

Smart Eye Interim Report January - March 2019



Continued success in a highly active market

January – March 2019

- Net sales totalled SEK 11,670 (9,580) thousand which corresponds to a rise of 22 %.
- Operating profit/loss totalled SEK -22 227 (-13,846) thousand, Earnings are developing according to plan and are affected by measures taken to meet higher demand above all from customers in the Automotive Solutions business area.
- Profit/loss after financial items was SEK -22,293 (-13,974) thousand
- Profit/loss after tax per share is negative.
- Cash and cash equivalents totalled SEK 65,599 TSEK at the end of March
- On May 15th the company earned two design wins from one of Japan's and one of Europe's largest OEM's. The estimated revenue of the order is 150 MSEK based on product life cycle projections.
- In February, the company earned 14 new design wins from a global Korean car manufacturer.
- In February and May, the company announced that an additional four new car models from BMW contain Smart Eye's technology.

Estimated value of obtained design wins

As of the report for the second quarter of 2018, the company provides information on the estimated market value of obtained design wins at the time of publication of the report. The figures in brackets show the levels at the time of the publication of the preceding report, which in this case was 6 February 2019.

The total estimated value of the company's 43 (43) design wins announced to date currently amounts to at least 1,000 MSEK (1,000) over a product life cycle.

If the company's system had been used in all car models on existing platforms by the five (five) car manufacturers with whom design wins have been communicated, the estimated value would amount to at least 2,150 MSEK (2,150) over a product life cycle.

Financial summary

TSEK	Jan-Mar		Full Year
	2019	2018	2018
Net revenue	11 670	9 580	50 778
Operating costs	-40 364	-28 688	-127 112
Operating profit/loss	-22 227	-13 846	-55 998
Operating margin, %	neg.	neg.	neg.
Profit/loss after tax	-22 293	-13 974	-56 404
Profit per share, SEK	-1,70	-1,41	-4,29
Profit per share after full dilution, SEK	-1,68	-1,38	-4,24
Return on total capital	-15,2%	-13,4%	-33,3%
Equity per share, SEK	11,19	7,41	12,88
Equity per share after full dilution, SEK	11,05	7,22	12,72
Equity ratio	81%	79%	83%
Number of shares	13 146 943	9 910 892	13 146 943
Number of shares after full dilution	13 307 143	10 160 892	13 307 143
Average number of shares before full dilution	13 146 943	10 955 786	11 703 973
Average number of shares after full dilution	13 307 143	11 205 786	11 846 372

Comments from the CEO

EDIT May 15th 2019

Today we received our first design win in Japan. I can't emphasize how important it is for the company and how gratifying it is for everyone who has worked with this for a long time. A long-term view and confidence-building are the necessary building blocks for success on the Japanese market. The CEO's comments below was written before the contract was signed.

20 years of innovation

Since the start in 1999 Smart Eye has established itself as a significant and leading player within measurement of eye movements. At the same time, it is my firm belief that we have only seen the beginning of what eye tracking can do to help us in our daily lives. For a start, the technology is now built into cars and research laboratories but it will soon be an integrated part of every imaginable context and feel just as natural as cameras in mobile phones. This journey started in Sweden 20 years ago but has only just begun. As so many times before, a Swedish company has managed to carve out a niche for itself as a leader within an expansive area of technology. This is an expression of the country's proud engineering traditions, fearless entrepreneurial spirit and outstanding university education programmes which time after time create globally competitive technology companies.

Research Instruments

The business area for research applications does not live on its own merits. It also contributes to the exploration of exciting new market segments. The products are included as validation tools in series production projects and help to advance the technical front line for what can be achieved with eye tracking.

The first quarter started slowing but ended on a strong note. Sales grew by 95% compared with the corresponding quarter last year. The strengthened product range is actively marketed towards its intended customer groups. This means that the core segments, automotive and aviation, are both growing. We are proud to



present new customers, including Canadian National Defence as well as several vehicle manufacturers in Asia and Europe. We intend to consolidate this growth journey within all geographies and customer segments through continued aggressive product development, marketing and strong partnerships with key players in the market.

Automotive Solutions

The market for Automotive Solutions remains very strong and activities have actually exceeded our already high expectations. This is evident from an additional number of design wins to date but to an even greater extent in ongoing procurement processes which are expected to be announced during the current year. Smart Eye continues to be very strong in global competition for deals which are no longer confined to premium cars but increasingly moving towards the mass market with imminent high-volume projects. Our strategy is successful and our offering is powerful in all geographies. This can be seen in particular from our successes in the demanding Korean market which is known for its high quality requirements. A number of procurement processes are now underway in Asia, Europe and North America which will be decided during the current year and where we

expect to defend our clearly market-leading position within driver monitoring.

Furthermore, activity in the regulatory area in Europe has increased significantly with the European Parliament recently voting through legislation which, subject to approval in all instances, will come into force as early as 2022 with full impact two years later, and will result in driver monitoring in all new cars sold in Europe. Euro NCAP has included driver monitoring in its 2025 Roadmap which in itself is expected to stimulate all European manufacturers. This means that the market, legislators and voluntary classification organisations collaborate to improve safety in the vehicle fleet, which suits Smart Eye very well. We expect that the American market will follow the same path shortly. Taken together, all this means that the major market potential that we have identified for some time has now become increasingly tangible and shifted closer in time. To meet this increased activity and fully capitalise on our market-leading position, we have for some time been recruiting a number of talented employees of the highest quality. We now see a continued need to recruit and invest in the business in order to maintain our leading position and thus ensure our growth potential in the longer term.

Market development in China

Legislators in China are expected to demand driver monitoring systems in vehicles which has already pushed market players into action. This is not confined to new cars but will also apply to existing ones which opens up major opportunities in the commercial aftermarket. In recent years, Chinese car companies have advanced their positions within technology-heavy areas such as vehicle-related AI and

electric drivetrains. Lead times are considerably shorter than in the more traditional markets in the West, which among other things means that pre-developed standard solutions are often preferred.

Smart Eye has been monitoring developments in China closely for some time and in view of the major market potential and our market-leading position within eye tracking, decided to evaluate this opportunity in a more focused context. This means that the existing software-based business model may be supplemented to be adapted to the needs of the Chinese market.

Smart Eye reviews financing alternatives

Against the background of the increased growth potential in the short term within Automotive Solutions in general and the major opportunities we see in the Chinese market, and in order to maintain our market-leading position, the Board of Smart Eye has commissioned Carnegie Investment Bank to review and evaluate additional financing alternatives in order to maximise our ability to take advantage of the highly favourable market conditions that currently prevail.

Dawn for safer vehicles

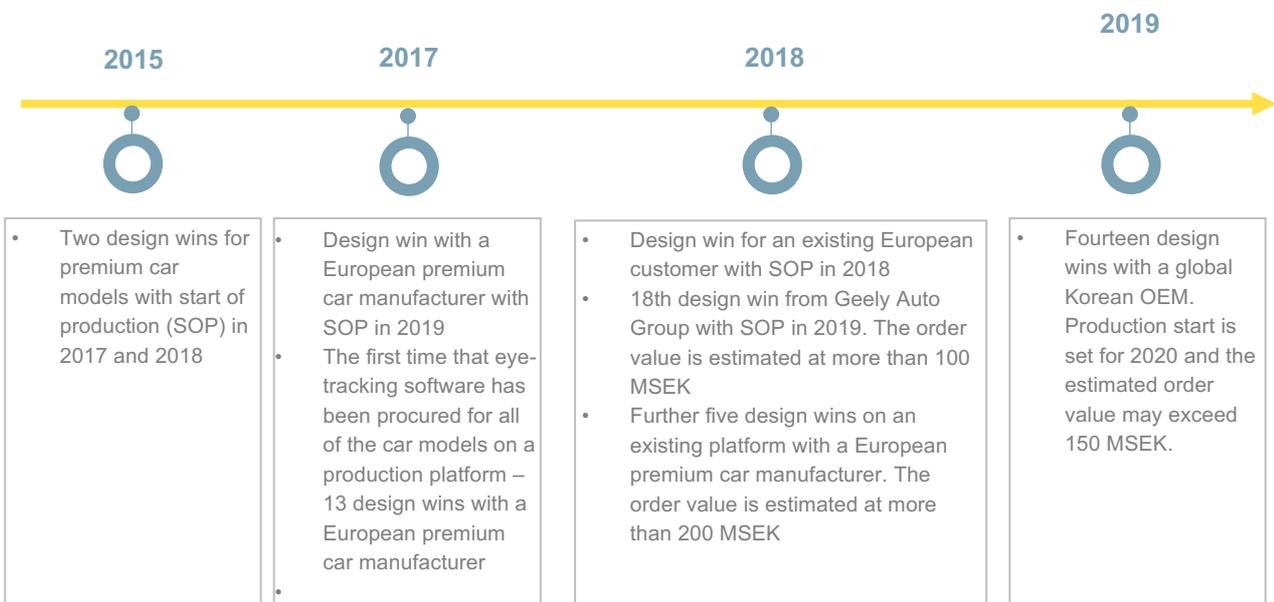
Never before has Smart Eye faced so many opportunities of the utmost size and quality. So far, we have carried out our strategy well given the conditions and this has put the company in a good position to take a firm grip on one of the global technology sectors' fastest growing areas – artificial intelligence inside vehicles.

Martin Krantz

CEO Smart Eye

Estimated value of obtained design wins

The table below shows the estimated value of the design wins announced by the company and the estimated potential value if the company were to win additional design wins on already obtained platforms. The calculations have been made by the company based on OEMs' estimated production volumes of car models and may change due to changed conditions for life cycle estimates of the car platforms



	DW 1-29	DW 30-43	Total
Estimated revenue over the product life cycle from current design wins	850	150	1,000
Estimated revenue over the product life cycle from possible additional designs wins with existing car manufacturers on existing platforms	1,150		1,150
Estimated revenue over the product life cycle including current and possible additional designs wins with existing car manufacturers on existing platforms	2,000	150	~2,150



The Group in summary

Revenue and earnings

First quarter 2019

Net sales for the period January to March 2019 totalled SEK 11,670 thousand (9,580), an increase of 22%. The increase is attributable to the favourable development in the Research Instruments business area. Net sales for Research Instruments in the first quarter amounted to SEK 6,703 thousand, compared with SEK 3,446 thousand in the first quarter of 2018. The increase of 95% is due to a positive development in all markets underpinned by the successful launch of new products.

Net sales for the Automotive Solutions business area in the first quarter amounted to SEK 4,967 thousand (6,134). During the quarter licence revenue from launched BMW models continued to increase but cannot fully compensate for lower sales of evaluation systems. Sales work was instead strongly characterised by being able to handle the large volume of ongoing customer inquiries.

Other operating revenue, which mainly pertains to external research projects, amounted to SEK 895 thousand (741). Capitalised work for own account amounted to SEK 5,572 thousand (4,521) during the period.

The Group's total revenue for the period was SEK 18,137 thousand (14,842).

The operating result for the period was SEK -22,227 thousand (-13 846). Earnings are developing according to plan and are affected by measures taken to meet higher demand above all from customers in the Automotive Solutions business area. The company continued to recruit personnel in Sweden and has increased the pace of its geographical expansion.

Financial position

In addition to cash and cash equivalents of SEK 65.6 million, the Group has an unutilised bank overdraft facility of SEK 7 million.

Important events during the period

In February, the company earned 14 new design wins from a global Korean car manufacturer. Production starts during 2020 and the estimated order value over the product life cycle is SEK 150 million.

In February and May, the company announced that an additional four new car models from BMW contain Smart Eye's technology.

Events after the reporting period

On May 15th the company earned two design wins from one of Japan's and one of Europe's largest OEM's. The estimated revenue of the order is 150 MSEK based on product life cycle projections. The first model to include Smart Eye's DMS software has a planned start of production (SOP) by the end of year 2020 and is launched by the Japanese OEM. The second car model will be launched by the European OEM with an SOP in the middle of year 2021

Significant risks and uncertainties in summary

Operational risks

The business operations are subject to risk factors that could impact the company's commercial and financial position. The risks relate in part to development operations proceeding as planned and in part to the company's success in recruiting qualified personnel to the necessary extent.

Financial risks

The company is financed through share capital and loans. Should the company not generate revenue to the extent and over the time perspective assessed by the Board, this could result in additional capital requirements.

As sales increase, the company will be exposed to increased currency exposure, since most of the company's sales will be denominated in a currency other than Swedish kronor.

Market risks

Eye tracking is an emerging technology, whereby the company's products are currently used in behavioural research and as integrated products in the automotive industry. A delay or the non-materialisation of a launch of eye tracking in the automotive industry could entail a risk of a lower-than-expected growth rate.

Otherwise, regarding risks and uncertainties, refer to the 2018 Annual Report, page 24.

Transactions with related parties

There were no transactions with related parties during the period.

Accounting policies

The interim report has been prepared in accordance with the Annual Accounts Act and the general advice and guidelines of the Swedish Accounting Standards Board, BFNAR 2012:1, Annual Reports and Consolidated Financial Statements (K3). The same accounting policies have been applied as in the 2018 Annual Report.

Share-based incentive scheme

The company resolved to establish an incentive scheme directed at senior executives and staff at the AGM on 25 April 2018. With full utilisation of the Company's incentive scheme, 170,000 shares will be issued, resulting in a total dilution impact of a maximum of around 1.5% of the share capital and the number of votes. The subscription price for the subscribed shares supported by warrants is SEK 48.7 per share. The premium per warrant, which has been calculated using the Black & Scholes model was SEK 5.90. The subscription of shares can take place between the period 1 May 2021 and 30 June 2021. The company's share capital will increase by SEK 17,000 once the warrants have been fully exercised.

This interim report has not been reviewed by the company's auditors.

Gothenburg, 15 May 2018

Board of Directors

Smart Eye Aktiebolag (publ)

Consolidated Statement of Income

TSEK	Jan-Mar 2019	Jan-mar 2018	Full Year 2018
Operating revenue			
Net revenue	11 670	9 580	50 778
Capitalised work for own account	5 572	4 521	17 976
Other operating revenue	895	741	2 360
Total operating revenue, etc.	18 137	14 842	71 114
Operating costs			
Other external costs	-17 243	-10 293	-48 424
Personnel costs	-19 554	-15 550	-64 943
Depreciation and write-down of tangible and intangible assets	-3 567	-2 845	-13 745
	-40 364	-28 688	-127 112
Operating profit/loss	-22 227	-13 846	-55 998
Result of financial items			
Other interest income and similar items	0	4	21
Interest costs and similar items	-66	-132	-371
Total result of financial items	-66	-128	-350
Result after financial items	-22 293	-13 974	-56 348
Tax on the result for the period	0	0	-56
Result for the period	-22 293	-13 974	-56 404

Consolidated Balance Sheet

TSEK	2019-03-31	2018-03-31	2018-12-31
Intangible assets	85 408	67 886	79 729
Tangible assets	4 668	5 279	4 769
Financial assets	25	25	25
Total fixed assets	90 101	73 190	84 523
Inventories	4 420	3 313	4 308
Trade receivables	13 943	9 676	19 342
Current tax receivables	1 902	475	1 820
Other current receivables	2 054	1 821	1 548
Prepaid expenses and accrued income	4 183	5 057	2 614
Current receivables	22 082	17 029	25 324
Cash and cash equivalents	65 599	37 794	89 946
Total current assets	92 101	58 136	119 577
TOTAL ASSETS	182 202	131 326	204 100

Consolidated Balance Sheet

TSEK	2019-03-31	2018-03-31	2018-12-31
Equity			
Restricted equity			
Share capital	1 315	1 096	1 315
Non-registered share capital	0	0	0
Fund for development costs	51 611	32 835	45 816
Share premium fund	21 914	21 914	21 914
	74 840	55 844	69 044
Unrestricted equity			
Share premium fund	291 617	184 179	291 617
Translation difference	-11	0	89
Retained profit	-197 091	-122 067	-135 035
Profit/loss for the year	-22 293	-13 974	-56 404
	72 222	48 138	100 267
Total equity	147 063	103 982	169 312
Other debt to credit institutions	3 167	5 167	3 667
Other non-current liabilities	0	0	0
Non-current liabilities	3 167	5 167	3 667
Other debt to credit institutions	2 000	2 000	2 000
Advance payments from customer	1 354	889	2 231
Trade payables	8 765	6 050	9 641
Current tax liability	32	0	58
Other current debt	3 771	0	4 529
Accrued expenses and prepaid income	16 050	13 238	12 663
Current liabilities	31 972	22 177	31 122
TOTAL EQUITY AND LIABILITIES	182 202	131 326	204 101

Consolidated change in equity

TSEK	Share capital	Other contributed Equity	Other Equity	Total equity
Opening balance 2018-01-01	991	161 651	-89 234	73 408
New issue*	324	150 935	0	151 259
Ongoing new issue, subscribed and paid in, not registered	0	945	0	945
Translation difference			105	105
Profit/loss for the year	0	0	-56 404	-56 404
Equity 2018-12-31	1 315	313 531	-145 533	169 312
Opening balance 2019-01-01	1 315	313 531	-145 533	169 312
Translation difference			44	44
Profit/loss for the year			-22 293	-22 293
Equity 2019-03-31	1 315	313 531	-167 782	147 063

The share capital consists of 13 146 943 shares with a quota value of SEK 0.1.

*During the period a new issue was registered and the share capital increased by SEK 323,605.

Consolidated Cash Flow Analysis

TSEK	2019-03-31	2018-03-31	2018-12-31
Current activities			
Operating profit after depreciation	-22 227	-13 847	-55 998
Reversal of depreciation	3 567	2 845	13 745
Financial payments received	0	4	21
Financial disbursements	-66	-132	-371
Tax	0	0	0
Change in operating capital			
Change in stocks	-112	-354	-1 349
Change in trade receivables	5 399	4 255	-5 410
Change in other current receivables*	-2 157	-2 074	-704
Change in trade payables	-876	-1 778	1 813
Changes in other current liabilities	1 726	1 978	7 331
<i>Cash flow, current activities</i>	-14 747	-9 103	-40 922
Investment activities			
Intangible assets	-8 860	-6 944	-28 595
Tangible assets	-284	-468	-1 050
Financial assets	0	0	0
<i>Cash flow, investment activities</i>	-9 144	-7 412	-29 645
Financing activities			
New issue	0	44 546	152 204
Distribution			
Non-current liabilities	-500	-500	-2 000
<i>Cash flow, financing activities</i>	-500	44 046	150 204
<i>Translation difference</i>	44	1	47
Cash flow	-24 347	27 532	79 684
Opening cash and cash equivalents	89 946	10 262	10 262
Closing cash and cash equivalents	65 599	37 794	89 946

Parent Company's Statement of Income

TSEK	Jan-Mar 2019	Jan-Mar 2018	Full Year 2018
Operating revenue			
Net revenue	11 670	9 581	50 778
Capitalised work for own account	5 572	4 521	17 976
Other operating revenue	895	741	2 360
Total operating revenue	18 137	14 843	71 114
	0		
Other external costs	-17 412	-10 341	-48 680
Personnel costs	-19 568	-15 535	-64 878
Depreciation and write-down of tangible and intangible assets	-3 567	-2 845	-13 745
Total operating costs	-40 547	-28 722	-127 303
Operating profit/loss	-22 410	-13 879	-56 189
Result of financial items			
Other interest income and similar items	0	4	20
Interest costs and similar items	-66	-132	-371
Total result of financial items	-66	-128	-351
Result after financial items	-22 476	-14 007	-56 540
Tax on the result for the period	0	0	0
Result for the period	-22 476	-14 007	-56 540

Parent Company's Balance Sheet

TSEK	2019-03-31	2018-03-31	2018-12-31
ASSETS			
Intangible assets	85 408	67 886	79 729
Property, plant and equipment	4 668	5 279	4 769
Financial assets	649	486	649
Total fixed assets	90 725	73 651	85 147
Inventories	4 420	3 313	4 308
Trade receivables	13 943	9 676	19 342
Receivables from Group companies	69	0	147
Current tax receivables	1 902	475	1 820
Other current receivables	2 054	1 793	43 465
Prepaid expenses and accrued income	4 130	5 057	2 554
Current receivables	22 098	17 002	25 407
Cash and cash equivalents	64 695	37 533	88 809
Total current assets	91 213	57 847	118 524
TOTAL ASSETS	181 938	131 498	203 671

Parent Company's Balance Sheet

TSEK	2019-03-31	2018-03-31	2018-12-31
Equity			
Restricted equity			
Share capital	1 315	1 095	1 315
Non-registered share capital	0	0	0
Fund for development costs	51 862	32 835	46 067
Share premium fund	21 914	21 914	21 914
	75 091	55 844	69 295
Unrestricted equity			
Share premium fund	291 617	184 179	291 617
Retained profit	-197 719	-122 152	-135 384
Profit/loss for the year	-22 476	-14 007	-56 540
	71 422	48 020	99 693
Total equity	146 514	103 863	168 989
Other debt to credit institutions	3 167	5 167	3 667
Other non-current liabilities	0	0	0
Non-current liabilities	3 167	5 167	3 667
Other debt to credit institutions	2 000	2 000	2 000
Advance payments from customer	1 354	889	2 231
Trade payables	8 667	6 017	9 461
Debt to Group companies	716	801	611
Other current debt	3 771	0	4 480
Accrued expenses and prepaid income	15 749	12 760	12 232
Current liabilities	32 257	22 468	31 015
TOTAL EQUITY AND LIABILITIES	181 938	131 498	203 671

Parent Company's Change in Equity

TSEK	Share capital	Share premium fund (restricted)	Fund for development costs (restricted)	Share premium fund (unrestricted)	Other unrestrictede equity	Total equity
Opening balance 2018-01-01	991	21 914	28 314	139 737	-117 631	73 325
New issue*	324			150 935		151 259
Option program 2018	0			945		945
Warrants 2016				0		0
Fund for development costs						
Reversal of fund for development costs			-2 831		2 831	0
Profit/loss for the year					-56 540	-56 540
Equity 2018-12-31	1 315	21 914	43 459	291 617	-189 316	168 989
Opening balance 2019-01-01	1 315	21 914	43 459	291 617	-189 316	168 989
Fund for development costs			5 572		-5 572	
Profit/loss for the year					-22 476	-22 476
Equity 2019-03-31	1 315	21 914	49 031	291 617	-217 364	146 513

The share capital consists of 13 146 943 shares with a quota value of SEK 0.1.

*During the period ongoing new issue was registered and the share capital increased by SEK 323,605.

Parent Company's Cash Flow Analysis

TSEK	2019-03-31	2018-03-31	2018-12-31
Current activities			
Operating profit after depreciation	-22 410	-13 879	-56 189
Reversal of depreciation	3 567	2 845	13 745
Financial payments received	0	4	20
Financial disbursements	-66	-132	-371
Tax	0	0	0
Change in operating capital			
Change in stocks	-112	-354	-1 349
Change in trade receivables	5 399	4 255	-5 410
Change in other current receivables*	-2 090	-2 346	-1 159
Change in trade payables	-794	-1 804	1 639
Change in other current liabilities	2 036	2 577	7 755
<i>Cash flow, current activities</i>	-14 470	-8 834	-41 320
Investment activities			
Intangible assets	-8 860	-6 944	-28 594
Tangible assets	-284	-468	-1050
Financial assets	0	0	-163
<i>Cash flow, investment activities</i>	-9 144	-7 412	-29 808
Financing activities			
New issue*	0	44 546	152 204
Distribution			
Non-current liabilities	-500	-500	-2 000
<i>Cash flow, financing activities</i>	-500	44 046	150 204
Cash flow	-24 114	27 800	79 076
Opening cash and cash equivalents	88 809	9 733	9 733
Closing cash and cash equivalents	64 695	37 533	88 809

Definition of key ratios

Equity ratio

Equity and untaxed reserves (less deferred tax) as a percent ratio of total assets.

Operating profit/loss

Profit/loss before financial items, costs and tax.

Operating margin

Operating profit as a ratio of net operating revenue.

Return on total capital

Profit after tax as a ratio of average total capital during the period.

Earnings per share

Profit for the period divided by the number of outstanding shares at the end of the period.

Equity per share

Equity divided by the number of shares at the end of the period.

This information is information that Smart Eye AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication on May 15, 2019.

Calendar

AGM	15 May 2019
Interim report apr-jun 2019	26 Aug 2019
Interim report jul-sep 2019	25 Oct 2019
Interim report oct-dec 2019	20 Feb 2020

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Bridging the gap between man and machine since 1999. Smart Eye develops artificial intelligence (AI) powered eye tracking technology that understands, assists and predicts human intentions and actions. By studying a person's eye, face and head movements, our technology can draw conclusions about an individual's alertness, attention, focus and gain insights into a person's awareness and mental status.

Today, our eye tracking technology is embedded in the next generation of vehicles, helping the automotive industry take another step towards safer and more eco-friendly transportation. Our research instruments offer unparalleled performance in complex, real-world situations, paving the way for new insights in aerospace, aviation, psychology, neuroscience, medical and clinical research.

Smart Eye is headquartered in Gothenburg, Sweden and has offices in Michigan, USA, Tokyo, Japan and Chongqing, China, as well as having partners, resellers and distributors in Europe, USA and APAC. Its solutions are used by more than 700 clients all over the world by leading research groups, brands and labs such as US Air Force, Nasa, BMW, Lockheed Martin, Audi, Boeing, Volvo, GM, and many more.

<http://smarteye.ai>

The leading interface between
human and artificial intelligence.



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