumstances appear reasonable. The results of these estimates and assumptions are then used to determine the carrying amounts of assets and liabilities not otherwise clearly evident from other sources. The actual outcome may deviate from these estimates and assumptions.

These estimates and assumptions are reviewed regularly. Changes in estimates are recognized in the period in which the change is made if the change affects only that period, or in the period the change is made and future periods if the change affects both the actual period and future periods. Areas where estimates and assumptions could imply a significant risk for adjustments in the reported values of assets and liabilities during the coming fiscal year are primarily:

CAPITALIZED PRODUCT DEVELOPMENT COSTS

Expenses for development projects are capitalized to the extent the expenditure can be expected to generate economic benefits. Capitalization commences when management judges that the product will be technically or economically viable. Capitalization ceases and amortization of capitalized development expenses commences when the product is ready for sale. Capitalized development expenses are subject to annual impairment testing whereby an assessment is made on the technical and economic value of the product.

TESTING OF IMPAIRMENT FOR GOODWILL, CAPITALIZED PRODUCT DEVELOPMENT COSTS AND TRADEMARKS

The Group tests annually for impairment for goodwill, capitalized product development costs and trademarks in accordance with the Company's accounting policies. The test requires an estimation of parameters that affect the future cash flow and determination of a discount factor. Forecasts for future cash flows are based on the best possible estimation of future income and operating expenses. For more information regarding intangible assets and a description of impairment testing, assumptions and sensitivity analysis, see note 15.

LEASES

For lease accounting under IFRS 16, the lease term is determined based on the information available in the lease agreement and other relevant facts and circumstances as per management's judgement. Periods covered by an option to extend the lease contract are included in the lease term if the Group is reasonably certain to exercise that option. Periods covered by an option to terminate the contract are included in the lease term if the Group is reasonably certain not to exercise that option. In cases with no specific clauses about renewal or termination, assessments are made based on the information available in the contract together with management's judgement of relevant circumstances. As per December 31, 2019, the carrying amount of right-of-use assets was SEK 97.0 million, of which SEK 95.0 million pertaining to buildings with different types of extension and termination options.

MEASUREMENT OF LOSS CARRY-FORWARDS

Deferred tax assets on loss carry-forwards are recognized to the extent that it is deemed probable that future tax surpluses will be available against which the deduction can be offset. Deferred tax assets in the balance sheet amounted to SEK 80.6 million (83.7) and the loss carry-forwards will, according to the Group's forecasts, be applied against future profits. The reported tax assets are impacted by the estimates and assessments used to forecast future taxable profits and tax regulations. Forecasts indicate that the loss carry-forwards can be applied to future surpluses. See note 13 for more information about the Group's deferred taxes.

Note 5. Sales and earnings by division

To manage operations, Group Management monitors a number of key ratios, mainly net sales, operating profit/loss and operating profit/loss before depreciation and amortization and R&D expenditures and investments per business unit, as well as net sales per geographic area.

SALES PER DIVISION

SEK m	2019	2018
Tobii Dynavox	906.3	797.6
Tobii Pro	442.9	396.6
Tobii Tech	221.7	149.8
Eliminations ¹⁾	-69.5	-66.2
The Group	1,501.3	1,277.8

¹⁾ Eliminations refer entirely to sales from the Tobii Tech business unit to Tobii Dynavox and Tobii Pro.

OPERATING PROFIT/LOSS BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)

SEK m	2019	2018
Tobii Dynavox	169.6	138.0
Tobii Pro	91.2	100.8
Tobii Tech	-260.2	-267.1
Other ¹⁾	31.8	0.2
The Group	32.4	-28.2

OPERATING PROFIT/LOSS (EBIT)

SEK m	2019	2018
Tobii Dynavox	99.5	70.9
Tobii Pro	53.8	44.9
Tobii Tech	-293.8	-304.7
Other	2.4	0.1
The Group	-138.1	-188.8
Financial items, net ¹⁾	-12.2	24.8
Profit/Loss before tax	-150.3	-164.0
Taxes ¹⁾	-9.0	-8.2
Profit/loss for the year, continuing operations	-159.4	-172.2

¹⁾ IFRS 16 Leasing (from 2019), financial items and taxes are not allocated to divisions.

SALES PER GEOGRAPHIC MARKET

Net sales by geographic market is based on the location of the customer's registered office. There are no individual customers who represent more than 10 percent of net sales.

SEK m	2019	2018
Sweden	26.5	20.6
Europe	284.6	260.0
US	886.7	753.9
Asia/Oceania	296.2	235.4
Other countries	7.2	7.9
Total	1,501.3	1,277.8

SALES PER PRODUCT TYPE

SEK m	2019	2018
Goods	1,317.0	1,113.3
Services	167.2	151.6
Royalties	17.0	12.9
Total	1,501.3	1,277.8

R&D PER DIVISION

SEK m 2019	Total R&D expendi- tures	Capitalized R&D	R&D amortiza- tion	R&D expenses net, as in income statement
Tobii Dynavox	-151.0	85.6	-56.7	-122.1
Tobii Pro	-97.7	60.9	-33.7	-70.5
Tobii Tech	-269.4	57.2	-33.5	-245.7
The Group	-518.1	203.8	-124.0	-438.3

SEK m 2018	Total R&D expendi- tures	Capitalized R&D	R&D amortiza- tion	R&D expenses net, as in income statement
Tobii Dynavox	-134.9	74.1	-51.6	-112.4
Tobii Pro	-91.2	62.7	-39.3	-67.9
Tobii Tech	-264.9	62.7	-37.0	-239.2
The Group	-491.0	199.5	-127.9	-419.5

NON-CURRENT ASSETS BY COUNTRY

SEK m	2019	2018
Sweden	635.5	519.2
United States	141.1	85.4
Great Britain ¹	28.9	160.5
Other countries	37.6	15.4
Total	843.0	780.4

¹⁾ Refer to note 32 for further information about Assets held for sale.

The presentation of the comparative period has been adjusted in order to reflect classifications for the current year.

Note 6. Rental and leasing

Commitments	The Group		The Parent Company	
	2019	2018	2019	2018
SEK m				
Within 1 year	36.1	33.7	13.4	14.3
Between 2–5 years	73.0	78.9	13.3	27.1
Later than 5 years	25.1	9.7	-	-
Total commitments	134.2	122.4	26.7	41.4

Tobii's commitments consist primarily of rent for premises.

Lease expenses				
Depreciation of right-of-use assets	28.0	-	-	-
Variable lease payments	4.4	-	-	-
Lease of low value assets and short-term leases	3.2	-	-	-
Total lease expenses in operating income	35.6	-	-	-
Lease liability interest expense	5.5	-	-	-
Current year costs for operating leases	-	25.8	14.1	12.2

Cash outflow for lease contracts amounts to SEK 35.6 million for the year.

Note 7. Auditor's fees

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
PricewaterhouseCoopers				
Audit engagement	3.3	2.5	1.9	1.3
Audit activities not included in audit engagement	-	0.3	-	0.3
Tax consultancy services	-	0.0	-	0.0
Other services	0.2	0.0	0.2	0.0
Total	3.5	2.8	2.1	1.6
Other auditors				
Audit engagement	0.9	0.6	-	0.0
Audit activities not included in audit engagement	-	0.0	-	0.0
Tax consultancy services	1.1	1.6	-	0.2
Other services	0.0	1.8	-	0.0
Total	2.0	4.0	-	0.2
Total audit fees	5.5	6.8	2.1	2.0

Note 8. Employees and personnel costs

Average number of employees	Of which women		Of which women	
	2019	%	2018	%
The Parent Company				
Sweden	100	44%	396	29%
Other countries				
Parent company total	100	44%	396	29%
Average number of employees				
Subsidiaries				
Sweden	341	26%		
US	382	54%	366	53%
Canada	2	67%		
Chile	5	33%		
Norway	11	24%	14	14%
UK	18	54%	20	48%
Germany	15	18%	13	15%
Japan	37	30%	31	32%
China	63	54%	63	53%
Taiwan	12	30%	10	24%
South Korea	2	0%	3	0%
Subsidiaries total	887	41%	521	49%
Total average no. of employees	986	41%	917	40%

SALARIES, REMUNERATIONS AND SOCIAL SECURITY CONTRIBUTIONS

Salaries and remunerations SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Board, CEO and other senior executives	19,2	19,3	9,3	19,3
Other employees	688,4	625,9	49,5	242,4
Total salaries and remunerations	707,6	645,2	58,8	261,7
Pension expenses	42,2	38,5	7,0	30,0
Other social security contributions ¹⁾	135,0	121,1	21,0	85,1
Total social security contributions	177,2	159,6	28,0	115,1
Total salaries, remunerations and social security contributions	884,8	804,8	86,7	376,8

¹⁾ The item Other social security contributions includes accrued social security contributions related to the Group's incentive program.

REMUNERATION TO THE PARENT COMPANY'S BOARD OF DIRECTORS, GROUP CEO AND OTHER SENIOR EXECUTIVES

SEK m 2019	Board fee/ Basic salary	Defined- contribution benefits	Tobii's incentive program	Variable remuneration	Employee stock options (IFRS 2)	Total
Kent Sander	0.6					0.6
Heli Arantola	0.2					0.2
Åsa Hedin	0.3					0.3
Charlotta Falvin	0.3					0.3
Nils Bernhard	0.3					0.3
Jan Wäreby	0.2					0.2
John Elvesjö	0.1					0.1
Jörgen Lantto	0.2					0.2
Mårten Skogö	0.2					0.2
Total, Board of Directors	2.3					2.3
Henrik Eskilsson, CEO	3.0	0.8	0.5			4.4
Tom Englund, Deputy CEO	2.0	0.4	0.4	0.6		3.5
Senior executives (4 individuals) ¹⁾	6.4	1.2	0.7	3.1	0.3	11.8
Total senior executives	11.4	2.5	1.7	3.7	0.3	19.6
Total remuneration to the Parent Company's Board of Directors and other senior executives	13.8	2.5	1.7	3.7	0.3	22.0

¹⁾ At the end of 2019 the group management team consisted of four persons. Mårten Skogö left the management team in the beginning of the year and was elected a member of the board of directors in May. Anand Srivatsa joined Tobii in August as a new member of the management team. Cecilia Erikson is on parental leave, with reduced remuneration, since March 2019.

REMUNERATION TO THE PARENT COMPANY'S BOARD OF DIRECTORS, GROUP CEO AND OTHER SENIOR EXECUTIVES

SEK m 2018	Board fee/ Basic salary	Defined- contribution benefits	Tobii's incentive program	Variable remuneration	Employee stock options (IFRS 2)	Total
Kent Sander	0.7					0.7
Heli Arantola	0.2					0.2
Åsa Hedin	0.4					0.4
Charlotta Falvin ¹⁾	0.2					0.2
Nils Bernhard	0.2					0.2
Jan Wäreby	0.3					0.3
John Elvesjö	0.1					0.1
Total, Board of Directors	2.0	–	–	–	–	2.0
Henrik Eskilsson, CEO	3.0	0.7	0.1	–	0.0	3.9
John Elvesjö, Deputy CEO ²⁾	1.1	0.3	0.1	–	0.0	1.6
Senior executives (6 individuals) ³⁾	8.8	2.1	0.5	3.5	0.2	15.0
Total senior executives	12.9	3.1	0.7	3.5	0.3	20.5
Total remuneration to the Parent Company's Board of Directors and other senior executives	15.0	3.1	0.7	3.5	0.3	22.5

¹⁾ Charlotta Falvin new board member 2018.

²⁾ John Elvesjö resigned from his position as Deputy CEO in August 2018; remains as board member.

³⁾ Oscar Werner resigned in August 2018.

CHANGES IN THE NUMBER OF OUTSTANDING OPTIONS IN INCENTIVE PROGRAM (THOUSANDS)

SEK m	Warrants		Employee stock options	
	2019	2018	2019	2018
At beginning of year	2,261	2,647	591	901
Allocated	653	823	366	217
Exercised	–	-1,101	–	-485
Forfeited/due	–	-108	–	-43
Reclassification	–	–	–	–
At year-end	2,914	2,261	956	591

INCENTIVE PROGRAM

Tobii has an incentive program for senior executives and other key employees in the Group. The program includes both warrants and employee stock options. The employee stock options are conditional on remaining in employment for large parts of the program's duration. Warrants are purchased by the employees at market price. The fair value of the warrants and employee stock options is calculated using the Black & Scholes pricing model. Assumptions which are used include volatility between 30% and 34%, interest rates between -0.3% and 1%, a time period from one to ten years and exercise price from 0% to 50% mark-up relative to the share price at the grant date.

SUBSCRIPTION TERMS FOR WARRANTS AND EMPLOYEE STOCK OPTION PROGRAM

2014/24:1 series entitles the employee stock option holder to subscribe for one Tobii AB share at a price of SEK 20 per share during a fixed period between 2015 and 2024. At December 31, 2019 there were a total of 125,250 employee stock options outstanding in this series.

2015/20:1 series entitles the warrant holder to subscribe for one Tobii AB share at a price of SEK 26 per share for the period up to and including February 2020. At December 31, 2019 there were a total of 136,000 warrants outstanding in this series.

LTI 2016:1 series entitles the warrant holder to subscribe for one Tobii AB share at a price of SEK 73.30 per share during a fixed period in 2019/2020. At December 31, 2019 there were a total of 599,600 warrants outstanding in this series.

LTI 2016:2 series entitles the employee stock option holder to subscribe for one Tobii AB share at a price of SEK 67.60 per share during a fixed period between 2020 and 2026. At December 31, 2019 there were a total of 122,400 employee stock options outstanding in this series.

LTI 2017:1 series entitles the warrant holder to subscribe for one Tobii AB share at a price of SEK 60.90 per share during a fixed period in 2020/2021. There are a total of 702,400 warrants outstanding in the series.

LTI 2017:2 series entitles the employee stock option holder to subscribe for one Tobii AB share at a price of SEK 56.20 per share during a fixed period in 2021/2027. There are a total of 126,000 employee stock options outstanding in this series.

LTI 2018:1 series entitles the warrant holder to subscribe for one Tobii AB share at a price of SEK 51.60 per share during a fixed period in 2022. There are a total of 823,019 warrants outstanding in this series.

LTI 2018:2 series entitles the employee stock option holder to subscribe for one Tobii AB share at a price of SEK 39.70 per share during a fixed period in 2022/2028. There are a total of 217,000 employee stock options outstanding in this series.

LTI 2019:1 series entitles the warrant holder to subscribe for one Tobii AB share at a price of SEK 41.70 per share during a fixed period in 2023. There are a total of 652,582 warrants outstanding in this series.

LTI 2019: series entitles the employee stock option holder to subscribe for one Tobii AB share at a price of SEK 34.80 per share during a fixed period in 2023/2029. There are a total of 365,750 employee stock options outstanding in this series.

During the year the average number of potential outstanding shares amounted to 449,897. When calculating the average number of potential outstanding shares only those with a lower exercise price than the average share price during the year are included. The average share price during 2019 was SEK 36.61. The average number of outstanding shares during the year was 98,925,103 and the diluted average number of outstanding shares was 99,375,000. The dilution effect of warrants in all of the Company's incentive programs corresponds to a maximum of approximately 3.9%.

Retirement benefits

Retirement benefits to the CEO and senior executives, as for all other Tobii employees, are paid to an insurance company or authority that assumes the obligations towards the employee, a defined contribution plan. The Group has no defined-benefit plans, either in Sweden or in subsidiaries outside Sweden.

SEVERANCE PAY

The CEO as well as some senior executives have a mutual notice period of four months and severance pay corresponding to four months' basic salary is to be paid on the condition that the Company is the party giving notice. Other senior executives have notice periods between three and six months, or a longer period of notice in accordance with applicable law, and in addition in some cases also severance pay corresponding to a maximum of six months' basic salary. The board of directors is entitled to deviate from these guidelines if there are specific grounds to do so. The CEO and other senior executives are not entitled to any additional remuneration in conjunction with the termination of their employment.

Note 9. Depreciation/amortization and impairment of intangible assets and property, plant and equipment

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Intangible assets (Note 15)	123.6	129.2	3.7	133.9
Tangible assets (Note 16)	46.8	21.7	0.6	6.7
Total depreciation/amortization	170.4	151.0	4.2	140.6
Impairment (Notes 15, 16)	–	12.2	–	12.2
Total depreciation/amortization/impairment	170.4	163.2	4.2	152.8

Note 10. Expenses by type

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Cost for materials and changes in inventory	291.3	246.4	0.3	296.9
Costs for employee remuneration (Note 8)	884.8	801.4	86.7	373.4
Other external expenses	304.5	306.7	58.8	304.0
Depreciation, amortization and impairments (Note 9)	170.4	163.2	4.2	152.8
Total expenses	1,651.0	1,517.8	150.0	1,127.1

Note 11. Other operating income and operating expenses

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Other operating income				
Exchange rate differences in operating receivables and liabilities	9.4	40.6	0.7	40.0
Other income	4.8	12.6	–	12.9
Total other operating income	14.2	53.2	0.7	52.9
Other operating expenses				
Exchange rate differences in operating receivables and liabilities	-2.2	-28.3	–	-26.5
Capital loss on sale of equipment	–	0.2	–	–
Other expenses	-0.4	-0.2	-0.1	0.0
Total other operating expenses	-2.6	-28.3	-0.1	-26.5
Total other income and expenses	11.6	24.9	0.6	26.4

Note 12. Financial income and expenses

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Financial income				
Interest income and similar profit/loss items	1.0	1.0	0.9	0.1
Interest income, subsidiaries	–	–	–	18.1
Dividends from subsidiaries	–	–	0.3	0.4
Exchange rate differences	16.9	25.8	–	25.8
Other	–	–	0.1	–
Total financial income	17.8	26.8	1.2	44.3
Financial expenses				
Interest expenses and similar profit/loss items	-23.4	-0.2	-17.5	0.0
Exchange rate differences	-6.6	-1.9	–	-1.9
Other	0.0	0.0	-0.2	0.1
Total financial expenses	-30.1	-2.1	-17.7	-1.8
Total financial income and expenses	-12.2	24.8	-16.5	42.6

Note 13. Taxes

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Current tax	-6.2	-0.8	-	-
Current tax attributable to previous years	0.4	0.0	-0.1	-
Total current tax	-5.8	-0.8	-0.1	-
<i>Deferred tax</i>				
Attributable to deferred tax assets	-7.7	-1.4	-	-4.2
Attributable to deferred tax liabilities	4.5	-6.2	-	-
Total deferred tax	-3.2	-7.6	-	-4.2
Total tax	-9.0	-8.4	-	-4.2
<i>Deferred tax assets</i>				
Inventories	1.1	2.4	-	-
Non-current assets	2.2	1.9	-	-
Loss carry-forwards	77.3	79.4	61.8	61.8
Total deferred tax assets	80.6	83.7	61.8	61.8
<i>Deferred tax liabilities</i>				
Other	2.0	6.5	-	-
Total deferred tax liabilities	2.0	6.5	-	0.0

A deferred tax asset is recognised for tax loss carry-forwards if it is considered probable that there will be sufficient future taxable profit against which the loss carry-forward can be utilized. A reassessment of the amount meeting the criteria is made at least annually. The Group's unutilized loss carry-forwards for which no deferred tax assets are recognized amounted to SEK 370.1 million and SEK 413.9 million at the close of 2019 and 2018 respectively. The decrease in unutilized tax losses relates to the entities in Sweden and USA where taxable profits were generated in 2019. None of the unutilized loss carry-forwards expire within the coming 5-year period. The unutilized loss carry-forwards referring to subsidiaries in the US amount to SEK 109 million and there is a 20-year utilization period after the year in which the loss occurred. Subsequently, these loss carry-forwards expire between the years 2032 and 2037. Unutilized loss carry-forwards relating to the parent company and other Swedish entities amount to SEK 261 million and have no expiration date.

RECONCILIATION OF EFFECTIVE TAX

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Reported profit/loss before tax	-150.3	-165.9	69.2	-208.6
Tax according to current tax rate	32.2	36.5	-14.8	45.9
Difference in tax rate in foreign operations	-1.1	-1.0	-	0.0
Tax effect of non-deductible expenses	-1.9	-0.7	-0.4	-0.7
Tax effect of non-taxable income	3.1	0.7	-	0.0
Tax loss without corresponding tax asset	-61.9	-42.9	-	-45.0
Use of previous year's deficit without tax asset	21.3	2.2	15.2	0.0
Adjustment of taxes attributable to previous years	0.4	-4.3	-	-4.2
Other	-1.1	1.1	-0.1	-0.2
Total recognized tax expense (-)/tax income (+)	-9.0	-8.4	-0.1	-4.2
Effective tax rate	6%	5%	0%	2%

Note 14. Earnings per share

	2019	2018
Earnings per share, basic		
Net loss for the year attributable to Parent Company shareholders, SEK million	-171.4	-174.6
Weighted average number of outstanding shares during the year	98,925,103	97,578,851
Earnings per share, basic SEK	-1.73	-1.79
Earnings per share, diluted		
Net loss for the year attributable to Parent Company shareholders, SEK million	-171.4	-174.6
Weighted average number of outstanding shares during the year, after dilution	99,375,000	97,840,101
Earnings per share, diluted, SEK ¹⁾	-1.73	-1.79

¹⁾ Dilution occurs when earnings per share is negatively affected by outstanding potential shares. Due to the Group's net loss for the year, both in 2018 and 2019, the calculated dilution effect would be a positive outcome for the shareholders. In such circumstances, the reported amount for earnings per share before dilution is the same as earnings per share after dilution.

**WEIGHTED AVERAGE NUMBER OF
OUTSTANDING SHARES, AFTER DILUTION**

	2019	2018
Weighted average number of outstanding shares, before dilution	98,925,103	97,578,851
Effect of outstanding potential shares in the Group's long-term incentive program (Note 8)	449,897	261,250
Weighted average number of outstanding shares, after dilution	99,375,000	97,840,101

Note 15. Intangible assets**GOODWILL**

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Opening acquisition cost	131.5	41.7	30.3	30.3
Acquisitions	3.6	92.0	–	0.0
Sales to Group companies	–	–	-30.3	–
Assets held for sale	-71.9	–	–	–
Translation differences	6.2	-2.1	–	–
Closing acquisition cost	69.4	131.5	–	30.3
Opening accumulated amortization	–	–	-7.2	-3.5
Amortization for the year (Note 9)	–	–	–	-3.7
Sales to Group companies	–	–	7.2	–
Closing accumulated amortization	–	–	–	-7.2
Opening accumulated impairment	-24.5	-11.7	-12.2	0.0
Impairment for the year (Note 9)	–	-12.2	–	-12.2
Sales to Group companies	–	–	12.2	–
Translation differences	-0.4	-0.6	–	0.0
Closing accumulated impairment	-24.9	-24.5	–	-12.2
Net carrying amount	44.5	107.0	–	10.9

CAPITALIZED PRODUCT DEVELOPMENT COSTS

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Opening acquisition cost	888.2	808.1	856.6	754.6
Investments	199.5	177.5	–	172.7
Sales to Group companies	–	–	-856.6	–
Disposals	–	-99.8	–	-71.6
Reclassifications	10.5	–	–	0.9
Assets held for sale	-10.7	–	–	–
Translation differences	1.0	2.3	–	–
Closing acquisition cost	1,088.4	888.2	–	856.6
Opening accumulated amortization	-542.5	-515.5	-517.8	-471.0
Sales to Group companies	–	–	517.8	–
Disposals	–	99.8	–	71.6
Amortization for the year (Note 9)	-119.9	-124.8	–	-118.4
Reclassifications	0.4	–	–	–
Translation differences	-0.6	-1.9	–	–
Closing accumulated amortization	-662.6	-542.5	–	-517.8
Net carrying amount	425.8	345.7	–	338.8

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Opening acquisition cost	124.2	48.2	75.3	48.1
Investments	14.3	26.8	14.0	27.2
Acquisitions	–	50.0	–	0.0
Sales to Group companies	–	–	–	–
Reclassifications	-13.6	–	-13.8	–
Assets held for sale	-49.2	–	–	–
Translation differences	-0.1	-0.7	–	–
Closing acquisition cost	75.6	124.2	75.5	75.3
Opening accumulated amortization	-32.4	-28.9	-31.3	-28.8
Amortization for the year (Note 9)	-3.7	-3.5	-3.7	-2.5
Reclassifications	–	–	-0.3	–
Assets held for sale	2.2	–	–	–
Translation differences	0.0	0.0	–	–
Closing accumulated amortization	-33.9	-32.4	-35.3	-31.3
Net carrying amount	41.7	91.8	40.2	44.1

¹⁾ Other intangible assets are comprised primarily of patents and licenses.

Intangible assets with indeterminate useful lives are tested annually for impairment or more often if there is indication of impairment. The recoverable amount of a cash-generating unit is defined on the basis of calculations of value in use.

These calculations are based on estimated future cash flows before tax based on financial budgets and forecasts that have been approved by company management and cover a five-year period. Cash flow forecasts are based on evaluations of growth rate expectations and EBITA margin developments (operating margin before amortization and impairments of intangible assets) that are based on the budget for next year, forecasts for the coming four years based on management's long-term expectations on operations, as well as the historical development. The calculated value in use is most sensitive to changes in the assumptions about growth rate, EBITA margin and discount rates. Applied assumptions are based on previous experiences and market trends.

Impairment tests are carried out by each business unit using the following assumptions:

Tobii Dynavox

Cash flow forecasts for years 2–5 are based on an annual growth rate of 11 (11) percent. Cash flows beyond the five-year period are extrapolated using an estimated long-term growth rate of 2 (2) percent. The discount rate used for calculating recoverable amounts is a between 9 and 14 (9 and 14) percent before tax.

Tobii Pro

Cash flow forecasts for years 2–5 are based on an annual growth rate of 20 (20) percent. Cash flows beyond the five-year period are extrapolated using an estimated long-term growth rate of 2 (2) percent. The discount rate used for calculating the recoverable amount is 9 (9) percent before tax.

Tobii Tech

Cash flow forecasts for years 2–4 are based on an annual growth rate of 60 (70) percent. Cash flows beyond the four-year period are extrapolated using an estimated long-term growth rate of 2 (2) percent. The discount rate used for calculating recoverable amounts is between 9 and 11 (9 and 11) percent before tax.

Required rates of return have been determined in view of the Group's future estimated capital structure and reflect the risks that apply for the different operating segments. According to the impairments tests carried out, there is no need for impairment of intangible assets with indeterminate useful lives as per December 31, 2019.

Sensitivity analysis

A sensitivity analysis shows that in all three business units: a two percentage points increase in the discount rate would not indicate a need for impairment; a two percentage points decrease in growth rate would not indicate a need for impairment; and a two percentage points decrease in EBITA margin (operating margin before amortization and impairments of intangible assets) would not indicate a need for impairment.

TRADEMARKS

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Opening acquisition cost	114.9	93.6	49.7	49.7
Acquisitions	–	17.8	–	–
Sales to Group companies	–	–	-49.7	–
Assets held for sale	-18.6	–	–	–
Translation differences	3.0	3.6	–	–
Closing acquisition cost	99.4	114.9	–	40.7
Opening accumulated amortization	–	–	-9.0	–
Amortization for the year (Note 9)	–	–	–	-9.0
Sales to Group companies	–	–	9.0	–
Translation differences	–	–	–	–
Closing accumulated amortization	–	–	–	-9.0
Net carrying amount	99.4	114.9	–	40.7

TRADEMARKS WITH INDETERMINATE USEFUL LIVES AND CAPITALIZED DEVELOPMENT COSTS WHERE AMORTIZATION HAS NOT COMMENCED:

	2019	2018
Tobii Dynavox	189.8	246.2
Tobii Pro	100.4	102.6
Tobii Tech	23.1	95.8
Total intangible assets subject to testing for impairment:	313.3	444.5

Note 16. Property, plant and equipment**OWNED**

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Opening acquisition cost	165.1	170.8	36.5	63.1
Investments	35.3	22.1	8.2	3.9
Sale/disposal	-10.1	-39.2	–	-30.5
Sales to Group companies	–	–	-26.6	–
Reclassifications	3.1	–	–	–
Assets held for sale	-3.4	–	–	–
Translation differences	6.2	11.3	–	–
Closing acquisition cost	196.3	165.1	18.1	36.5
Opening accumulated depreciation	-133.1	-139.8	-31.5	-53.3
Sale/disposal	8.2	37.0	–	28.5
Sale to Group companies	–	–	22.0	–
Depreciation for the year (Note 9)	-18.9	-21.7	-0.6	-6.7
Reclassifications	-1.6	0.0	0.7	–
Assets held for sale	2.2	–	–	–
Translation differences	-4.5	-8.5	–	–
Closing accumulated depreciation	-147.7	-133.1	-9.4	-31.5
Net carrying amount	48.6	32.0	8.7	5.0

RIGHT-OF-USE ASSETS

SEK m	The Group	
	2019	2018
Opening acquisition cost	–	–
Change of accounting principles - IFRS 16	121.3	–
Translation differences	3.5	–
Closing acquisition cost	124.8	–
Opening accumulated depreciation	–	–
Depreciation for the year (Note 9)	-28.0	–
Translation differences	0.2	–
Closing accumulated depreciation	-27.7	–
Net carrying amount¹⁾	97.0	–

¹⁾ Out of which SEK 95 million pertaining to Buildings.

Note 17. Shares in Group companies

SEK m	The Parent Company	
	2019	2018
Acquisition cost	–	–
Opening value at the beginning of the year	310.3	157.3
Acquisitions	–	153.0
Shareholder contributions	340.6	–
Sales to other Group companies	-143.4	–
Total acquisition cost	507.5	310.3

Subsidiary to Parent company	Carrying amount			
	No. of shares	Partic- ipating inter- est, %	Dec. 31, 2019	Dec. 31, 2018
Tobii Dynavox AB, 556914-7563, Sweden	50,000	100	20.1	0.1
Tobii Dynavox AS, 834962322, Norway		100		8.5
Tobii Assistive Technology Inc., 04-3284593, MA, USA		100		130.7
Tobii Dynavox LLC, 52-2280045, Delaware, USA		100		
Eye Response Technologies, Inc., 54-1681867, Virginia, USA		100		
DynaVox International Holdings Inc., 90-0168162, Delaware, USA		100		
Tobii Dynavox Canada Inc., 622680-9, Canada		100		
Tobii Dynavox Ltd., 05091720, UK		100		
Tobii Pro AB, 556914-7613, Sweden	50,000	100	10.1	0.1
Tobii Pro UK Holdings Ltd., 11179236, UK		100		0.0
Tobii Pro UK Ltd., 06529514, UK		100		
Tobii Pro Insight UK Ltd., 07721205, UK		100		
Tobii Technology Japan Ltd., 0104-01-075455, Japan		87		4.1
Tobii Technology Korea Corporation, 532-88-00825, Korea		100		
Tobii Technology Inc., 20-3779947, Virginia, USA		100		0.2
Tobii Pro, Singapore PTE. Ltd., 201925799H, Singapore		100		
Tobii Pro LatAm SpA, 77015059-0, Chile		100		
Tobii Tech AB, 559104-1081, Sweden	50,000	100	310.6	0.1
Tobii Tech LLC, 83-1898444, USA		100		
Sensory Software International Ltd., 03662043, UK	17	100	9.3	9.3
Smartbox Assistive Technology Ltd., 05541084, UK	100	100	143.7	143.7
Smartbox Assistive Technology Inc., 6082148, Delaware, USA		100		
Tobii Technology GmbH, HRB 78844, Germany	1	100	0.2	0.2
Tobii Technology Options AB, 556740-3364, Sweden	100,000	100	0.1	0.1
Tobii Electronics Technology Suzhou Co. Ltd. 91320594681609152B, Suzhou, China	1	100	9.8	9.8
Tobii Electronics Trading Suzhou Co. Ltd., 913205945725628424, Suzhou, China	1	100	2.2	2.2
Tobii Co. Ltd., 43904695, Taipei, Taiwan	1	100	1.3	1.3
Tobii Holding AB, 559104-1040, Sweden	50,000	100	0.1	0.1
Total acquisition cost in subsidiaries			507.5	310.3

Note 18. Accounts receivable

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Accounts receivable	249.0	231.5	11.8	58.3
Accounts receivable, subsidiaries	–	–	10.9	45.9
Bad debts provision	-6.8	-25.0	-3.1	-4.4
Total accounts receivable	242.2	206.5	19.7	99.8

Maturity analysis

Not yet due	193.2	163.2	11.4	43.8
1-30 days overdue	17.7	31.8	0.0	9.4
31-60 days overdue	11.1	10.0	0.0	1.3
61-90 days overdue	5.5	5.1	0.1	0.4
Over 90 days overdue	21.6	21.3	0.4	3.4
Closing balance	249.0	231.5	11.8	58.3

Changes in the reserve for doubtful accounts receivable:

As at January 1	25.0	21.9	4.4	4.1
Provision for bad debts	6.3	24.4	2.7	4.0
Receivables written off during the year as uncollectible	-0.6	0.0	–	0.0
Reversal of unused amount	-20.8	-19.5	-3.6	-3.1
Exchange rate effect	-3.2	-1.8	-0.4	-0.5
At December 31	6.8	25.0	3.1	4.4

Note 19. Inventories

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Raw materials and consumables	8.6	28.7	–	17.4
Finished products	85.1	52.3	0.1	16.0
Work in process	2.8	4.2	–	3.3
Advances to suppliers	0.7	1.7	–	–
Total inventories	97.1	86.9	0.1	36.7

Note 20. Prepaid expenses and accrued income

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Prepaid royalties	1.7	1.4	–	0.0
Prepaid rent/leasing	7.4	6.0	5.3	4.5
Prepaid insurance	4.3	6.2	0.3	0.9
Prepaid license fees	6.8	10.4	3.0	9.9
Prepaid marketing costs	2.5	3.1	–	2.1
Prepaid IT costs	3.0	1.9	0.1	0.3
Prepaid personnel costs	1.9	2.9	–	0.5
Prepaid renovation costs	1.5	1.8	–	0.0
Accrued income	1.7	5.4	–	5.4
Other items	4.6	5.4	1.0	0.3
Total prepaid expenses, accrued income	35.4	44.7	9.8	24.0

Note 21. Cash and cash equivalents

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Short-term investments ¹⁾	41.2	0.3	41.2	0.3
Cash and bank balances	144.0	192.0	15.7	91.7
Total cash and cash equivalents	185.2	192.3	56.9	92.0

¹⁾ Short-term investments are comprised of funds that are placed in a listed Swedish fixed income fund with an insignificant risk of value fluctuation and access to the funds occurs within 2 to 3 bank days.

Note 22. Financial instruments by category in the Group

SEK m	Note	2019		2018	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
At amortized cost:					
Other financial assets		5.3	5.3	5.2	5.2
Accounts receivable	18	242.2	242.2	206.5	206.5
Other receivables		32.6	32.6	14.0	14.0
Cash and cash equivalents	21	185.2	185.2	192.3	192.3
Total financial assets		465.3	465.3	418.0	418.0
Financial liabilities					
At fair value through the income statement:					
Contingent considerations (level 3)	31	13.5	13.5	15.0	15.0
At amortized cost:					
Accounts payable		92.3	92.3	102.1	102.1
Interest-bearing loans (level 3)		294.0	300.0		
Leasing liabilities		95.3	95.3		
Other liabilities, non-interest bearing		45.3	45.3	34.7	34.7
Total financial liabilities		540.5	546.5	151.8	151.8

Financial assets and liabilities recognized at fair value classified by hierarchy level in accordance with IFRS 9.

Level 3 Data based on non-observable data. The contingent consideration is measured at fair value based on available data such as conditions stipulated in the purchase agreement and current assessments of the estimated fulfillment of those conditions.

MOVEMENTS IN CONTINGENT CONSIDERATION, LEVEL 3

SEK m	2019	2018
Opening balance January 1	15.0	12.3
Acquisitions during the year	0.9	17.9
Payments	-0.6	-3.1
Change in fair value reported as other operational income/expense	-2.6	-12.2
Exchange differences	0.9	0.2
Closing balance December 31	13.5	15.0

Note 23. Development of share capital

Development of share capital	Change in share capital (SEK 000)	Share capital (SEK 000)	Total no. of shares
2001 Founding	100	100	10,000
2001 New share issue	2	102	11,768
2003 New share issue	28	130	13,014
2005 New share issue	0	130	15,222
2006 New share issue	3	133	15,501
2007 New share issue	40	173	19,451
2008 New share issue	3	176	19,751
2009 Split 1:2000	0	176	39,502,000
2009 New share issue	25	201	44,620,000
2010 New share issue	22	223	49,096,000
2011 New share issue	20	265	53,149,980
2012 New share issue	33	298	59,512,719
2014 New share issue	46	344	68,886,883
2015 Fund issue	156	500	68,886,883
2015 New share issue (Initial Public Offering)	136	636	87,613,033
2016 Rights issue, exercise of warrants	4	640	88,140,033
2016 Rights issue	64	704	96,954,036
2017 Rights issue, exercise of warrants	2	706	97,304,052
2018 Rights issue, exercise of warrants	12	718	98,925,103
2019	-	718	98,925,103

Equity in the Group comprises share capital, other contributed capital, reserves and earned profits (incl. net profit/loss for the year).

THE GROUP

Share capital

The number of shares amounts to 98,925,103 with a quotient value of SEK 0.0074 at December 31, 2019.

Reserves

Reserves comprise translation reserves that include all exchange rate differences that arise on translation to Swedish kronor (SEK) of foreign operations's financial statements prepared in the currency used in the economic environment where the respective company operates (functional currency). The parent company and the Group prepare their financial statements in SEK.

Earned profits

Earned profits in the Group comprise the profit/loss for the year and previous year's earned profits after payment of any dividends. Dividends are proposed by the Board. The Board proposes that no dividends be paid for fiscal year 2019.

Note 24. Reserves in equity

The item Reserves in equity refers entirely to translation differences.

Note 25. Provisions

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Provisions for warranties				
At beginning of year	4.3	2.2	1.4	2.1
Provisions during the year	2.0	3.0	-	0.0
Sales to Group companies	-	-	-1.4	-
Reversals during the year	-0.8	-0.9	-	-0.8
Utilized during the year	-	-	-	-
Reclassifications	-3.7	-	-	-
Translation differences	-	-	-	-
Total provisions for warranties	1.8	4.3	-	1.4
Other provisions				
At beginning of year	0.8	0.0	-	0.0
Provisions during the year	1.4	0.8	-	-
Reversals during the year	-	-	-	-
Translation differences	-	-	-	-
Total other provisions	2.2	0.8	-	0.0
Total provisions	4.0	5.0	-	1.4

Tobii generally offers a one to two-year warranty on its products. Management estimates provisions for future warranty commitments based on previous years' warranties incurred.

Note 26. Maturity profile of financial liabilities – undiscounted cash flows

The Group SEK m	> 1 year			Total
	< 1 year	< 5 years	> 5 years	
Bond loan		300.0		300.0
Lease liabilities	29.7	68.8	8.9	107.4
Accounts payable	92.3			92.3
Contingent considerations	13.1	0.5		13.6
Other	45.3	–	–	45.3
Total	180.4	369.3	8.9	558.6

Note 27. Accrued expenses and prepaid income

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Deferred income, current portion	137.4	121.3	0.1	20.2
Accrued personnel expenses	100.2	87.1	20.5	52.1
Accrued commission, resellers	–	4.1	–	4.1
Other accrued expenses	42.7	38.4	9.2	15.2
Total accrued expenses and deferred income	280.4	250.9	29.8	91.7

Note 28. Pledged assets and contingent liabilities

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Pledged assets				
For senior bonds issued ¹⁾	671.0	–	340.7	–
Other	0.1	0.1	0.1	0.1
Total pledged assets	671.1	0.1	340.8	0.1
Contingent liabilities	–	–	–	–

¹⁾ On February 14, 2019, Tobii issued 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. The pledged assets value disclosed for the Parent Company represents the carrying amount for shares directly held by the Parent Company. For Group, group value of net assets related to pledged assets is disclosed.

Note 29. Supplementary disclosures to the cash flow statement

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Interest paid and received				
Interest received	0.5	0.3	0.1	18.1
Interest paid	-21.0	-0.1	-15.1	0.0
Total interest paid and received	-20.5	0.3	15.0	18.1

Note 30. Transactions with related parties

Tobii has neither pledged assets nor contingent liabilities related to senior executives or the Board of Directors. For information concerning remuneration to senior executives and Board members, refer to note 8. No related-party transactions have occurred during the year 2019. The same applied for the year 2018.

For intra-group purchases and sales, a transfer pricing policy is applied.

SEK m	The Group		The Parent Company	
	2019	2018	2019	2018
Sales to related parties, subsidiaries	–	–	147,0	477.3
Purchase from related parties, subsidiaries	–	–	41,8	227.9
Receivables from related parties, subsidiaries	–	–	975,6	394.5
Liabilities to related parties, subsidiaries	–	–	87,5	56.1

Note 31. Business combinations

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

ACUITY ETS LTD. AND ACUITY INTELLIGENCE LTD

On February 28, 2018, Tobii acquired all shares in Acuity ETS Ltd, a company registered in Hampshire, UK, and Acuity Intelligence Ltd, a company registered in Berkshire, England. The acquisition strengthened Tobii Pro by enabling direct sales of products and services in the UK. The purchase consideration for the two acquired companies is shown below.

SEK m	Feb. 28, 2018
Cash	14.8
Adjustment at completion	1.2
Contingent consideration	8.6
Total purchase price	24.6
Fair value of acquired assets	-1.5
Goodwill	23.1
Acquired net assets:	
Intangible assets (excl. goodwill)	0.8
Property, plant and equipment	0.1
Accounts receivable and other receivables	3.5
Accounts payable and other liabilities	-2.9
Total fair value of acquired assets	1.5

The total consideration paid for the acquired shares was SEK 24.6 million. A cash payment of SEK 16.0 million was made at the time of acquisition. The contingent consideration is attributable to the Acuity-related net sales trend over 2018–2020. The total maximum contingent consideration amounts to SEK 19 million. Fair value was determined at SEK 8.6 million. Goodwill of SEK 23.1 million was allocated to the Tobii Pro business unit and relates to the potential of strengthening the business unit through direct sales of products and services in the UK.

Revenue from Acuity operations during the period from the acquisition date until December 31, 2018 was SEK 19 million, and the corresponding operating profit for the same period was SEK 2 million. Transaction costs incurred for the acquisition amounted to approximately SEK 0.4 million, recognized as administrative expenses in the consolidated income statement. Should the acquisition have occurred on January 1, 2018, the contribution to Group's consolidated revenue would have been SEK 1,305 million and corresponding operating loss for the same period would have been SEK -190 million.

SMARTBOX ASSISTIVE TECHNOLOGY LTD.

The acquisition of 100% of the shares in Smartbox Assistive Technology Ltd and Sensory Software International Ltd, based in the UK, was completed on 1 October, 2018. The acquisition was made with the intention 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 initiated an investigation of the effects of the acquisition before year-end 2018, due to which Tobii has not made any integration activities. In August 2019, CMA announced that Tobii will be required to divest Smartbox. Following this, Smartbox is reported as Discontinued operations and Assets held for sale as at December 31, 2019. Refer to note 32 for further information.

The purchase consideration for the two acquired Smartbox companies, acquired in 2018, is shown below.

SEK m	Oct. 1, 2018
Cash	127.3
Adjustment at completion	16.4
Contingent consideration	9.3
Total purchase price	153.0
Fair value of acquired assets	-84.1
Goodwill	68.9
Acquired net assets:	
Intangible assets (excl. goodwill)	68.1
Property, plant and equipment	2.9
Accounts receivable and other receivables	37.3
Accounts payable and other liabilities	-24.2
Total fair value of acquired assets	84.1

The total consideration paid for the acquired shares was SEK 153 million. Cash payments amounted to SEK 143.7 million. A contingent consideration, attributable to the joint net sales trend in the UK over 2018–2020, amounts to a maximum of SEK 11.4 million. Fair value was assessed at SEK 9.3 million.

Intangible surplus values were allocated as follows: software license SEK 39.8 million, trademarks SEK 17.8 million and customer relations SEK 10.5 million. Goodwill of SEK 68.9 million was allocated to the Tobii Dynavox business unit and related to the potential of strengthening the business unit through increased sales of products and services in existing and new markets.

Due to the CMA investigation, Tobii has not been able to obtain information about details related to revenue and operating profit/loss for Smartbox business during 2018. From the time of acquisition through December 31, 2018 because of the ongoing review by the CMA. Transaction costs incurred was approximately SEK 2.5 million, recognized as administrative expenses in the consolidated income statement.

Note 32. Assets held for sale and discontinued operations

In August 2019, Tobii announced that the the British Competition and Markets Authority requires Tobii to divest Smartbox. Thus, in this report, Smartbox has been classified as held for sale and is accounted for under the applicable IFRS 5 principles for assets held for sale and discontinued operations. Smartbox is reported as discontinued operations in the income statement for 2019, and the comparative year 2018 has been restated accordingly. In the balance sheet as per 31 December 2019, assets and liabilities of Smartbox have been reclassified as "Assets held for sale" and "Liabilities directly related to assets held for sale" respectively and measured at the lower of its carrying amount and fair value less costs to sell. As balance sheet restatement is not allowed under IFRS, items for the comparative year are not affected.

CARRYING VALUE OF ASSETS AND LIABILITIES HELD FOR SALE

SEK m	2019
Intangible assets	148.0
Property, plant and equipment	1.1
Inventories	3.5
Receivables (current)	18.5
Cash and cash equivalents	23.3
Assets held for sale	194.4
Liabilities and provisions (current)	-34.6
Liabilities directly related to assets held for sale	-34.6
Net carrying value	-159.8

INCOME STATEMENT DISCONTINUED OPERATIONS

SEK m	2019	2018 ¹⁾
Revenue	102.8	24.4
Cost of goods and services sold	-43.9	-13.1
Gross profit	58.9	11.3
Selling expenses	-23.3	-6.0
Research and development expenses	-6.3	-1.4
Administrative expenses	-39.2	-6.4
Other operating income and other operating expenses	-1.3	0.5
Operating profit/loss	-11.2	-1.9
Net financial items	-0.9	0.0
Profit/loss before taxes	-12.0	-1.9
Taxes	0.1	-0.2
Profit/loss from operations	-11.9	-2.1

CASH FLOW DISCONTINUED OPERATIONS

SEK m	2019	2018 ¹⁾
Cash flow from:		
Operating activities before change in working capital	15.2	0.3
Change in working capital	0.5	-1.2
Operating activities	15.7	-0.9
Investing activities	-6.1	-1.2
Financing activities	-	-
Net cash flow for the year	9.6	-2.1

¹⁾ For the 3 month period from acquisition October 1, 2018 until December 31, 2018.

Note 33. Events after the end of the reporting period

In conjunction with the CES tech show in January, Pico Interactive launched the world's first standalone VR headset with eye tracking, the Neo 2 Eye at CES. The product has integrated eye tracking technology from Tobii. At the same trade show, NovaSight demonstrated its product CureSight, a solution for treatment of amblyopia and lazy eye, which has integrated eye tracking from Tobii.

In January Tobii entered into an agreement for a loan facility of SEK 50 million with a maturity of one year, intended for the Group's working capital needs.

In line with Tobii's active acquisition agenda, potential acquisition candidates are evaluated on an ongoing basis. In order to secure financial preparedness for potential future acquisitions, Tobii has successfully issued subsequent bonds in the approximate amount of SEK 150 million under its 2019/2022 senior secured bond loan with a framework amount of SEK 600 million. The issue was completed in February 2020.

The British competition regulator's Competition Appeal Tribunal (CAT) announced that the CMA was partially correct in its decision that Tobii must divest Smartbox and dismissed Tobii's appeal. Tobii continues to drive the sales process of Smartbox.

The covid-19 pandemic has negatively affected Tobii's business during the first quarter of 2020 due to reduced demand in certain markets and customer segments, and to the generally difficult work situation it has created for many employees. As a result of proactive measures, no interruptions in product supply to customers have been experienced to date. The situation has also created increased uncertainty regarding the outlook for the near future. Tobii monitors the situation closely and continuously takes necessary measures to safeguard the employees, the business and the company.

The Board's signatures

The Board of Directors and the Chief Executive Officer certify that these consolidated financial statements and Annual Report have been prepared in accordance with the International Financial Reporting Standards IFRS as adopted by the EU and generally accepted accounting principles, and gives a fair view of the Group's and Parent Company's financial position and earnings.

The Director's Report gives a fair overview of the development of the Group and Parent Company's operations, financial position and earnings, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Danderyd, April 3 2020
Tobii AB

Kent Sander
Chairman of the Board

Heli Arantola
Member

Nils Bernhard
Member

Mårten skogö
Member

Jörgen Lantto
Member

Charlotta Falvin
Member

Åsa Hedin
Member

Jan Wäreby
Member

Henrik Eskilsson
CEO

Our auditor's report was submitted on April 3 2020

PricewaterhouseCoopers AB

Johan Engstam
Authorized Public Accountant, Auditor in Charge

The consolidated statement of comprehensive income and the consolidated balance sheet and the Parent Company's income statement and balance sheet are subject to the approval of the Annual General Meeting on May 12, 2020.

This information is information that Tobii AB is obliged to make public pursuant to the Securities Markets Act. The information was submitted for publication on April 15, 2020.

Auditor's Report

To the meeting of shareholders in Tobii AB (publ),
Corporate Identity Number 556613-9654

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Tobii AB (publ) for 2019 with the exception of the corporate governance report on pages 65-69. The annual accounts and consolidated accounts of the company are included on pages 63-106 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinion does not cover the corporate governance report on pages 65-69. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore, recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinion in this report on the annual accounts and consolidated accounts is consistent with the content of the supplementary report that has been submitted to the parent company's and the group's audit committee in accordance with Article 11 of the Auditors regulation (537/2014).

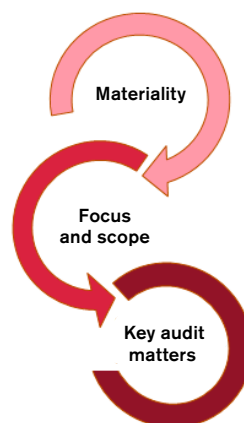
Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. It means that, based on our best knowledge and belief, no prohibited services referred to in Article 5.1 of the Auditors Regulation (537/2014) have been provided to the audited company or, as the case may be, its parent company or its controlled company in the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit activities

Overview



Materiality

- Overall materiality level: MSEK 15 which approximates 1 % of the Group's net sales.

Focus and scope

- We have executed an audit covering Tobii AB and all significant subsidiaries.

Key audit matters

- Valuation of capitalized development costs
- Valuation of deferred tax assets
- Revenue recognition – cut-off

The focus and scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole (see table below). These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Group materiality level	MSEK 15 (11)
How we determined this level	The materiality level is based on approximately 1 percent of the Group's net sales.
Motivation behind the determination of the materiality level	We have chosen this method to determine the materiality level as it is, according to our opinion, the most relevant measure by which the group's development is usually assessed. The level of 1% is seen in auditing standards to comprise an acceptable quantitative materiality threshold.

We agreed with Audit Committee that we would report identified errors in excess of the equivalent of 10% of the determined materiality level, as well as errors less than this amount but which we deemed should be reported for qualitative reasons.

KEY AUDIT MATTER

Valuation of capitalized development costs

We refer to Notes 2 Summary of important accounting principles, 4 Important estimates and assessments when applying the accounting policies, and 15 Intangible assets.

Capitalised expenses for product development in the amount of MSEK 425,8 comprise a significant portion of Tobii Group's balance sheet as at the end of December 2019. There is a risk that the future estimated cash flow will not be equivalent to the book value of capitalized expenses for product development and that, as a result, an impairment risk exists.

The assets are subject to ongoing depreciation. According to the Tobii Group's routine, the value of capitalized expenses for product development is tested annually for impairment. Tobii has a process for executing this test. This testing is based on the recoverable amount, which is equivalent to the value of the discounted cash flows for the identified assets.

The calculated recoverable value is based on future budgets and forecasts, approved by the Board of Directors, for the next five years. The cash flows after the first five years are extrapolated based on the estimated long-term growth rate. The process, consequently, includes assumptions of a major significance in the testing of impairment requirements. These include the assumptions regarding sales growth, margin developments and the discount rate (WACC).

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were most significant in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

In evaluating the assumptions, as reported in Note 15, we have undertaken the following audit measures to assess the valuation of such assumptions and model:

- We have tested and evaluated management's assumptions regarding the discount rate, growth and margins. We test the assumptions based on what is included in the budgets and business plans, the results of the units and our knowledge of the Tobii group's development. This includes the follow-up of the accuracy of the forecasts for historical periods and provides us with a basis for testing the assumptions regarding future development. In terms of discount rate, this is based on our review of the company's calculation of WACC and the assessment of the inherent risk of operating in current markets.
- We have also, in conjunction with the testing of possible impairment requirements, checked the sensitivity of the valuations through sensitivity analyses, to determine if there are negative changes in significant parameters which individually, or on a collective basis, could imply the existence of an impairment requirement.
- We have also assessed if the accounting principles and disclosures in the annual report are correct and in accordance with IFRS.

No significant observations were made in the audit resulting in reporting to the Audit Committee.

KEY AUDIT MATTER**Valuation of deferred tax**

We refer to Notes 2 Summary of important accounting principles, 4 Important estimates and assessments when applying the accounting policies, and 13 Taxes.

The deferred tax asset amounted to MSEK 80,6 as at the end of December 2019. This is deemed to comprise a significant item in the group's balance sheet. There is a risk that future assessed results in a unit will, for a variety of reasons, decrease so that the losses carry forward cannot be utilized or that the right to utilize the losses carry forward will be lost, as a result of changes in legislation, tax inspections, restructuring within the group and the acquisition and sale of operations, and therefore there is a risk of impairment.

In accordance with IAS 12, Tobii has assessed the amount of losses carry forwards referring to fiscal losses existing in group companies and which the group can utilize to reduce future tax payments.

Assessment of the amount of tax losses which can be utilized includes significant assumptions and management's assessment of future earnings. This is based, in its turn, on future budgets and forecasts, approved by the Board of Directors, for the next three years, where after extrapolation takes place for subsequent years.

Revenue recognition – cut-off

We refer to the Notes 2 Summary of important accounting principles, 4 Important estimates and assessments when applying the accounting policies, 5 Net Sales and income per business area, 18 Accounts receivable and 27 Accrued expenses and deferred income.

The Group's revenue amounts to MSEK 1 501 in 2019. The majority of Tobii Group's revenue consists of sale of goods and services. The sale of goods is recognized when control has been transferred to the purchaser while services are recognized in revenue in the period or periods in which they are provided. Tobii also has rental income from products. These revenues are reported in the period in which the renting takes place as this is deemed to comprise the correct measure of when the revenue has been earned. The Tobii Group also has royalty revenues. These are recognized in accordance with the economic implications of the agreements in place.

The risk is that there can exist a difference between the point in time when Tobii provides goods or services and when the control is transferred to clients. When the goods or services are seen to have been provided to the clients, and when revenues can, then, be reported, is based on the contractual stipulations found in the established agreements.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

In our audit, we have assessed the valuation of losses carry forward and that deferred tax on these losses has been calculated according to the regulations in place. The audit procedures included, amongst other:

- We evaluated the management's assumptions regarding assessed future results in conjunction with a review and analysis of the forecasts regarding future earnings trends, as this is a significant assumption due to the large amount of available losses carry forward which the management deems will be able to be utilized.
- The company's assumptions regarding the earnings trend was tested against adopted budgets and business plans. This testing takes place in the same manner as the testing of capitalized costs for product development, in the manner described in that part of this Auditor's Report.
- The audit also includes the follow-up of possible ongoing tax audits and changes in tax legislation which impact the losses carry forward.
- We have also assessed if the accounting principles and disclosures in the annual report are correct and in accordance with IFRS.

The results of these activities have produced no significant observations as regards the audit.

In our audit, we have analyzed Tobii's processes and controls regarding revenue recognition in order to obtain an understanding of how they operate and where potential errors could occur. This analysis has been performed to enable us to focus our substantive procedures on the right areas.

Our audit procedures included the following:

- Analysis of revenues as compared with the prior period and the expectation.
- We have tested, on a random basis, the reported revenue against agreements to determine if these items have been reported in the correct amounts in the correct periods.
- On a sample basis, we have confirmed outstanding receivables directly with customers. We have also tested a sample of receivables against payments received after the year end.
- We have also by analyses of values accounted for tested that deferred revenue is recognized in the correct amount.
- We have also assessed if the accounting principles and disclosures in the annual report are correct and in accordance with IFRS.

The results of these activities have produced no significant observations as regards the audit.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-62 and 112-113. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Board of Directors shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website:

http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Tobii AB for 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company,

or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act. A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Audit of the corporate governance report

It is the board of directors who is responsible for the corporate governance statement on pages 65–69 and that it has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is differ-

ent and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed as Tobii AB's auditor on the Annual General Meeting on 09 May 2019 and has been the company's auditor since 18 April 2005.

Stockholm, April 3 2020

PricewaterhouseCoopers AB

Johan Engstam

Authorised Public Accountant

Auditor in Charge

Definitions

Tobii adopted the new European guidelines for alternative performance measures as of July 3, 2016. Tobii's key performance measures, definitions and purposes, as presented below are not defined in accordance with IFRS. These measures as defined by Tobii should not be seen as a replacement for terms and concepts in accordance with IFRS and may not be comparable to similar performance mea-

sures used by other companies. The Company believes that these financial performance measures provide a better understanding of trends relating to financial results and that these alternative performance measures are useful information to Tobii's management, investors and other stakeholders when used in conjunction with other performance measures that are defined in accordance with IFRS.

Key performance measures

Key performance measures	Definition	Purpose
Gross margin	Gross profit relative to net sales.	Gross margin is used to measure production profitability.
EBITDA	Operating profit/loss before depreciation, amortization and impairment	EBITDA is used to measure earnings from operating activities excluding depreciation, amortization and impairment.
EBITDA margin	Operating profit/loss before depreciation, amortization and impairment relative to net sales.	The EBITDA margin is used to illustrate EBITDA in relation to sales.
Operating profit/loss (EBIT)	Operating profit/loss before financial income and expenses, and taxes.	EBIT is used to measure operating profitability.
EBIT Earnings before interest and taxes.	Operating profit/loss in relation to net sales.	The EBIT margin is used to illustrate EBIT in relation to sales and is a measure of the Company's profitability.
Cash flow from operating activities	Cash flow from operating activities including change in working capital and before cash flow from investing and financing activities.	Cash flow from operating activities is used as a measure of the cash flow the Company generates before investments and financing.
Cash flow after investing activities	Cash flow from operating activities less investments in intangible, tangible and financial fixed assets excluding investments in subsidiaries and associates.	Cash flows after investing activities is used as a measure of the cash flow the Company generates before the acquisition of companies and financing activities.
Working capital	Inventories, accounts receivable and other current receivables less accounts payable and other current non interest-bearing liabilities.	Working capital is used to measure the Company's capacity to meet its current capital requirements.
Net cash (+)/net debt (-)	Cash and cash equivalents less interest-bearing liabilities.	Net debt represents the Company's capacity to pay off all of its debts should they fall due for payment as of the balance sheet date using the Company's available cash and cash equivalents on the balance sheet date.
Equity/assets ratio	Equity as a percentage of total assets.	The equity/assets ratio shows the percentage of total assets financed by the shareholders through equity.
Net debt/equity ratio	Interest-bearing liabilities divided by shareholders' equity.	The net debt/equity ratio measures the extent to which the Company is financed through loans.
Return on equity	Profit after tax relative to average equity during the period.	Return on equity is used to analyze profitability over time.
Equity per share	Equity at the end of the period attributable to the parent company's shareholders divided by the number of shares at the end of the period.	Equity per share measures the Company's net value per share.
Average number of employees	The average number of permanent employees, including part-time employees converted to full-time employment.	Average number of employees measures the number of full-time employees in the Company needed to generate the period's earnings.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES¹⁾

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

SEK m	2019	2018
Operating profit/loss before depreciation, amortization and impairment, (EBITDA)	32.3	-28.2
Amortization and impairment	-123.6	-139.8
Depreciation	-46.8	-20.8
of which Right-of-use assets (IFRS 16 Leasing)	-28.0	-
Operating profit/loss (EBIT)	-138.1	-188.8

¹⁾ This section presents reconciliation of only those key performance measures that are not possible to calculate from information in the financial reports in this Annual Report.

Other information

This annual report is published in Swedish and English. The Swedish version is the original and has been audited by Tobii's independent auditors. The revised annual report for Tobii AB (publ) 556613-9654 consists of the Director's report and the accompanying Financial Statement on pages 63–105. The statutory sustainability report consists of pages 45–61.

TO ORDER THE ANNUAL REPORT

The annual report is published in Swedish and English and can be downloaded at www.tobii.com. The Swedish version is the original version. The printed annual report can be ordered through the contact person below.

ANNUAL GENERAL MEETING

The Annual General Meeting for Tobii AB (publ) will be held on Tuesday, May 12, 2020 at 5 p.m. CET at Bygget Fest och Konferens in Stockholm. Notice of the Annual General Meeting is available at www.tobii.com. Notification of participation in the meeting must be received by the Company no later than May 6, 2020 by mail or email.

Mail: "Annual General Meeting," Tobii AB, Box 743, 182 17 Danderyd

E-mail: generalmeeting@tobii.com

URL: www.tobii.com

CONTACT

investor.relations@tobii.com





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