

# Interim Report Tobii AB (publ) January–March 2015

## A strong start to the year

- The Group's net sales totalled SEK 229 million (115)<sup>1</sup>
- The Group's gross margin totalled 74% (70%)
- The Group operating profit/loss (EBIT) totalled SEK -8 million (-4)
- The combined operating profit (EBIT) for Tobii Dynavox and Tobii Pro was SEK 34 million (17) while Tobii Tech posted a negative EBIT of SEK -41 million (-21)
- Shipments of the first eye tracker for gaming began
- Tobii's share was listed on 24 April, providing SEK 438 million in proceeds for the company after deduction of costs associated with issuing the new shares

SEK m (except for earnings per share)	January-March 2015	January-March 2014	Change	Full year 2014
<b>Net sales</b>				
- Tobii Dynavox	167.2	71.4	134%	441.7
- Tobii Pro	54.2	40.2	35%	167.3
- Tobii Tech	17.7	9.1	95%	36.6
- Eliminations and other, net	-9.6	-6.0	n/m	-25.0
<b>Total</b>	<b>229.4</b>	<b>115.1</b>	<b>99%</b>	<b>620.6</b>
<b>Operating profit/loss (EBIT)</b>				
- Tobii Dynavox	26.5	14.0		41.9
- Tobii Pro	7.3	3.1		12.9
- Tobii Tech	-41.2	-21.3		-121.6
- Other, net	-0.2	0.1		-2.0
<b>Total</b>	<b>-7.6</b>	<b>-4.2</b>		<b>-68.9</b>
<b>Earnings per share</b>	<b>0.01</b>	<b>-0.10</b>		<b>-0.82</b>

A conference call will be held in English today at 10.00 (CET). Go to [www.tobii.com](http://www.tobii.com) to follow the conference online or for the phone number you need to participate. Images from the conference will be available for download from the website.

<sup>1</sup> SEK m = million Swedish kronor. The figures in parentheses refer to the corresponding period in the previous year.

## CEO's comments

I'd like to start by extending a very warm welcome to all new shareholders in our company. We have recently become a listed company by way of a heavily oversubscribed initial public offering. We feel a great sense of responsibility to live up to the confidence that both our existing and new shareholders have shown in us, and in the company we have built up over the past 14 years.

Thus it feels of particular importance that 2015 has started so strongly, with new sales records achieved by the Group during the first quarter as well as both of our profitable business units continuing to show improvements in their earnings.

Adjusted for currency effects, sales by the **Tobii Dynavox** business unit increased by 6%, compared to Q4 2014. The UK, where new and improved possibilities for financing of alternative communication aids were introduced in 2014, accounted for much of the increase in sales. Sales also increased year on year, both organically as well as due to the acquisition in May 2014 of DynaVox Systems LLC.

We are working intensely on the integration of DynaVox Systems LLC and expect this to be concluded by the summer. However, we believe it will take more time before we realize the full effects of the synergistic benefits from the acquisition.

A legislative proposal currently before the U.S. Congress called the Steve Gleason Act is a development of interest to Tobii Dynavox. The Bill is designed to reintroduce old rules governing the financing of alternative communication aids via Medicare. If the Bill is passed the medium- to long-term effects on Tobii Dynavox are likely to be positive.

Sales by **Tobii Pro** increased year on year by 2%, adjusted for currency effects and a one-off order backlog effect. Both gross margin and operating margin of the business unit improved by 5 percentage points to 75% and 13% respectively. Adjusted for the same effects, operating margin remained on par with that in the first quarter of 2014.

Demand for Tobii Glasses 2, that Tobii Pro began shipping in December last year, continued to be particularly strong.

**Tobii Tech** continues to invest in realizing future business opportunities for our eye-tracking technology in volume markets such as PC gaming and mainstream computers.

Compared to the first quarter last year, we increased R&D expenditures in Tobii Tech by a further SEK 15 million to SEK 38 million.

Tobii Tech's net sales increased to SEK 18 million from SEK 9 million. The majority of these sales are still being made to the other Tobii business units.

The quarter saw the launch of the *Sentry* product by Tobii's partner SteelSeries. The *Sentry* is an eye tracker designed for gaming enthusiasts. The product is a first step in our long-term strategy of targeting volume markets. Our expectations in terms of volume and revenues from this product launch are limited in the short term, as it will take time before there is a sufficient volume of PC games based on eye control. We are therefore delighted by the launch of the first games of this type – Assassin's Creed Rogue (from Ubisoft), The Hunter Primal (from Avalanche Studios) and Son of Nor (from Stillalive Studios).

With two profitable and cash-generating business units, world-leading technology, the industry's most extensive eye-tracking patent portfolio, global leading market positions, a strong financial position, and now the platform that being a listed company affords us, we have a solid position to not only grow and develop our established operations, but to also develop eye tracking in a way that will enable us to break into new volume markets in the longer term.

Danderyd, 22 May 2015

Henrik Eskilsson

## The Group

### January-March 2015

#### Net sales

The Group's net sales during the first three months of the year rose year-over-year by 99% to SEK 229 million (115)<sup>2</sup>. Currency effects accounted for SEK 37 million, or 32 percentage points, of this increase.

The increase in net sales was attributable in part to an organic growth in sales reported by all of the business units, but was mostly due to the acquisition in May 2014 of DynaVox Systems LLC ("the Dynavox acquisition"). Quantifying the scale of the acquisition effect on sales in numerical terms is not possible.

The North American, European, and other markets accounted for 57% (38%), 27% (42%) and 16% (20%), respectively, of the Group's sales during Q1 2015.

#### Earnings

Gross profit more than doubled to SEK 170 million (81), primarily as a result of the increase in net sales, but also due to an improvement in gross margin from 70% to 74%. Much of this margin increase is a temporary currency effect resulting from finished products being sold at a higher USD exchange rate than that applicable when the products' components were bought.

Operating profit/loss (EBIT) fell by SEK 4 million to SEK -8 million, with SEK 2 million of the decrease due to restructuring costs related to the acquisition of DynaVox Systems LLC. The operating profits for Tobii Dynavox and Tobii Pro improved by SEK 17 million to SEK 34 million. At the same time the negative EBIT for Tobii Tech increased by SEK 20 million to SEK 41 million, largely due to increased R&D costs.

The Group's R&D costs increased to SEK 59 million (30), which corresponds to 26% (26%) of net sales. These costs are reported net in the income statement after the capitalization in the balance sheet of SEK 30 million (20) or 42% (50%) of the total R&D expenditures. R&D depreciation totalled SEK 18 million (10) and, consequently, total R&D expenditures amounted to SEK 70 million (40), a year-over-year increase of 75% compared to the first quarter of 2014.

Operating margin was -3% (-4%).

Operating profit before depreciation and amortization (EBITDA) was SEK 19 million (8), yielding an EBITDA margin of 8% (7%).

Pre-tax profit was SEK 4 million compared to a SEK -6 million for the first quarter of 2014. This 10 million improvement exceeded the change in the operating profit/loss by almost SEK 14 million. This was due to an improvement in net financial items from just over SEK -1 million to just over 11 million as a result of currency

effects that increased the value of the Group's USD-based financial assets.

Net profit was SEK 1 million and earnings per share was a profit of SEK 0.01, in contrast to losses of SEK 6 million and SEK 0.10, respectively, during the first quarter of 2014. The average number of shares outstanding increased by 9 million, or 16%, to 69 million as a result of a new share issue and the conversion of debentures with warrants in 2014.

#### Cash flow, liquidity and financial position

Cash flow from operating activities during the first quarter totalled SEK -3 million, in contrast to the positive cash flow of SEK 10 million during the first quarter of 2014. The outflow is due to higher working capital as a result of an increase in accounts receivable, among other things. Investments during the quarter totalled SEK 36 million (23), of which SEK 30 million (20) referred to the capitalization of R&D costs. The Group had SEK 96 million (27) in cash and cash equivalents and SEK 82 million (70) in unutilized overdraft facilities at the end of the quarter. The corresponding figures at the beginning of the quarter were SEK 119 million (39) and SEK 108 (70).

#### Employees

The number of employees decreased during the quarter by 13 to 560. However, year-over-year we have grown by 200 employees, mainly due to the acquisition of DynaVox Systems LLC in May last year.

#### Changes to the Board of Directors

A number of changes to the composition of the Board of Directors have been made as part of the preparations for the company's initial public offering. Hermann Hauser (who represented Amadeus General Partners), Ian Cooper (Intel Capital Corporation) and Hans Otterling (Northzone Ventures) have resigned their seats on the Board, while Åsa Hedin and Magnus Ericson were elected to the Board at the General Meetings of the company's shareholders held on 16 January 2015 and 9 March 2015, respectively.

#### Events after the end of the reporting period

On 24 April, the Tobii share was listed on the NASDAQ Stockholm Stock Exchange, providing SEK 438 million in proceeds for the company after deductions for costs for issuance of the new shares. The proceeds include SEK 67 million from an over-allotment option. The new share issue increased the number of shares in Tobii by 18,685,150 to 87,613,033.

<sup>2</sup> SEK m = million Swedish kronor. The figures in parentheses refer to the corresponding period in the previous year.

## Consolidated key ratios

	First quarter		Full year
	2015	2014	2014
Earnings per share, SEK	0.01	-0.10	-0.82
Diluted earnings per share*, SEK	0.01	-0.10	-0.82
Equity per share, SEK	5.50	4.50	6.3
EBITDA, SEK m	19.2	8.3	5.6
Operating profit/loss (EBIT), SEK m	-7.6	-4.2	-68.9
Free cash flow, SEK m	-32.9	-13.0	-209.8
Working capital, SEK m	41.6	24.6	26.6
Total assets, SEK m	761.1	379.2	745.5
Net debt, SEK m	62.5	-26.4	15.1
Equity, SEK m	382.1	270.1	389.0
Equity/assets ratio, %	50.2	71.2	52.2
Net debt/equity ratio, %	16.4	-9.8	43.9
Gross margin, %	73.9	69.9	70.8
EBITDA margin, %	8.4	7.2	0.9
Operating margin, %	-3.3	-3.6	-11.1
Return on total equity, %	-0.3	-2.2	-17.2
Average number of outstanding shares, million	68.9	59.5	61.9
Average number of shares after dilution, million	72.2	61.4	64.1
Number of outstanding shares at the period end, million	68.9	59.5	68.9
Average number of employees	550	360	467

\*) The Annual General Meeting of the company's shareholders has authorised the Board of Directors to issue 3.3 million share warrants, 3.0 million of which have been issued. On 31 March 2015, 3.0 million of the share warrants issued were still outstanding.

### Earnings per share

Net profit/loss for the period attributable to the Parent Company shareholders, divided by the average number of outstanding shares during the period.

### Diluted earnings per share

Net profit/loss for the period attributable to the Parent Company shareholders, divided by the average number of shares for the period, adjusted for the dilution effect of all potential common stock.

### Equity per share

Shareholders' equity at the period end attributable to the Parent Company's shareholders, divided by the number of shares at the period end.

### EBITDA (Earnings before interest, taxes, depreciation and amortisation)

Operating profit/loss before depreciation, amortization and write-downs.

### Operating profit/loss (EBIT)

Operating profit/loss before financial income, expenses and taxes. Also known as EBIT – Earnings before interest and taxes.

### Free cash flow

Cash flow from operating activities and investing activities.

### Working capital

Inventories, accounts receivable, and other current receivables minus accounts payable and other non-interest-bearing liabilities.

### Net debt

Interest-bearing liabilities minus cash and cash equivalents.

### Shareholders' equity

Shareholders' equity at the period end.

### Equity/assets ratio

Shareholders' equity as a percentage of the Balance Sheet total.

### Debt/equity ratio

Interest-bearing liabilities divided by shareholders' equity.

### Gross margin

Gross profit relative to the operations' net sales.

### EBITDA margin

Operating profit/loss before depreciation relative to the operations' net sales.

### Operating margin

Operating profit relative to the operations' net sales.

### Return on equity

Profit after tax, relative to the average shareholders' equity during the period.

### Average number of employees

Average number of full time employees during the period, including part-time employees recalculated as full-time positions.

n/m = not meaningful

## Tobii Dynavox

SEK m	First quarter		Full year 2014
	2015	2014	
Net sales	167.2	71.4	441.7
Gross margin	73%	67%	68%
EBITDA	42.1	19.9	74.4
EBITDA margin	25%	28%	17%
Operating profit/loss (EBIT)	26.5	14.0	41.9
EBIT margin	16%	20%	9%

### January-March

Tobii Dynavox accounts for approximately two thirds of the Group's turnover. DynaVox Systems LLC was acquired in May 2014 ("the Dynavox acquisition") resulting in an almost doubling of the business unit's net sales. We therefore report comparisons both sequentially with the immediately preceding quarter and year-over-year with the corresponding quarter in 2014.

#### Net sales

Net sales rose, year-over-year, by 134% to SEK 167 million (71). The increase compared to Q4 2014 was 17% and, adjusted for currency effects, 6%.

The year-over-year increase was primarily due to the Dynavox acquisition, but also a contributing factor was continued strong demand for the Tobii I-series of communication aids launched in May 2013.

The organic sales increase in comparison with Q4 2014 was to a large extent due to a rapid growth in sales in the UK, where the financing system for alternative communication aids was improved in the fall of 2014.

#### Earnings

Gross margin improved, year-over-year, by 6 percentage points to 73%. The improvement was due to initial sales synergies from the Dynavox acquisition as well as temporary currency effects resulting from the rise in the USD exchange rate between the time when goods were purchased and when finished products were sold.

Operating profit (EBIT) improved by SEK 13 million to SEK 27 million, and to SEK 29 million adjusted for items affecting comparability. These items, which total SEK 1.5 million, comprise restructuring costs

related to the acquisition of DynaVox Systems LLC. There was a SEK 6 million EBIT improvement compared to Q4 2014 due to currency effects, mainly of non-recurring nature.

R&D costs net increased by SEK 13 million to SEK 20 million and total R&D expenditures more than doubled, rising from SEK 8 million to SEK 22 million. Of these R&D expenditures SEK 9 million (5) or 43% (60%) was capitalized in the balance sheet. R&D depreciation amounted to SEK 8 million (4).

Operating margin decreased to 16% from 20% during Q1 2014, but increased from the Q4 2014 figure of 14% mainly due to non-recurring currency effects.

Operating profit before depreciation (EBITDA) increased by SEK 22 million, to SEK 42 million.

#### Other events

- A legislative proposal has been submitted to the U.S. Congress regarding the reintroduction of old rules governing the financing of alternative communication aids via Medicare and the implementation of certain other improvements to Medicare's financing of such aids. If the Bill, which is known as the Steve Gleason Act, is passed by Congress, the medium- to long-term effects on Tobii Dynavox are likely to be positive.

*Tobii Dynavox is the global leader in assistive communications for individuals with reduced ability to speak and communicate. Tobii Dynavox develops and sells products that substantially improve the user's ability to communicate. The products include both specially developed computers, hardware for eye tracking, and a variety of software.*

## Tobii Pro

SEK m	First quarter		Full year
	2015	2014	2014
Net sales	54.2	40.2	167.3
Gross margin	75%	70%	72%
EBITDA	12.1	6.0	23.6
EBITDA margin	22%	15%	14%
Operating profit/loss (EBIT)	7.3	3.1	12.9
EBIT margin	13%	8%	8%

### January-March

Tobii Pro accounts for approximately 25% of the Group's net sales.

#### Net sales

Year-over-year net sales rose by 35% to SEK 54 million (40). Currency effects contributed SEK 7 million to this increase.

The increase in sales was also due to a non-recurring effect related to shipments of Tobii Glasses 2. The order book for this new product was unusually high at the beginning of the quarter caused by a large backlog of orders received but not shipped at the end of the year in 2014. Adjusted for this temporary order backlog effect (of SEK 6 million) and for currency effects, the increase in sales was about SEK 1 million or 2%.

#### Earnings

Gross profit increased by 46% to SEK 41 million (28) as a result of the increase in sales and an improvement of 5 percentage points in gross margin to 75% (70%). This was attributable to a combination of lower production costs for Glasses 2, non-recurring effects related to the sale of Glasses 2 from the order backlog, and temporary currency effects.

Operating profit (EBIT) increased by SEK 4 million to SEK 7 million, due to non-recurring effects related to currency effects, sales of Glasses 2 from the order backlog, and higher R&D costs.

Net R&D costs rose by SEK 4 million to SEK 9 million and this, too, was due in part to exchange rate effects. Total R&D expenditures rose by 25% to SEK 10 million (8), of which SEK 5 million (5) or 50% (64%) was capitalized in the balance sheet. R&D depreciation totalled SEK 4 million (2).

Operating margin improved by 5 percentage points to 13% (8%) due to the above-mentioned non-recurring effects in relation to exchange rate fluctuations and order book changes.

Operating profit before depreciation (EBITDA) increased to SEK 12 million (6) and the EBITDA margin increased by 7 percentage points to 22% (15%).

#### Other events

- Active sales on a subscription basis of *Tobii Glasses Analysis Software*, the analytical software for Tobii Glasses 2, began to commercial customers.

*Tobii Pro is the world's leading supplier of eye-tracking hardware and analytical software used in research designed to understand human behaviour. Over 2,000 companies and 1,500 academic institutions are Tobii Pro customers, including several large corporations such as Procter & Gamble, Ipsos and Microsoft, as well as 49 of the world's 50 top-ranked universities.*

## Tobii Tech

SEK m	First quarter		Full year 2014
	2015	2014	
Net sales	17.7	9.1	36.6
Gross margin	42%	46%	45%
EBITDA	-34.8	-17.7	-90.6
EBITDA margin	n/m	n/m	n/m
Operating profit/loss (EBIT)	-41.2	-21.3	121.6
EBIT margin	n/m	n/m	n/m

### January-March

Tobii Tech is still in an early phase of commercial development and accounts for just over 5%<sup>3</sup> of the Group's sales. The business unit is investing heavily in technology development and marketing activities aimed at realizing future business opportunities in various volume markets for eye tracking.

#### Net sales

Net sales doubled to SEK 18 million (9) due to an increase of SEK 3 million in internal sales to Tobii Dynavox and Tobii Pro as well as a SEK 6 million increase in sales to external customers. Some of these external sales involved development projects with customers. Currency effects contributed just under SEK 2 million to the increase in sales.

Internal and external sales totalled SEK 10 million and SEK 8 million, respectively, increasing from just under SEK 7 million and just under SEK 3 million, respectively.

#### Earnings

Gross profit doubled to SEK 8 million (4) due to the above-mentioned increase in sales, while gross margin decreased from 46% to 42%.

Operating loss (EBIT) totalled SEK -41 million (-21), primarily due to an increase in R&D expense, net of SEK 12 million to SEK 29 million (17). Currency effects had a negative impact of SEK 3 million on operating income.

Total R&D expenditures were increased by SEK 15 million to SEK 38 million (23), of which SEK 15 million (9) or 40% (41%) was capitalized in the balance sheet. R&D depreciation totalled SEK 6 million.

Operating loss before depreciation (EBITDA) totalled SEK -35 million (-18).

#### Other events

- January saw the launch of the *Sentry* product by Tobii and SteelSeries. The *Sentry* product is aimed at gaming enthusiasts who wish to improve their performance, it further offers the ability to stream as they play in order for other people to see where a user is looking during the game.
- Three computer game companies have launched games with integrated support for Tobii's eye trackers: *Assassin's Creed Rogue PC* (from Ubisoft), *Son-of-Nor* (from Stillalive Studios) and *The Hunter Primal* (from Avalanche Studios). The three games are not expected to have any tangible effect on Tobii's sales in the immediate future but are important as a step, in the longer term, towards establishing a wide range of games and other applications that generate benefits for end users through eye tracking.

*Tobii Tech offers components and platforms for eye tracking to OEM customers who integrate Tobii's technology into their own products. The business unit focuses on customers in a number of different segments, several of which have the potential to become very large in the future, including the gaming, computing, automotive, medical devices and virtual reality markets.*

<sup>3</sup> Including internal sales to Tobii Dynavox and Tobii Pro

## Consolidated Statement of Comprehensive Income

SEK m	First quarter		Full year
	2015	2014	2014
<b>Net sales</b>	<b>229.4</b>	<b>115.1</b>	<b>620.6</b>
Cost of goods and services sold	-59.9	-34.6	-181.2
<b>Gross profit</b>	<b>169.6</b>	<b>80.5</b>	<b>439.4</b>
Selling expenses	-91.1	-44.4	-252.7
Research and development expenses	-58.6	-29.5	-169.6
Administrative expenses	-29.3	-10.3	-71.5
Other operating income and operating expenses <sup>1</sup>	3.3	-0.5	0.7
<b>Operating profit/loss before items affecting comparability</b>	<b>-6.1</b>	<b>-4.2</b>	<b>-53.7</b>
Acquisition-related expenses	-	-	-7.4
Listing-related costs	-	-	-2.9
Restructuring costs	-1.5	-	-4.9
<b>Operating profit/loss</b>	<b>-7.6</b>	<b>-4.2</b>	<b>-68.9</b>
Net financial items <sup>2</sup>	11.4	-1.4	15.0
<b>Profit/loss before tax</b>	<b>3.9</b>	<b>-5.6</b>	<b>-53.9</b>
Tax	-2.6	-0.3	3.0
<b>Net profit/loss for the period</b>	<b>1.3</b>	<b>-5.8</b>	<b>-50.9</b>
<b>Other comprehensive income</b>			
<b>Items that may subsequently be reclassified to profit or loss for the period:</b>			
Exchange rate differences	-2.7	0.0	-3.2
<b>Other comprehensive income for the period, net after tax</b>	<b>-2.7</b>	<b>0</b>	<b>-3.2</b>
<b>Total comprehensive income for the period</b>	<b>-1.5</b>	<b>-5.8</b>	<b>-54.1</b>
Of which, depreciation	-26.8	-12.5	-74.0
Of which, write downs of fixed assets	-	-	-0.4
<b>Net profit/loss for the period attributable to:</b>			
Parent Company shareholders	0.8	-6.0	-50.9
Minority interests	0.4	0.2	0
<b>Net profit/loss the period</b>	<b>1.3</b>	<b>-5.8</b>	<b>-50.9</b>
<b>Total comprehensive income for the period attributable to:</b>			
Parent Company shareholders	-1.9	-6.0	-54.2
Minority interests	0.4	0.2	0.0
<b>Total comprehensive income for the period</b>	<b>-1.5</b>	<b>-5.8</b>	<b>-54.1</b>
Basic earnings per share for the period, SEK	0.01	-0.10	-0.82
Diluted earnings per share for the period, SEK	0.01	-0.10	-0.82
Average number of shares outstanding, million	68.9	59.5	61.9
Average number of shares outstanding after dilution, million	72.2	61.4	64.1

1) Primarily foreign currency translation differences.

2) Net financial items includes foreign currency translation differences totalling SEK 12 million (SEK 1 m) for the first quarter and SEK 23 million for the full year 2014. Shares in the profits of associated companies total SEK 0 million (SEK -2 m) for the first quarter and SEK -7 million for the year as a whole. For additional information, please see Tobii's 2014 Annual Report.

## Consolidated Balance Sheet

SEK m	31 March 2015	31 March 2014	31 Dec 2014
<b>Fixed assets</b>			
Intangible fixed assets	336.4	160.4	311.0
Tangible fixed assets	33.8	14.2	31.0
Financial fixed assets	52.9	48.2	53.4
<b>Total fixed assets</b>	<b>423.1</b>	<b>222.8</b>	<b>395.3</b>
<b>Current assets</b>			
Accounts receivable	164.7	83.6	147.8
Inventories	49.8	31.5	51.3
Other current financial receivables	27.2	14.8	31.2
Cash and cash equivalents	96.3	26.6	119.4
<b>Total current assets</b>	<b>338.0</b>	<b>156.4</b>	<b>349.7</b>
<b>Total assets</b>	<b>761.1</b>	<b>379.2</b>	<b>745.0</b>
<b>Shareholders' equity</b>			
Shareholders' equity, Parent Company shareholders	381.4	269.7	388.8
Minority interests	0.7	0.3	0.2
<b>Total shareholders' equity</b>	<b>382.1</b>	<b>270.1</b>	<b>389.0</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Interest-bearing liabilities	79.9	0.1	77.1
Other long-term liabilities	20.1	3.7	17.8
<b>Total long-term liabilities</b>	<b>100.0</b>	<b>3.8</b>	<b>94.9</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	78.9	0.0	57.4
Other current liabilities	200.1	105.3	203.8
<b>Total current liabilities</b>	<b>279.0</b>	<b>105.3</b>	<b>261.1</b>
<b>Total liabilities</b>	<b>379.0</b>	<b>109.1</b>	<b>356.0</b>
<b>Total shareholders' equity and liabilities</b>	<b>761.1</b>	<b>379.2</b>	<b>745.0</b>

## Consolidated Statement of Changes in Equity

SEK m	Attributable to the Parent Company shareholders						
	Share capital	Other capital contribution	Reserves	Accumulated profit/loss	Total	Minority interests	Total equity
<b>Opening balance, 31 Dec 2014</b>	0.3	496.9	5.9	-227.6	275.5	0.2	275.6
Comprehensive income for the period			0.0	-6.0	-6.0	0.2	
Sale of share warrants, incentive programs		0.1			0.1		
Share-based payments settled using equity instruments, as per IFRS 2				0.1	0.1		
<b>Closing balance, 31 March 2014</b>	<b>0.3</b>	<b>497.0</b>	<b>5.9</b>	<b>-233.5</b>	<b>269.8</b>	<b>0.3</b>	<b>275.6</b>
Comprehensive income for the period			-3.2	-45.0	-48.3	-0.1	
New share issue		166.1			166.1		
Sale of share warrants, incentive programmes		0.0			0.0		
Share-based payments settled using equity instruments, as per IFRS 2				1.1	1.1		
<b>Closing balance, 31 Dec 2014</b>	<b>0.3</b>	<b>663.1</b>	<b>2.7</b>	<b>-277.4</b>	<b>388.8</b>	<b>0.2</b>	<b>389.0</b>
Comprehensive income for the period			-2.7	0.8	-1.9		
Bonus issue	0.2						
New share issue	0.0	-8.9			-8.9		
Sale of share warrants, incentive programs		3.2			3.2		
Share-based payments settled using equity instruments, as per IFRS 2				0.2	0.2		
<b>Closing balance, 31 March 2015</b>	<b>0.5</b>	<b>657.3</b>	<b>-0.1</b>	<b>-276.3</b>	<b>381.4</b>	<b>0.7</b>	<b>382.1</b>

## Consolidated Statement of Cash Flow

SEK m	First quarter		Full year
	2015	2014	2014
<b>Cash flow from operating activities:</b>			
Profit/loss after financial items	3.9	-5.6	-53.9
Adjustment for items not included in the cash flow	8.7	14.2	62.8
Taxes paid	0.1	-0.8	-0.2
<b>Cash flow from operating activities before change in working capital</b>	<b>12.7</b>	<b>7.8</b>	<b>8.7</b>
Cash flow from change in working capital	-15.2	1.9	-9.3
<b>Cash flow from operating activities</b>	<b>-2.6</b>	<b>9.6</b>	<b>-0.7</b>
<b>Investing activities</b>			
Acquisition of subsidiary company	0	0	-92.3
Other investments	-36.0	-22.7	-117.5
<b>Cash flow from investing activities</b>	<b>-36.0</b>	<b>-22.7</b>	<b>-209.8</b>
<b>Cash flow from financing activities</b>	<b>10.4</b>	<b>0.3</b>	<b>285.3</b>
<b>Cash flow for the period</b>	<b>-28.2</b>	<b>-12.8</b>	<b>74.8</b>
Foreign currency translation, cash and cash equivalents	5.1	0.1	5.3
Cash and cash equivalents at the beginning of the period	119.4	39.2	39.2
<b>Cash and cash equivalents at the end of the period</b>	<b>96.3</b>	<b>26.6</b>	<b>119.4</b>

## Business Units

### Net sales per Business Unit

SEK m	First quarter		Full year
	2015	2014	2014
Tobii Dynavox	167.2	71.4	441.7
Tobii Pro	54.2	40.2	167.3
Tobii Tech*	17.7	9.1	36.6
Eliminations and other	-9.6	-5.6	-25.0
<b>The Group</b>	<b>229.4</b>	<b>115.1</b>	<b>620.6</b>
*) Of which internal sales to Tobii Dynavox and Tobii Pro			
	9.7	6.6	29.3

### Gross margin per Business Unit

SEK m	First quarter		Full year
	2015	2014	2014
Tobii Dynavox	72.6%	67.3%	68.3%
Tobii Pro	75.4%	69.5%	71.6%
Tobii Tech	42.3%	46.3%	44.5%
<b>The Group</b>	<b>73.9%</b>	<b>69.9%</b>	<b>70.8%</b>

### Operating profit/loss before depreciation (EBITDA) per Business Unit

SEK m	First quarter		Full year
	2015	2014	2014
Tobii Dynavox	42.1	19.9	74.4
Tobii Pro	12.1	6.0	23.6
Tobii Tech	-34.8	-17.7	-90.6
Eliminations and other	-0.2	0.1	-1.9
<b>The Group</b>	<b>19.2</b>	<b>8.3</b>	<b>5.6</b>

### Operating profit/loss (EBIT) per Business Unit

SEK m	First quarter		Full year
	2015	2014	2014
Tobii Dynavox	26.5	14.0	41.9
Tobii Pro	7.3	3.1	12.9
Tobii Tech	-41.2	-21.3	-121.6
Eliminations and other	-0.2	0.1	-2.0
<b>The Group</b>	<b>-7.6</b>	<b>-4.2</b>	<b>-68.9</b>

### Operating margin per Business Unit

SEK m	First quarter		Full year
	2015	2014	2014
Tobii Dynavox	15.8%	19.6%	9.5%
Tobii Pro	13.5%	7.6%	7.7%
Tobii Tech	neg.	neg.	neg.
<b>The Group</b>	<b>-3.3%</b>	<b>-3.6%</b>	<b>-11.1%</b>

## The Parent Company

The Group's Parent Company, Tobii AB (publ.), which has over 200 employees, focuses on sales, marketing, R&D, purchasing, manufacturing, technical support and IT. The Parent Company's net sales during the quarter totalled SEK 130 million (SEK 94 m) and the operating loss was SEK -6 million (SEK 1 m). The deterioration was primarily due to the planned increase in R&D investments. At the period end, the Parent Company had SEK 22 million (SEK 9 m) in cash and cash equivalents and SEK 82 million (SEK 70 m) in unutilized overdraft facilities.

### Parent Company Income Statement

SEK m	First quarter		Full year
	2015	2014	2014
<b>Net sales</b>	<b>130.2</b>	<b>93.8</b>	<b>404.3</b>
Cost of goods and services sold	-57.2	-39.9	-180.6
<b>Gross profit/loss</b>	<b>73.0</b>	<b>53.9</b>	<b>223.7</b>
Selling expenses	-27.5	-21.3	-88.8
Research and development expenses	-43.4	-25.0	-140.7
Administrative expenses	-12.9	-6.8	-36.3
Other operating income and operating expenses	5.0	0.3	6.2
<b>Operating profit before acquisition-related expenses</b>	<b>-5.7</b>	<b>1.1</b>	<b>-35.9</b>
Acquisition-related expenses	-	-	-7.4
Listing-related costs	-	-	-2.9
<b>Operating profit/loss</b>	<b>-5.7</b>	<b>-1.1</b>	<b>-46.2</b>
Financial items	15.7	-1.3	27.0
<b>Profit/loss before tax</b>	<b>10.0</b>	<b>-2.4</b>	<b>-19.2</b>
Tax	-0.3	-1.1	3.6
<b>Profit/loss after tax</b>	<b>9.7</b>	<b>1.3</b>	<b>-15.6</b>
Depreciation, total	-14.4	-9.5	-53.6

The Parent Company's profit/loss after tax corresponds to the total comprehensive income

### Parent Company Balance Sheet

SEK m	31 Mar 2015	31 Mar 2014	31 Dec 2014
<i>Fixed assets</i>			
Intangible fixed assets	176.0	146.5	166.4
Tangible fixed assets	8.2	7.8	7.4
Financial fixed assets	478.1	243.0	432.4
Long-term financial receivables	0.2	0.2	0.2
<b>Total fixed assets</b>	<b>662.4</b>	<b>397.5</b>	<b>606.3</b>
<i>Current assets</i>			
Accounts receivable	79.1	61.1	84.3
Inventories	20.9	24.4	20.1
Other current financial receivables	79.0	24.0	50.5
Cash and bank balances	22.1	9.4	73.5
<b>Total current assets</b>	<b>201.1</b>	<b>118.9</b>	<b>228.4</b>
<b>Total assets</b>	<b>863.5</b>	<b>516.3</b>	<b>834.7</b>
<b>Shareholders' equity</b>	<b>586.9</b>	<b>435.5</b>	<b>585.8</b>
<i>Long-term liabilities</i>			
Interest-bearing liabilities	79.9	0.1	77.1
Other long-term liabilities	7.2	3.4	7.5
<b>Total long-term liabilities</b>	<b>87.1</b>	<b>3.5</b>	<b>84.6</b>
<i>Current liabilities</i>			
Interest-bearing liabilities	78.9	0.0	57.4
Other current liabilities	110.6	77.4	107.0
<b>Total current liabilities</b>	<b>189.5</b>	<b>77.4</b>	<b>164.3</b>
<b>Total liabilities</b>	<b>276.6</b>	<b>80.8</b>	<b>248.9</b>
<b>Total equity and liabilities</b>	<b>863.5</b>	<b>516.3</b>	<b>834.7</b>

\*The increase in the Parent Company's Balance Sheet total is primarily attributable to the Dynavox acquisition and its financing, and the financing of continued research and development.

## Acquisition of DynaVox Systems LLC

On 23 May 2014, the Group acquired 100% of the shares in DynaVox Systems LLC for SEK 119.4 million. The acquisition was financed via a loan of USD 18 million from Swedbank. The acquired company develops, manufactures and sells alternative communication solutions for people with a range of cognitive or motoric disabilities. The acquisition is expected to result in both sales and cost synergies.

The following table summarises the purchase price paid for DynaVox Systems LLC and the preliminary fair value of the assets acquired and liabilities assumed. The fair value of assets and liabilities acquired is preliminary, pending a final evaluation of intangible assets and of accounts payable and other liabilities. No significant adjustments have been made to the opening balance during the quarter.

Purchase price, as of 23 May 2014	SEK m
Cash and cash equivalents	119.4
Total purchase price paid	119.4
Preliminary reported amounts for identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	26.3
Tangible fixed assets	7.1
Intangible fixed assets	105.0
Inventory	18.5
Accounts receivable and other receivables	40.7
Accounts payable and other liabilities	-78.2
Total identifiable net assets	119.4

The preliminary fair value of accounts receivable and other receivables is SEK 40.7 million, this sum includes accounts receivable having a fair value of SEK 36.3 million. The contractual gross sum for accounts receivable due is SEK 17.1 million, SEK 14.2 million of which it is likely cannot be collected. Accounts payable and other liabilities include estimates related to the resolution of known disputes. The estimates are based on management assessments and there is no guarantee that these estimates will prove to be correct.

Dynavox and Tobii have been share sales since the fourth quarter and it is consequently not possible to identify the scale of the effect of the Dynavox acquisition on the Tobii Group's sales and profit/loss for 2014 or for the first quarter of 2015. However sales by, and the operating profit/loss of, the acquired legal entity (namely, DynaVox Systems LLC), during the period in 2014 in which it was consolidated into the Tobii Group, totalled SEK 154.8 million and SEK -6.5 million, respectively. Acquisition-related costs as of 31 December 2014 totalled SEK 7.4 million for the period and have been reported as transaction costs in the comprehensive income for the period. If the acquisition had been completed on 1 January 2014, the Group's net sales for the year would have totalled ca. SEK 745.0 million and the profit/loss after tax would have been approximately SEK -35.4 million.

## Accounting principles

The consolidated interim report has been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU. The Interim Report complies with the provisions of IAS 34 and the report for the Parent Company has been prepared pursuant to the provisions of the Swedish Annual Accounts Act and the recommendation by the Swedish Financial Reporting Board, RFR 2 Accounting for Legal Entities. The accounting principles of the Parent Company and the Group, and the calculation principles used in the report, are unchanged from those used in the most recently published Annual Report. No new or amended IFRS regulations have had any material impact on the Group.

## Risks and uncertainty factors

Tobii's business risks include the economic climate, the competitive situation, currency risks, credit risks in relation to customers, financing risks, the risk of impairment write-downs of capitalized R&D and other intangible assets, and regulatory risks (Tobii Dynavox in the USA is under the supervisory control of the US Food and Drug Administration (FDA)). The Group's risks and risk management are described in greater detail in the Directors' Report section of Tobii's 2014 Annual Report and Tobii is of the opinion that this risk description remains correct.

## Transactions with related parties

No transactions have occurred between Tobii and related parties that have materially affected the company's position and earnings.

## Cautionary statement with regard to forward-looking information

This report contains forward-looking information based on the current expectations of Tobii's management. The management believes that the assessments on which any such forward-looking information is based are reasonable, but cannot guarantee that these expectations will prove to be correct. Actual future outcomes may, therefore, differ significantly from those predicted in the forward-looking information, due to changes in a variety of factors, such as the economy, the market and competition, legislative requirements and other political actions, exchange rate fluctuations, and other factors described in Tobii's most recent Annual Report.

The Board of Directors and the CEO certify that this financial statement provides a fair view of the operations, position and earnings of the Parent Company and the Group, and that it describes the significant risks and uncertainty factors faced by the Company and the companies that make up the Group.

Danderyd, 22 May 2015

Tobii AB (publ.)

Kent Sander Chairman of the Board	Nils Bernhard
John Elvesjö	Magnus Ericson
Martin Gren	Åsa Hedin
Anders Ösund	Henrik Eskilsson President & CEO

*A conference call will be held in English today at 10.00 (CET). Go to [www.tobii.com](http://www.tobii.com) to follow the conference online or for the phone number you need to participate. Images from the conference will be available for download from the website.*

*The information contained in this Interim Report is such that Tobii is required to disclose, pursuant to the provisions of the Swedish Securities Market Act. The information was released for publication on 22 May 2015 at 08.00 (CET).*

## Financial calendar

Annual General Meeting	11 June	2015
Q2 Interim Report, 2015	5 August	2015
Q3 Interim Report, 2015	3 November	2015
Q4 Interim Report, 2015	16 February	2016

## Annual General Meeting

The Annual General Meeting of the shareholders of Tobii AB (publ.) will be held on Thursday, 11 June 2015 at 17.00 (CET) at the Citykonferensen Ingenjörshuset building at Malmkillnadsgatan 46 in Stockholm, Sweden. Shareholders wishing to participate in the Annual General Meeting must, firstly, be registered in the Register of Shareholders maintained by Euroclear Sweden AB on Thursday, 4 June 2015, and secondly, must notify the company of their intention to participate in the Annual General Meeting by no later than Thursday, 4 June 2015.

Notifications of intentions to attend must be submitted in writing to Tobii AB, Karlsrovägen 2D, Box 743, SE-182 17 Danderyd, Sweden, or on the company's website, or via email sent to [generalmeeting@tobii.com](mailto:generalmeeting@tobii.com). Notifications of intention to attend should contain details of the shareholder's name, Civic ID number or corporate registration number, address, telephone number, and shareholding and, where relevant, details of their proxy, agent and assistant. Full authorisation documents such as a Certificate of Incorporation and Power of Attorney for proxies and agents should also, where relevant, be appended to the notification.

Shareholders whose shares are nominee registered with a bank or other manager must, to be entitled to participate in the Annual General Meeting, temporarily register their shares in their own name with Euroclear Sweden AB. Such re-registration must be effected no later than Thursday, 4 June 2014, and shareholders must, therefore, notify their manager of their wishes in this respect in good time ahead of this date.

## Tobii at a glance

Tobii is the world leader in eye-tracking. Incorporating an eye-tracking sensor into a product allows it to register exactly where a user is looking, providing otherwise unavailable information, such as details of consumers' spontaneous reactions and drivers' attention levels. Eye-tracking also enables the creation of new, intuitive and exciting ways of interacting with computers.

Tobii is organized into three business units, all with their own clearly defined markets, products and organizations.

**Tobii Dynavox** is the leading global supplier of solutions for augmentative and alternative communication. The business unit's products help people with speech and motoric impairments caused by cerebral palsy, aphasia, spinal cord injuries, autism, etc., to speak and communicate. Tobii Dynavox offers specially developed eye- or touch screen-controlled computers and software that often revolutionize the quality of life and options of the people who need them.

**Tobii Pro** is the world leader in eye-tracking solutions used to gain insights into human behaviour. Tobii Pro's products enable academic and market researchers to obtain vital information in a wide range of fields – from analysis of consumer behaviour and advertisement performance and optimisation, to psychology and neurology research. Tobii Pro's customers include ca. 2,000 companies (such as Microsoft, Google, Ipsos and Procter & Gamble) and about 1,500 academic research institutions, including 49 of the world's top 50 universities.

**Tobii Tech** offers cutting-edge technology in the form of eye-tracking platforms and components for OEM customers who integrate them into their products. Tobii Tech is in an early phase of its commercial development and is investing in technology and market development in order to expand into volume markets such as computer gaming, mainstream computers, medical equipment, and the automotive sector.

Tobii has a global presence through its headquarters in Sweden and offices in the USA, China, Japan, Norway, Germany, the UK and South Korea, and through a global network of resellers. The Group has almost 600 employees.

For further information

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# **Auditors' Report: Review of interim financial information (Interim Report) in accordance with IAS 34 and chapter 9 of the Swedish Annual Accounts Act**

## **Introduction**

We have reviewed this interim financial information (Interim Report) for the Tobii AB (publ.) companies as of 31 March 2015 and for the three-month period ending on this date. The Board of Directors and the CEO are responsible for the preparation and presentation of this Interim Report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this Interim Report based on our review.

## **Scope of the review**

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

## **Conclusion**

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

Stockholm, 22 May 2015

PricewaterhouseCoopers AB

Magnus Brändström

Authorised Public Accountant