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GOTHENBURG, 5 December 2022
Press release

The Board of Directors in Smart Eye intends to resolve on a fully covered rights issue of approximately SEK 325 million

The Board of Directors of Smart Eye Aktiebolag (publ) ("Smart Eye" or the "Company") announces its intention to resolve on a fully covered rights issue of shares equivalent to approximately SEK 325 million before deductions for transaction costs (the "Rights Issue"). An Extraordinary General Meeting (the "EGM") is planned to be held on 30 December 2022 to grant the Board of Directors an authorization to resolve on the Rights Issue. The Rights Issue, including full terms, is expected to be resolved by the Board of Directors around 24 January 2023. The Company has secured subscription undertakings and declaration of intentions to subscribe for shares from certain existing shareholders, among others, The First Swedish National Pension Fund, Handelsbanken Fonder, Swedbank Robur, Consensus Asset Management, Vasastaden and Aktia Asset Management, members of the Board of Directors and executive management of in aggregate approximately SEK 117 million, corresponding to approximately 36 per cent, whereof approximately SEK 38 million as subscription undertakings and approximately SEK 79 million as declaration of intentions to subscribe for shares, corresponding to approximately 12 per cent and approximately 24 per cent, respectively, of the Rights Issue. In addition, certain members of the Board of Directors and executive management, representing in aggregate approximately 9 per cent of the total number of shares in the Company, have committed to subscribe for a number of shares corresponding to at least their proceeds from any subscription rights sold corresponding to up to 7 per cent of the total number of shares in the Company. External guarantors have provided guarantee commitments, subject to customary conditions, which, in aggregate, amount to approximately SEK 209 million, corresponding to approximately 64 per cent of the Rights Issue. Hence, the Rights Issue is fully covered by subscription undertakings, declarations of intention to subscribe for shares and guarantee commitments.

Summary

- The Board of Directors in Smart Eye announces its intention to resolve on a Rights Issue amounting to approximately SEK 325 million before deductions for transaction costs. An EGM is proposed to authorize the Board of Directors to resolve on the Rights Issue.
- The EGM is planned to be held only through advance voting without physical presence on 30 December 2022 and the notice will be published through a separate press release.
- The purpose of the Rights Issue is to strengthen the Company's financial position and finance the remaining capital requirement until the Company becomes cash flow positive, which is expected during the second half of 2024. In order to further strengthen Smart Eye's financial position, the Company also has initiated certain measures to reduce the Company's overall cost profile going forward.
- The Rights Issue is fully covered through a combination of subscription undertakings, declarations of intention to subscribe for shares, and guarantee commitments. Provided that the EGM grant the Board of Directors an authorization to resolve on the Rights Issue and the Board of Directors resolves on the Rights Issue:
 - certain existing shareholders, members of the Board of Directors and executive management, among others The First Swedish National Pension Fund, Martin Bjuve, Anders Jöfelt, Peter Hartzbech, Lars Olofsson, Cecilia Wachtmeister and Magnus Jonsson, have undertaken to subscribe for shares in the Rights Issue and committed to vote in favor of the authorization at the EGM. Total subscription undertakings from these amount to approximately SEK 38 million, equivalent to approximately 12 per cent of the Rights Issue. In addition, certain members of the Board of Directors and executive management such as CEO Martin Krantz, representing in aggregate approximately 9 per cent of the total number of shares in the Company, have committed to subscribe for a number of shares corresponding to at least their proceeds from any subscription rights sold corresponding to up to 7 per cent of the total number of shares in the Company;
 - certain existing shareholders, among others, Handelsbanken Fonder, Swedbank Robur, Consensus Asset Management, Vasastaden and Aktia Asset Management, have declared their intention to subscribe for shares in the Rights Issue of an amount of approximately SEK 79 million, equivalent to approximately 24 per cent of the Rights Issue, and declared their intention to vote in favor of the authorization at the EGM; and
 - external guarantors have provided guarantee commitments subject to customary conditions which, in aggregate, amount to approximately SEK 209 million, equivalent to approximately 64 per cent of the Rights Issue.
- As a result of the Rights Issue, the Company plans to communicate early financial guidance for the fourth quarter in order to enable board members, members of the executive management team and other insider individuals to participate in the Rights Issue. The Company also intends to delay the publication date for the year-end report of 2022 to the end of March 2023. An exact publication date will be communicated at a later time. The financial guidance for the fourth quarter is expected around 20 January 2023.
- The prospectus is expected to be published on or around 30 January 2023.
- The subscription period in the Rights issue is expected to take place from and including 2 February 2023, up to and including 16 February 2023.

- The Rights Issue, including full terms, *inter alia*, subscription price, number of new shares issued and increase of the share capital, is expected to be resolved by the Board of Directors around 24 January 2023. The subscription price in the Rights Issue will be priced at a customary discount to the theoretical ex-rights price ("TERP").

Background and reasons

Smart Eye is facing an exciting future primarily driven by the global automotive industry's ongoing implementation of software-based monitoring systems for increased road and passenger safety. Within the Automotive business area where Smart Eye has a leading market position, the Company has, as of the publication day of this press release, a total of 103 design wins in software for Driver Monitoring System ("DMS") with a total of 16 of the largest global automotive manufacturers (OEMs), of which seven have already begun series production. The total estimated lifetime value of Smart Eye's announced design wins within the Automotive business area amounts to approximately SEK 2.6 billion. The adoption of DMS in new car models is expected to see strong growth during the coming years driven by regulatory safety requirements to be implemented within the European Union, and high focus on safety within the global automotive industry. In parallel, the Company's second business area Behavioral Research, which offers high-end products and services within Human Insight AI for research and commercial purposes, continues to show solid growth.

However, the Covid19 pandemic and its consequent effects have indirectly and directly resulted in several challenges for the Company lately, and primarily within the Automotive business area. Among other things, this includes shortages of components and travel restrictions, which have affected the global automotive industry negatively in the broader context. OEMs have experienced declining sales as a result of the delayed start of production of new vehicle models and in some cases also temporarily closed automotive factories. The consequence for Smart Eye has thus been that the implementation of the Company's software for DMS and Interior Sensing, as well as licensing revenues from existing design wins have been postponed. Hence, commercialization of design wins is expected to be realized later than originally estimated. In addition, component shortages and disruptions in global supply chains, in the wake of the pandemic, as well as the overall geopolitical situation, have also contributed negatively. For example, there has been longer lead times for component deliveries and general delays in production and production development.

In spite of the challenges currently present, demand for DMS and Interior Sensing is expected to be strong over the coming years, and Smart Eye also sees a high potential for its aftermarket product, Applied AI Systems, offering DMS for existing vehicle fleets and smaller OEMs. In order to capture these growth opportunities, the Company will need to continue to invest in research and development as well as commercialization of its products. The purpose of the Rights Issue is to strengthen the Company's financial position and finance the remaining capital requirement until the Company becomes cash flow positive, which is expected to occur during the second half of 2024. In order to further strengthen Smart Eye's financial position, the Company also has decided on certain measures to adapt the Company's cost profile and development to the aforementioned market conditions and its effects on the Company's operations. To execute on these measures the Company expects to reduce personnel expenses of around ten per cent on a yearly basis, which corresponds to approximately SEK 30 million per annum. The measures are initiated and are expected to be fully implemented by the end of the second quarter 2023, out of which the majority of the measures will be completed already during the fourth quarter 2022, and will not entail any

significant costs for the Company as it primarily refers to external consultants. The Rights Issue is expected to enable the Company to maintain the current strategy and the same rate of investment within, among other things, Smart Eye's existing and future design wins for software within DMS and Interior Sensing, until the Company is expected to become cash flow positive. The Rights Issue will also provide adequate financial resources for Smart Eye to maintain its position as the leading supplier of DMS and Interior Sensing up and until the point where the Company becomes cash flow positive. In addition to the aforementioned, the ongoing review of certain measures to reduce the Company's overall cost profile going forward is expected to provide the Company with further headroom.

“The Rights Issue enables us to continue to invest and develop our current and future design wins within DMS and Interior Sensing while also securing a sufficient working capital headroom until we become cash flow positive. With 103 design wins, Smart Eye is very well positioned to be part of the automotive industry's ongoing implementation of systems for increased road safety, and with the Rights Issue we also have the financial ability to maintain our leading position while at the same time bolstering our other customer offerings.”, says Martin Krantz, CEO at Smart Eye

Use of proceeds

Since the Rights Issue is fully covered through a combination of subscription undertakings, declaration of intention to subscribe for shares and guarantee commitments, the Company will receive approximately SEK 325 million before deductions for transaction costs. Smart Eye intends to use the net proceeds for the following purposes listed in order of priority:

- Research and development in relation to the Company's DMS projects with OEMs within Automotive Solutions to ensure that projects are finalized in accordance with plan
- Research and development within Interior Sensing in order to secure the Company's long-term competitiveness
- Development and commercialization of the Company's aftermarket offering within Automotive (Applied AI Systems)
- General corporate purposes

In order to finance the Company's capital requirement until the Rights Issue has been completed, the Company, has entered into a bridge loan agreement of approximately SEK 60 million at customary market terms. The Company is obliged to repay the bridge loan facility on or around the settlement date of the Rights Issue.

The Board of Directors regards the existing working capital as being insufficient for Smart Eye's needs over the coming 12-month period. This assessment has been made in the light of the Company's current business and development plan. If the Rights Issue is fully subscribed, the Board of Directors deems that the Company will have sufficient working capital to operate the business until the Company is able to conduct its business with a positive cash flow, which is expected to occur during the second half of 2024. The working capital requirement in this sense refers to liquid funds required for the Company to be able to fulfil its payment obligations at the rate at which they fall due for payment. In the event that the Rights Issue is not carried through or would not become be fully subscribed, the Company may revise its business and development plans, primarily by reducing the pace of investments in the Automotive business area and

continued development in order to realize design wins and seek alternative financing opportunities, in the form of a new rights issue, a directed new issue or long-term loan from existing or new investors.

Extraordinary General Meeting

An EGM is proposed to authorize the Board of Directors to resolve on the Rights Issue. The EGM is planned to be held only through advance voting without physical presence on 30 December 2022 and the notice will be published through a separate press release.

Subscription undertakings, declaration of intention to subscribe for shares, guarantee commitments and voting commitments

Provided that the EGM grant the Board of Directors an authorization to resolve on the Rights Issue and the Board of Directors resolves on the Rights Issue, certain existing shareholders, members of the Board of Directors and executive management, among others The First Swedish National Pension Fund, Martin Bjuve, Anders Jöfelt, Peter Hartzbech, Lars Olofsson, Cecilia Wachtmeister and Magnus Jonsson, have undertaken to subscribe for shares in the Rights Issue and committed to vote in favor of the authorization at the EGM. Total subscription undertakings from these amount to approximately 12 per cent of the Rights Issue, which corresponds to approximately SEK 38 million. In addition, certain members of the Board of Directors and executive management such as CEO Martin Krantz, representing in aggregate approximately 9 per cent of the total number of shares in the Company, have committed to subscribe for a number of shares corresponding to at least their proceeds from any subscription rights sold corresponding to up to 7 per cent of the total number of shares in the Company.

Certain existing shareholders, among others, Handelsbanken Fonder, Swedbank Robur, Consensus Asset Management, Vasastaden and Aktia Asset Management, have declared their intention to subscribe for shares in the Rights Issue, in an aggregate amount of SEK 79 million, corresponding to approximately 24 per cent of the Rights Issue and declared their intention to vote in favor of the authorization at the EGM.

In addition of the aforementioned subscription commitments and declaration of intentions, external guarantors have provided guarantee commitments subject to customary conditions, which in aggregate, amount to approximately SEK 209 million, corresponding to approximately 64 percent of the Rights Issue.

The Rights Issue is fully covered through the subscription undertakings, declaration of intention to subscribe for shares, and guarantee commitments mentioned above.

For the guarantee commitments, a guarantee commission of 6 percent of the guaranteed amount shall be paid as a cash remuneration. No remuneration shall be paid for the subscription undertakings or declarations of intention to subscribe for shares. Neither of these commitments are secured by bank guarantee, blocked funds, pledges or similar arrangements. Further information regarding the parties who have entered guaranteed commitments will be available in the prospectus published before the start of the subscription period.

Financial guidance

As a result of the Rights Issue, the Company plans to communicate early financial guidance for the fourth quarter to enable board members, members of the executive management team and other insider individuals to participate in the Rights Issue. The Company also plans to delay the publication date for the year-end report of 2022 to the end of March 2023. An exact publication date will be communicated at a later time.

Prospectus

The prospectus and subscription form will be made available before the subscription period commence on Smart Eye's website, www.smarteye.se, as well as on Carnegie Investment Bank AB:s (publ) website, www.carnegie.se.

Indicative timetable

Notice to Extraordinary General Meeting	7 December 2022
Extraordinary General Meeting	30 December 2022
Expected publishing date for financial guidance for the fourth quarter	20 January 2023
Board of Directors to resolve on the Rights Issue (inc. terms and conditions)	24 January 2023
Expected publishing date for the prospectus	30 January 2023
Expected record date for the Rights Issue	31 January 2023
Expected subscription period	2 February – 16 February 2023
Expected announcement of the outcome in the Rights Issue	20 February 2023

Advisers

In conjunction with the Rights Issue, the Company has engaged Carnegie Investment Bank AB (publ) as Sole Global Coordinator and Bookrunner, and Advokatfirman Vinge KB as legal advisor.

Conference call

CEO Martin Krantz and CFO Martin Bjuve will hold conference call following the Board of Directors intention to resolve on the Rights Issue via livestream at 10:00 CET tomorrow. The presentation will be followed by a Q&A session, and investors, analysts and journalists are welcome to participate. The presentation will be given in English.

Link to the livestream: <https://www.redeye.se/events/867518/liveq-6-dec>

For further information, please contact

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This information is such information that Smart Eye AB is obligated to make public pursuant to the EU Market Abuse Regulation 596/2014. The information was submitted, through the agency of the contact person above, for publication on 5 December 2022, 21.30 CET. Above responsible person can also be contacted for further information.

About Smart Eye

Smart Eye is the global leader in Human Insight AI, technology that understands, supports, and predicts human behavior in complex environments. We are bridging the gap between humans and machines for a safe and sustainable future. Our multimodal software and hardware solutions provide unprecedented human insight in automotive and behavioral research—supported also by Affectiva and iMotions, companies we acquired in 2021.

In automotive, we are leading the way towards safer and human-centric mobility through Driver Monitoring Systems and Interior Sensing solutions. Our technology is embedded in next-generation vehicles and available as a standalone aftermarket solution for existing vehicles, fleet, and small-volume OEMs.

Our industry-leading eye tracking systems and iMotions biosensor software enable advanced research and training in academic and commercial sectors. Affectiva's Emotion AI provides the world's largest brands and market researchers with a deeper understanding of how consumers engage with their content, products, and services.

Smart Eye was founded in 1999 and is headquartered in Sweden with offices in the US, UK, Germany, Denmark, Egypt, Singapore, China and Japan. A publicly traded company since 2016, our customers include NASA, Nissan, Boeing, Honeywell, Volvo, GM, BMW, Geely, Harvard University, over 1,300 research organizations around the world, 70% of the world's largest advertisers and 28% of the Fortune Global 500 companies.

Visit <https://smarteye.se/> for more information.

Visit our investor web for more financial information: <https://smarteye.se/investors/>

Smart Eye is listed on Nasdaq First North Growth Market. Erik Penser is Certified Adviser.

Important information:

This announcement is not and does not form a part of any offer for selling, or a request to submit an offer to buy or acquire, shares or other securities of the Company.

Copies of this announcement are not being made and may not be distributed or sent into the United States, Australia, Hong Kong, Japan, Canada, New Zealand, or any other jurisdiction in which such distribution would be unlawful or would require registration or other measures.

The securities referred to in this announcement have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and accordingly may not be exercised, offered, sold, resold, delivered or otherwise transferred, directly or indirectly, in or into the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the requirements of the Securities Act and in compliance with any applicable securities legislation in any state or other jurisdiction of the United States. The Company do not intend to register any offering in the United States or to conduct a public offering of securities in the United States.

Forward-looking statements

Matters discussed in this announcement may constitute forward-looking statements. Forward looking statements are statements that are not historical facts and may be identified by words such as "believe", "expect", "anticipate", "deems", "intends", "estimate", "will", "may", "continue", "should" and similar expressions. This applies in particular to statements relating to future results, financial position, cash flow, plans and expectations of the Company's operations and management, future growth and profitability, general economic and regulatory environment and other factors affecting the Company, many of which are based on further assumptions, such as no changes in existing political, legal, fiscal, market or economic conditions or applicable law (including but not limited to accounting principles, accounting methods and tax policies), which may or may not be of importance to the Company results or its ability to operate. Although the Company believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward looking statements.

Potential investors should therefore not attach undue confidence to the forward-looking information herein, and potential investors are urged to read the parts of the prospectus that include a more detailed description of factors that may affect the Company's operations and the market in which the Company operates.

The information, opinions and forward-looking statements contained in this announcement speak only as at its date and could be subject to change without notice.