



smart eye

Year-End Report

January - December 2021

Technology that understands, simplifies
and predicts human intentions and actions.

Increase in business activity and growth

October - December 2021

- Net sales amounted to SEK 43.7 (18.3) million, which is an increase of 139% compared to the corresponding period previous year, of which 20% was organic growth.
- EBITDA amounted to SEK -21.1 (-14.0) million. Increased activity including additional cost for the added resources from the Affectiva acquisition is the reason for the lower result.
- Operating loss amounted to SEK -43.6 (-19.4) million. Depreciation of the surplus value created in conjunction with the Affectiva and iMotions acquisitions amounts to SEK 18.8 million.
- Profit/loss after tax was SEK -45.4 (-19.6) million.
- Earnings after tax per share is negative.
- Cash and cash equivalents totaled SEK 278.4 million at the end of December
- In October the company entered into an agreement to acquire iMotions, a Copenhagen based provider of multimodal software for human behavior research, for a consideration of SEK 434 million and SEK 50 million in potential earn-out consideration based on achievement of certain financial targets. In conjunction with the acquisition a directed share issue of SEK 220 million was completed.
- In October 2021 an additional design win with an existing Japanese customer was communicated, estimated revenue of the order is SEK 25 million and on February 7th 2022 the company announced a design win from one of Europe's largest OEM:s. The estimated revenue of the order is SEK 50 million based on estimated product life cycle projections. The potential of further design wins on this new platform is estimated at SEK 500 million.

January - December 2021

- Net sales amounted to SEK 109.7 (65.1) million, which is an increase of 68% compared to the corresponding period previous year, of which 19% was organic growth
- EBITDA amounted to SEK -71.7 (-55.6) million.
- Operating loss amounted to SEK -130.9 (-77.2) million. Depreciation of the surplus value created in conjunction with the Affectiva and iMotions acquisitions amounts to SEK 33.3 million.
- Profit/loss after tax amounted to SEK -132.7 (-77.6) million.
- Earnings after tax per share is negative.
- In May the company entered into an agreement to acquire Affectiva, a Boston based Emotion AI company, for a consideration of 650 MSEK. In conjunction with the acquisition a directed share issue of SEK 275 million was completed.

Financial summary

TSEK		okt-dec		Full Year	
		2021	2020	2021	2020
Net sales	TSEK	43 718	18 325	109 679	65 097
Operating profit/loss	TSEK	-43 612	-19 427	-130 909	-77 156
Operating margin	%	neg.	neg.	neg.	neg.
EBITDA	TSEK	-21 082	-13 993	-71 711	-55 598
Profit/loss after tax	TSEK	-45 367	-19 600	-132 713	-77 557
Profit per share	SEK	-2,05	-1,18	-5,99	-4,66
Return on total capital	%	-3,13	-5,10	-9,15	-20,10
Equity per share	SEK	65,46	21,20	65,46	21,20
Equity per share after full dilution	SEK	63,80	20,70	63,80	20,70
Equity ratio	%	83,07	91,24	83,07	91,24
Number of shares		22 148 650	16 630 882	22 148 650	16 630 882
Number of shares after full dilution		22 726 150	17 031 082	22 726 150	17 031 082
Average number of shares before full dilution		21 038 904	16 630 882	19 389 766	16 630 882
Average number of shares after full dilution		21 616 404	17 031 082	19 967 266	17 031 082

Comments from the CEO

Just like last quarter the pickup is continuing, indicating that we have passed the peak of being affected by Covid. Each of our business units are performing well and our research portfolio is greatly strengthened by the acquisition of iMotions.

Automotive

Let's continue to put some color on our automotive production programs, by giving general information while honoring our disclosure agreements.

- We recently received a design-win from one more OEM, consolidating our market leadership by bringing the total number of OEMs we have design wins with 14.
- Our contracts with these 14 OEMs are planned for at least 90 car models. In addition, there is a high likelihood that the OEMs continue to buy the existing solution for more vehicles on the same platforms.
- Five of our OEMs have started series production, two more than last quarter.
- We are in production with OEMs in Europe, US, Korea, China and Japan.
- Deliveries increased in Q4 and we continue to be on track to surpass one million cars, powered by Smart Eye, on the roads during the first half of 2022.

In the ongoing automotive procurement scene, Smart Eye continue to stand strong thanks to our competitive technological position and regulatory tailwind.

- Nominations of DMS suppliers among some of the world's largest groups of car manufacturers were decided in Q4 and early Q1. Smart Eye has held its ground so far while one major procurement is still in the making.
- There is an ongoing trend, that on top of the traditional DMS features, customers are more and more asking for additional features in relation to cabin monitoring. It is still early days and the feature lists of those projects that have been nominated in the market are still quite small. But some of the RFQs that are in play for nomination



this or next year are quite rich in terms of features and can most definitely be described as legitimate Interior Sensing.

Our fleet product, AIS, is nearing the end of its development cycle. Extensive final testing is ongoing with the goal of starting the deliveries shortly. We hold a positive outlook on the market as everything seems ready to start up after the peak of the pandemic.

Research

Since the acquisition of iMotions in the quarter we have three business units offering products to researchers: iMotions, Research Instruments and Media Analytics. iMotions is a company founded in Copenhagen, Denmark that is pioneering a multimodal software platform for human behavioral research. During the last five years the two companies have collaborated extensively, with iMotions selling our eye trackers and Smart Eye selling their gaze analysis software.

We were always aligned in our view of how the market is developing and more generally in terms of company values. We were already in conversation regarding strategic alternatives before the pandemic, but it had to be halted due to Covid, just like so many other things. When the markets stabilized, we prepared for the deal, to be done as soon as possible after closing the Affectiva acquisition. Also, Affectiva and iMotions were in close collaboration for many years before the merger, with iMotions selling Affectiva's Emotion SDK as part of their solution. The multimodal concept is extremely

interesting for the automotive market in a near future, as gaining a deep understanding of what is happening in a vehicle requires combining input from multiple sensors and modalities.

Research Instruments continued to do well. The rate of growth in Q4 was increasing compared to earlier in the year. For the full year the growth was 30%. We are doing well with both partner sales and direct sales. We believe the positive trend continues in 2022.

Media Analytics fourth quarter was one where we continued to pick up speed. We had the highest revenue of the year and also several key customers where onboarded.

Innovation

While delivering on our customer commitments remains a priority, we continue to invest in research and our science to stay ahead of technological innovation. This has always been critical to the success of each of Smart Eye's business units. Post the pandemic peak we have seen our research collaborations in

industry and academia pick up steam. We have also been able to ramp up our in-person data collection again, a key enabler of our deep-learning based technology. At the end of Q4 we were awarded a CES 2022 Innovation Award for our Interior Sensing solution – great validation that our technology is solving a critical market need and recognition for the innovative technologies the Smart Eye team continues to develop.

Final Words

Even though we see an impact from the semiconductor shortage affecting the whole automotive industry, still all our business units and markets are growing, both organically and because of the Affectiva and iMotions acquisitions. Each of our markets are gaining momentum as the effects of the pandemic seems to abate, and we are approaching 2022 with eager anticipation.

Martin Krantz

CEO Smart Eye



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 October 22nd 2021.

The total estimated value of the company's 90 (89) design wins announced to date amounts to SEK 2,325 (2,275) million over a product life cycle.

If the company's system had been used in all car models on existing platforms by the 14 (13) car manufacturers with whom design wins have been communicated, the estimated value would amount to at least SEK 6,800 (6,250) million over a product life cycle.

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.

Design Win Year / (MSEK)	2015-2020	2021	2022	Total
Estimated revenue over the product life cycle from current design wins	2 100	175	50	2 325
Estimated revenue over the product life cycle from possible additional designs wins with existing car manufacturers on existing platforms	3 675	300	500	4 475
Estimated revenue over the product life cycle including current and possible additional designs wins with existing car manufacturers on existing platforms	5 775	475	550	6 800

The Group

As of 2021 Smart Eye classifies operating expenses by function instead of nature of expense. This transition has been made to offer a more fair view of the Company and its activity. A change in the presentation of the income statement entails a change of principles, which is carried out with retroactive effect. Consequently, the income statements for the comparative periods 2020 have also been prepared in accordance with a classification by function. Notes 1-4 describe the transition from the nature of expense method to the function of expense method.

Revenue

Fourth quarter 2021

Net sales for the period October to December 2021 amounted to SEK 43.7 (18.3) million, which is an increase of 139% compared to the corresponding period previous year, impacted by the consolidation of Affectiva and iMotions. The organic growth was 20%.

Net sales for the **Automotive** business area (Automotive Solutions and Fleet & Aftermarket) during the fourth quarter were SEK 13.9 million, compared with SEK 11.9 million in the fourth quarter of the previous year corresponding to an increase of 17%. A growth in license revenue and continued project revenue is the reason for the increased sales in the quarter.

For the **Research** business area (Research Instruments, Media Analytics and iMotions) net sales during the fourth quarter amounted to SEK 29.8 (6.4) million. The high growth of 365 % is due to the fact that Affectiva's Media Analytics business and iMotions has been consolidated into the group numbers. The organic growth in the quarter is however as high as 41% which clearly demonstrates that the research market continues to come back after the Covid restrictions.

January-December 2021

Net sales amounted to SEK 109.7 (65.1) million, which is an increase of 68% compared to the corresponding period previous year, of which 19% was organic growth.

Net sales for **Automotive** business area (Automotive Solutions and Fleet & Aftermarket) during the year were SEK 47.2 million, compared with SEK 41.3 million previous year, corresponding to an increase of 14%. The

increase in sales is mainly due increased license revenue.

Research business area (Research Instruments, Media analytics and iMotions) net sales during the period amounted to SEK 62.5 (23.8) million, which is an increase of 163 % compared to the corresponding period previous year, of which 30% was organic growth.

Results

Fourth quarter 2021

EBITDA amounted to SEK -21.1 (-14.0) million. Increased activity including additional cost for the added resources from the Affectiva acquisition is the reason for the lower result.

The operating result for the fourth quarter totaled SEK -43.6 (-19,4) million. The acquisitions of Affectiva and iMotions impacts the operating result with a negative SEK 3.8 million. Depreciation of the surplus value created in conjunction with the Affectiva and iMotions acquisitions amounts to SEK 18.8 million in the quarter. Increased post-Covid activity is another reason for the increased losses compared to last year's fourth quarter.

January-December 2021

EBITDA amounted to SEK -71.7 (-55.6) million. Increased activity during the latter part of the year compared to 2020, when covid had a higher impact, is the reason for the lower result.

Operating loss amounted to SEK -130.9 (-77.2) million. Depreciation of the surplus value created in conjunction with the Affectiva and iMotions acquisitions amounts to SEK 33.3 million.

Financial position

In addition to cash and cash equivalents of SEK 278.4 million, the Group has an unutilised bank overdraft facility of SEK 5 million.

Important events during the period

In October the company entered into an agreement to acquire iMotions, a Copenhagen based provider of multimodal software for

human behavior research, for a consideration of SEK 434 million and SEK 50 million in potential earn-out consideration based on achievement of certain financial targets. In conjunction with the acquisition a directed share issue of SEK 220 million was completed.

In October an additional design win with an existing Japanese customer was communicated. Estimated order value SEK 25 million.

Events after the end of the period

February 7th 2022 the company announced a design win from one of Europe's largest OEM:s. The estimated revenue of the order is SEK 50 million based on estimated product life cycle projections. The potential of further design wins on this new platform is estimated at SEK 500 million.

Parent company

Revenue

Fourth quarter 2021

Net sales for the period October to December 2021 amounted to SEK 23.0 (18.3) million.

January-December 2021

Net sales for the period January to December 2021 amounted to SEK 78.1 (65.1) million.

Results

Fourth quarter 2021

The operating result for the fourth quarter totaled SEK -25.1 (-20.2) million.

January-December 2021

The operating result for the first three quarters totaled SEK -83.2 (-78.4) million.

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 behavioral research and as integrated products in the automotive industry. A delay or the non-materialization 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 2020 Annual Report, page 47.

Transactions with related parties

There were no transactions with related parties during the period.

Share Information

The Company is listed on Nasdaq First North Growth Market. Certified Advisor is Erik Penser Aktiebolag.

Number of shares

The number of shares now totals 22,148,650.

Share-based incentive scheme

At its AGM on 14th April 2020, the company resolved to establish an incentive programme for senior executives and staff. On full exercise of the company's incentive program, 200,000 shares would be issued. Subject to the fulfilment of certain conditions, the subscription price of shares subscribed with warrants is SEK 218.75 per share. Subscription is possible in the period 1st June 2024 to 30th June 2024 inclusive.

In addition, the company resolved at an EGM on 8th October 2021 to establish an incentive programme for senior executives and staff of the acquired company Affectiva. On full exercise of the company's incentive program, 137,500 shares would be issued. Subject to the fulfilment of certain conditions, the subscription price of shares subscribed with warrants is SEK 218.75 per share. Subscription is possible in the period 15th

November 2024 to 15th December 2024 inclusive.

The company also has two current incentive programmes adopted by the AGMs on 15th May 2019 and 8th May 2020.

Dividend policy

The Company is in a development phase and any surpluses are scheduled for reinvestment in the Company's development. The Board is not intending to submit a dividend proposal.

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).

As of 2021 Smart Eye classifies operating expenses by function instead of nature of expense. This transition has been made to offer a more true and fair view of the Company and its activity. This is because the company has large costs for personnel in research and development regarding the development of algorithms that are now being clarified. A change in the presentation of the income statement entails a change of principles, which is carried out with retroactive effect. Consequently, the income statements for the comparative periods 2020 have also been prepared in accordance with a classification by function. Notes 1-4 describe the transition from the nature of expense method to the function of expense method. Otherwise, the same accounting policies have been applied as in the 2020 Annual Report.

Signing of the report

The Board of Directors and the CEO assure that the interim report provides a fair overview of the Parent Company's and the Group's operations, position and results and describes the significant risks and uncertainties in the Parent Company and the companies included in the Group.

Gothenburg, February 23, 2022

Anders Jöfelt
Chairman of the board

Lars Olofsson
Vice Chairman

Mats Krantz
Board member

Magnus Jonsson
Board member

Eva Elmstedt
Board member

Cecilia Wachtmeister
Board member

Martin Krantz
CEO

Smart Eye Aktiebolag (publ)

Condensed Consolidated Statement of Income*

TSEK	Okt-Dec 2021	Okt-Dec 2020	Full Year 2021	Full Year 2020
Net sales	43 718	18 325	109 679	65 097
Cost of goods sold	-5 624	-1 789	-12 429	-7 577
Gross Profit	38 094	16 536	97 250	57 520
Sales expenses	-32 551	-16 382	-80 430	-64 079
Administrative expenses	-21 841	-8 059	-58 406	-31 752
Research and development expenses	-34 214	-13 013	-102 117	-48 077
Other operating income	7 520	4 356	15 279	17 328
Other operating expenses	-620	-2 863	-2 485	-8 096
Operating profit/loss	-43 612	-19 427	-130 909	-77 156
Financial income and expenses				
Profit/loss from participations in associated companies	0	-6	0	-6
Interest income and similar profit items	0	13	0	13
Interest expenses and similar loss items	-241	-28	-290	-256
Total financial income and expenses	-241	-21	-290	-249
Profit/loss after financial items	-43 853	-19 448	-131 199	-77 405
Tax on the result for the period	-203	-152	-203	-152
Deferred tax	-1 311	0	-1 311	0
Result for the period	-45 367	-19 600	-132 713	-77 557

*As of first quarter 2021 Smart Eye classifies operating expenses by function instead of nature of expense. A change in the presentation of the income statement entails a change of principles, which is carried out with retroactive effect. Consequently, the income statements for the comparative periods 2020 have also been prepared in accordance with a classification by function. Notes 1 and 2 describe the transition from the nature of expense method to the function of expense method.

Condensed Consolidated Balance Sheet

TSEK	Note	2021-12-31	2020-12-31
ASSETS			
Intangible assets	5	1 376 957	129 597
Tangible assets		4 667	4 201
Total fixed assets		1 381 624	133 798
Inventories		6 557	5 203
Trade receivables		43 011	17 538
Current tax receivables		3 970	2 868
Other current receivables		13 290	1 572
Prepaid expenses and accrued income		18 530	6 787
Current receivables		78 801	28 765
Cash and cash equivalents		278 360	218 701
Total current assets		363 718	252 669
TOTAL ASSETS		1 745 342	386 468

Condensed Consolidated Balance Sheet

TSEK	Note	2021-12-31	2020-12-31
Equity			
Share Capital		2 215	1 663
Other contributed Equity		1 867 060	677 943
Other Equity		-419 378	-326 977
Total equity		1 449 895	352 627
Deferred taxes	5	118 992	0
Provisions		118 992	0
Other long-term debt	5	75 822	0
Other debt to credit institutions		3 084	0
Non-current liabilities		78 906	0
Other debt to credit institutions		0	1 667
Advance payments from customer		1 644	0
Trade payables		20 235	8 807
Other current debt		37 003	3 293
Accrued expenses and prepaid income		38 667	20 074
Current liabilities		97 549	33 841
TOTAL EQUITY AND LIABILITIES		1 745 342	386 468

Condensed Consolidated change in equity

TSEK	Share capital	Other contributed Equity	Other Equity	Total equity
Opening balance 2020-01-01	1 512	500 918	-250 882	251 547
New issue after issue costs	151	177 025		177 176
Option program 2020			1 960	1 960
Translation difference			-498	-498
Profit/loss for the year			-77 557	-77 557
Equity 2020-12-31	1 663	677 943	-326 977	352 627
Opening balance 2021-01-01	1 663	677 943	-326 977	352 627
New issue after issue costs*	232	469 063		469 295
Non-cash issue*	281	655 771		656 051
Set-off issue*	23	56 498		56 521
Option program 2018*	16	7 785		7 801
Option program 2021*			531	531
Translation difference			39 781	39 781
Profit/loss for the year			-132 713	-132 713
Equity 2021-12-31	2 215	1 867 060	-419 378	1 449 895

The share capital consists of 22 148 650 shares with a quota value of SEK 0.1.

*During the period ongoing the option program was redeemed and the share capital was increased by SEK 16 020. Also a new issue, non-cash issue and a set-off issue was registered and the share capital increased by SEK 535 756,80.

Condensed Consolidated Cash Flow Analysis

	2021-12-31	2020-12-31
Operating activities		
Operating profit after depreciation	-130 909	-77 557
Reversal of depreciation	59 198	21 558
Reversal of non-cash items	3 183	0
Financial payments received	0	13
Financial disbursements	-290	0
Tax	-1 449	2 231
Change in working capital		
Change in stocks	-1 354	-1 103
Change in trade receivables	2 775	-5 804
Change in other current receivables	-6 420	6 464
Change in trade payables	8 038	-9 356
Changes in other current liabilities	-36 813	-728
<i>Cash flow from working capital</i>	-104 042	-64 282
Investment activities		
Intangible assets	-55 274	-38 767
Tangible assets	-944	-887
Financial assets	-257 584	0
<i>Cash flow from investment activities</i>	-313 802	-39 654
Financing activities		
Rights issue	469 870	177 176
Stock option program	7 802	1 960
Non-current liabilities	75	-1 667
<i>Cash flow from financing activities</i>	477 746	177 469
<i>Translation difference</i>	-243	-216
Cash flow	59 659	73 317
Opening cash and cash equivalents	218 701	145 384
Closing cash and cash equivalents	278 360	218 701

Condensed Parent Company's Statement of Income*

TSEK	Okt-Dec 2021	Okt-Dec 2020	Full Year 2021	Full Year 2020
Net sales	22 953	18 325	78 094	65 097
Cost of goods sold	-3 362	-1 789	-8 952	-7 577
Total operating revenue	19 591	16 536	69 142	57 520
Sales expenses	-18 042	-15 354	-61 133	-63 503
Administrative expenses	-12 372	-8 059	-40 278	-31 752
Research and development expenses	-17 408	-14 272	-59 962	-49 335
Other operating income	3 622	3 839	11 381	16 811
Other operating expenses	-506	-2 863	-2 371	-8 096
Operating profit/loss	-25 115	-20 175	-83 221	-78 355
Financial income and expenses				
Profit/loss from participations in associated companies	0	-6	0	-6
Interest income and similar profit items	0	13	0	13
Interest expenses and similar loss items	-1	-28	-41	-256
Total financial income and expenses	-1	-21	-41	-249
Profit/loss after financial items	-25 116	-20 196	-83 262	-78 604
Tax on the result for the period	0	0	0	0
Result for the period	-25 116	-20 196	-83 262	-78 604

*As of first quarter 2021 Smart Eye classifies operating expenses by function instead of nature of expense. A change in the presentation of the income statement entails a change of principles, which is carried out with retroactive effect. Consequently, the income statements for the comparative periods 2020 have also been prepared in accordance with a classification by function. Notes 3 and 4 describe the transition from the nature of expense method to the function of expense method.

Condensed Parent Company's Balance Sheet

TSEK	2021-12-31	2020-12-31
ASSETS		
Intangible assets	149 085	129 597
Tangible assets	2 297	3 980
Financial assets	1 141 069	1 580
Total fixed assets	1 292 451	135 157
Inventories	6 557	5 203
Trade receivables	15 129	17 538
Receivables from Group companies	596	29
Current tax receivables	3 970	2 868
Other current receivables	2 568	1 572
Prepaid expenses and accrued income	12 091	5 745
Current receivables	34 354	27 752
Cash and cash equivalents	267 346	218 141
Total current assets	308 257	251 096
TOTAL ASSETS	1 600 708	386 253

Condensed Parent Company's Balance Sheet

TSEK	2021-12-31	2020-12-31
Equity		
Restricted equity		
Share capital	2 215	1 663
Share premium fund	21 914	21 914
Fund for development costs	138 626	115 370
	162 754	138 947
Unrestricted equity		
Share premium fund	1 845 145	656 028
Retained profit	-466 602	-365 273
Profit/loss for the year	-83 262	-78 604
	1 295 282	212 151
Total equity	1 458 037	351 098
Other long term-debt	75 822	0
Non-current liabilities	75 822	0
Other debt to credit institutions	0	1 667
Advance payments from customer	1 644	0
Trade payables	13 899	8 773
Debt to Group companies	1 672	2 063
Other current debt	25 713	2 858
Accrued expenses and prepaid income	23 921	19 794
Current liabilities	66 849	35 155
TOTAL EQUITY AND LIABILITIES	1 600 708	386 253

Condensed Parent Company's Change in Equity

TSEK	Share capital	Share premium fund (restricted)	Fund for development costs (restricted)	Share premium fund (unrestricted)	Other unrestricted equity	Total equity
Opening balance 2020-01-01	1 512	21 914	92 156	479 003	-344 019	250 566
New issue	151			177 025		177 176
Option program 2020					1 960	1 960
Fund for development costs			38 740		-38 740	
Reversal of fund for development costs			-15 526		15 526	
Profit/loss for the year					-78 604	-78 604
Equity 2020-12-31	1 663	21 914	115 370	656 028	-443 877	351 098
Opening balance 2021-01-01	1 663	21 914	115 370	656 028	-443 877	351 098
New issue*	232			469 063		469 295
Non-cash issue*	281			655 771		656 051
Set-off issue*	23			56 498		56 521
Option program 2018*	16			7 785		7 801
Option program 2021*					531	531
Fund for development costs			41 001		-41 001	
Reversal of fund for development costs			-17 746		17 746	
Profit/loss for the year					-83 262	-83 262
Equity 2021-12-31	2 215	21 914	138 626	1 845 145	-549 864	1 458 037

The share capital consists of 22 148 650 shares with a quota value of SEK 0.1.

*During the period ongoing the option program was redeemed and the share capital was increased by SEK 16 020. Also a new issue, non-cash issue and a set-off issue was registered and the share capital increased by SEK 535 756,80.

Condensed Parent Company's Cash Flow Analysis

TSEK	2021-12-31	2020-12-31
Operating activities		
Operating profit after depreciation	-83 221	-78 354
Reversal of depreciation	23 980	21 558
Reversal of non-cash items	295	0
Financial payments received	0	13
Financial disbursements	-41	-262
Tax	-1 449	2 231
Change in working capital		
Change in stocks	-1 354	-1 103
Change in trade receivables	2 149	-5 804
Change in other current receivables	-8 772	7 008
Change in trade payables	5 126	-9 100
Change in other current liabilities	6 087	-945
<i>Cash flow from working capital</i>	-57 200	-64 758
Investment activities		
Intangible assets	-40 997	-38 767
Tangible assets	-789	-666
Financial assets	-327 815	-252
<i>Cash flow, investment activities</i>	-369 601	-39 685
Financing activities		
Rights issue	469 870	177 176
Stock option program	7 802	1 960
Non-current liabilities	-1 667	-1 667
<i>Cash flow from financing activities</i>	476 005	177 469
Cash flow	49 204	73 023
Opening cash and cash equivalents	218 141	145 118
Closing cash and cash equivalents	267 346	218 141

Note 1. Transitions to income statement classified by function

2020-10-01 - 2020-12-31

Group condensed consolidated statement of income

TSEK	Infor- mation	Income statement classified by nature of expense	Adjustment capitalised work for own account	Adjustment other operating income	Adjustment other external costs	Adjustment personnel costs	Adjustments depreciation and amortisation	Income statement classified by function
Net sales		18 325						18 325
Capitalised work for own account	1	3 711	-3 711					0
Other operating revenue	2	1 493		-1 493				0
<i>Cost of goods sold</i>					-1 343	-446		-1 789
Gross profit		23 529	-3 711	-1 493	-1 343	-446	0	16 536
Other external costs	3	-14 092			14 092			0
Personnel costs	4	-23 430				23 430		0
Depreciation and amortisation of tangible and intangible assets	5	-5 434					5 434	0
<i>Sales expenses</i>					-5 740	-10 642		-16 382
<i>Administrative expenses</i>					-4 615	-2 806	-639	-8 059
<i>Research and development expenses</i>			3 711		-2 393	-9 535	-4 795	-13 013
<i>Other operating income</i>				4 356				4 356
<i>Other operating expenses</i>				-2 863				-2 863
Operating profit/loss		-19 427		0	0	0	0	-19 427
Financial income and expenses								
Profit/loss from participations in associated companies		-6						-6
Interest income and similar profit items		13						13
Interest costs and similar loss items		-28						-28
Total profit/loss from financial items		-21	0	0	0	0	0	-21
Profit/loss after financial items		-19 448	0	0	0	0	0	-19 448
Tax on profit for the period		-152						-152
Net profit/loss for the period		-19 600						-19 600

1 Capitalised work for own account is allocated to research and development expenses due to the transition to income statement classified by function.

2 Other operating revenue consists of exchange rate differences and also of contributions from EU and the government. Other operating revenue will be presented as other operating income or other operating expenses due to the transition to income statement classified by function.

3 Other external costs have been allocated to cost of goods sold, sales expenses, administrative expenses and research and development expenses. Administrative expenses consists of eg. costs of premises, audit costs and other overhead costs.

4 Personnel costs have been allocated depending on what function the employees had during the last quarter of 2020, which in the group principally was within sales and research and development. The board fees are included in the personnel costs and have been allocated to administrative expenses.

5 Depreciations and amortisations related to research and development expenses principally consist of amortisations of capitalised expenditure of development work.

Note 2. Transitions to income statement classified by function

2020-01-01 - 2020-12-31

Group condensed consolidated statement of income

TSEK	Information	Income statement classified by nature of expense	Adjustment capitalised work for own account	Adjustment other operating income	Adjustment other external costs	Adjustment personnel costs	Adjustments depreciation and amortisation	Income statement classified by function
		65 097						65 097
	1	26 059	-26 059					0
	2	9 232		-9 232				0
					-5 973	-1 604		-7 577
		100 388	-26 059	-9 232	-5 973	-1 604	0	57 520
	3	-65 664			65 664			0
	4	-90 322				90 322		0
	5	-21 558					21 558	0
					-26 903	-37 176		-64 079
					-18 797	-10 471	-2 484	-31 752
			26 059		-13 991	-41 071	-19 073	-48 077
				17 328				17 328
				-8 096				-8 096
		-77 156	0	0	0	0	0	-77 156
		Financial income and expenses						
		-6						-6
		13						13
		-256						-256
		-249	0	0	0	0	0	-249
		-77 405	0	0	0	0	0	-77 405
		-152						-152
		-77 557						-77 557

1 Capitalised work for own account is allocated to research and development expenses due to the transition to income statement classified by function.

2 Other operating revenue consists of exchange rate differences and also of contributions from EU and the government. Other operating revenue will be presented as other operating income or other operating expenses due to the transition to income statement classified by function.

3 Other external costs have been allocated to cost of goods sold, sales expenses, administrative expenses and research and development expenses. Administrative expenses consists of eg. costs of premises, audit costs and other overhead costs.

4 Personnel costs have been allocated depending on what function the employees had during 2020, which in the group principally was within research and development and sales. The board fees are included in the personnel costs and have been allocated to administrative expenses.

5 Depreciations and amortisations related to research and development expenses principally consist of amortisations of capitalised expenditure of development work.

Note 3. Transitions to income statement classified by function

2020-10-01 - 2020-12-31

The parent company's condensed income statement

TSEK	Information	Income statement classified by nature of expense	Adjustment capitalised work for own account	Adjustment other operating income	Adjustment other external costs	Adjustment personnel costs	Adjustment depreciation and amortisation	Income statement classified by function
		18 325						18 325
	Capitalised work for own account	1 3 711	-3 711					0
	Other operating revenue	2 976		-976				0
	<i>Cost of goods sold</i>				-1 343	-446		-1 789
	Gross profit	23 012	-3 711	-976	-1 343	-446	0	16 536
	Other external costs	3 -26 216			26 216			0
	Personnel costs	4 -11 537				11 537		0
	Depreciation and amortisation of tangible and intangible assets	5 -5 434					5 434	0
	<i>Sales expenses</i>				-17 863	2 508		-15 354
	<i>Administrative expenses</i>				-4 615	-2 806	-639	-8 059
	<i>Research and development expenses</i>		3 711		-2 393	-10 794	-4 795	-14 272
	<i>Other operating income</i>			3 839				3 839
	<i>Other operating expenses</i>			-2 863				-2 863
	Operating profit/loss	-20 175	0	0	0	0	0	-20 175
	Financial income and expenses							
	Profit/loss from participations in associated companies		-6					-6
	Interest income and similar profit items		13					13
	Interest expenses and similar loss items		-28					-28
	Total profit/loss from financial items	-21	0	0	0	0	0	-21
	Profit/loss after financial items	-20 196	0	0	0	0	0	-20 196
	Tax on profit for the period		0					0
	Net profit/loss for the period	-20 196						-20 196

1 Capitalised work for own account is allocated to research and development expenses due to the transition to income statement classified by function.

2 Other operating revenue consists of exchange rate differences and also of contributions from EU and the government. Other operating revenue will be presented as other operating income or other operating expenses due to the transition to income statement classified by function.

3 Other external costs have been allocated to cost of goods sold, sales expenses, administrative expenses and research and development expenses. Administrative expenses consists of eg. costs of premises, audit costs and other overhead costs.

4 Personnel costs have been allocated depending on what function the employees had during the last quarter of 2020, which in the parent company principally was within research and development. The board fees are included in the personnel costs and have been allocated to administrative expenses.

5 Depreciations and amortisations related to research and development expenses principally consist of amortisations of capitalised expenditure of development work.

Note 4. Transitions to income statement classified by function

2020-01-01 - 2020-12-31

The parent company's condensed income statement

TSEK	Infor- mation	Income statement classified by nature of expense	Adjustment capitalised work for own account	Adjustment other operating income	Adjustment other external costs	Adjustments personnel costs amortisation	Adjustments depreciation and classified by function	Income statement classified by function
Net sales		65 097						65 097
Capitalised work for own account	1	26 059	-26 059					0
Other operating revenue	2	8 715		-8 715				0
<i>Cost of goods sold</i>					-5 973	-1 604		-7 577
Gross profit		99 871	-26 059	-8 715	-5 973	-1 604	0	57 520
Other external costs	3	-78 149			78 149			0
Personnel costs	4	-78 519				78 519		0
Depreciation and amortisation of tangible and intangible assets	5	-21 558					21 558	0
<i>Sales expenses</i>					-39 387	-24 115		-63 503
<i>Administrative expenses</i>					-18 797	-10 471	-2 484	-31 752
<i>Research and development expenses</i>			26 059		-13 991	-42 330	-19 073	-49 335
<i>Other operating income</i>				16 811				16 811
<i>Other operating expenses</i>				-8 096				-8 096
Operating profit/loss		-78 355		0	0	0	0	-78 355
Financial income and expenses								
Profit/loss from participations in associated companies		-6						-6
Interest income and similar profit items		13						13
Interest expenses and similar loss items		-256						-256
Total profit/loss from financial items		-249	0	0	0	0	0	-249
Profit/loss after financial items		-78 604	0	0	0	0	0	-78 604
Tax on profit for the period		0						0
Net profit/loss for the period		-78 604						-78 604

1 Capitalised work for own account is allocated to research and development expenses due to the transition to income statement classified by function.

2 Other operating revenue consists of exchange rate differences and also of contributions from EU and the government. Other operating revenue will be presented as other operating income or other operating expenses due to the transition to income statement classified by function.

3 Other external costs have been allocated to cost of goods sold, sales expenses, administrative expenses and research and development expenses. Administrative expenses consists of eg. costs of premises, audit costs and other overhead costs.

4 Personnel costs have been allocated depending on what function the employees had during 2020, which in the parent company principally was within research and development. The board fees are included in the personnel costs and have been allocated to administrative

5 Depreciations and amortisations related to research and development expenses principally consist of amortisations of capitalised expenditure of development work.

Note 5. Acquisitions

Acquired net assets at the time of acquisition (preliminary purchase price allocations):

MSEK	Affectiva	iMotions
Identified intangible fixed assets	330,2	110,1
Tangible fixed assets	2,5	0,7
Accounts receivable	12,8	16,4
Other receivables	12,9	2,1
Cash and cash equivalents	23,6	5,8
Interest-bearing liabilities	-21,4	-3,0
Accounts payable	-1,7	-1,3
Other operating liabilities	-24,5	-18,9
Deferred tax liability	-89,2	-23,1
Net identifiable assets and liabilities	245,2	88,8
Group goodwill	404,5	356,9
Total purchase price	649,8	445,7
<i>Less:</i>		
Cash and cash equivalents	68,2	218,8
Issued shares	-497,9	-215,4
Deferred shares	-83,7	-
Conditional purchase price (earn out)	-	-11,6
<i>Net cash outflow of acquisition:</i>		
Purchase price paid in cash	-68,2	-218,8
Less: Cash in acquired company	23,6	5,8
Effect on group cash and cash equivalents	-44,6	-213,0
Intangible assets:		
Goodwill	404,5	356,9
Capitalised development expenditure		26,6
Trademark	20,4	52,4
Technology (current)	23,0	20,3
Technology (IP & R&D)	216,2	
Customer relationships	70,6	10,8
Total intangible assets	734,7	467,0

Affectiva

On June 17th Smart Eye acquired 100 % of the shares in the US company Affectiva Inc. Affectiva is a tech company pioneering in Emotion AI and Human Perception AI located in Boston, MA, US with an additional office in Cairo, Egypt.

The purchase price amounted to SEK 649.8 million based on Affectiva's financial position, of which SEK 581.6 million consisted of 2,354,668 issued Smart Eye shares, and SEK 68.2 million was paid in cash. Of the 2,354,668 shares, 2,015,626 were newly issued at closing of the transaction, and of the remaining

339,042 shares (the "deferred shares") 84,301 will be issued within one year after closing of the transaction, and the remaining 254,741 will be issued two years after closing of the transaction. The deferred shares are booked as a short-term and long-term debt in the group as of December 31, 2021, and amount to SEK 20.8 million and SEK 62.9 million.

By combining their best-of-breed technologies and two highly skilled and complementary teams, Smart Eye and Affectiva will bring to market unparalleled, automotive-grade Interior Sensing AI, better and faster than the competition. The combined company's solution will not only improve automotive safety, saving human lives around the world, it will also provide differentiated mobility experiences that enhance wellness, comfort and entertainment.

In addition to net assets in Affectiva, surplus values in the form of trademark, technology and customer relationships have been identified in the purchase price allocation. A majority of the purchase price has been attributed to goodwill. The goodwill value includes the value of the acquired staff's know-how and synergy effects in the form of more efficient development and sales processes in the Group after the acquisition. No part of the goodwill is expected to be tax deductible.

If Affectiva had been included in the company's accounts throughout the financial year, the acquisition would have contributed net sales of approximately SEK 44.3 million instead of the reported SEK 23.8 million.

iMotions

On November 25th Smart Eye acquired 100 % of the shares in the Danish company iMotions A/S. iMotions is a provider of multimodal software for human behavior research with offices in Copenhagen, Boston, Singapore and Berlin.

The purchase price amounted to SEK 445.7 million (including earn-out) based on iMotions's financial position, of which SEK 215.4 million consisted of 1,019,493 newly issued Smart Eye shares, and SEK 218.8 million was paid in cash. There is a conditional purchase price (earn-out) of maximum SEK 50 million based on targeted gross profit and earnings (EBITDA)

for the financial year of 2021 and 2022. The earn-out amounted to SEK 3.1 million for the financial year 2021 (of maximum SEK 12.5 million) and is forecasted to amount to SEK 8.5 million for the financial year 2022 (of maximum SEK 37.5 million). The earn-out for both years is booked as a long-term debt in the group, amounting to SEK 11.6 million.

By combining Smart Eye's advanced eye tracking and Emotion AI technologies with iMotions' innovative, multiple-sensor data collection and analytics software to create a powerhouse in human behavioral research and analysis offering an end-to-end, multi-modal approach to analyzing complex human behaviors and delivering holistic human insights. Incorporating iMotions' software solution will enhance and future-proof Smart Eye's offering in the automotive sector by providing a platform that combines multiple sensor modalities to offer better insights.

In addition to net assets in iMotions, surplus values in the form of trademark, technology and customer relationships have been identified in the purchase price allocation. A majority of the purchase price has been attributed to goodwill. The goodwill value includes the value of the acquired staff's know-how and synergy effects in the form of more efficient development and sales processes in the Group after the acquisition. No part of the goodwill is expected to be tax deductible.

If iMotions had been included in the company's accounts throughout the financial year, the acquisition would have contributed net sales of approximately SEK 90.8 million instead of the reported SEK 8.6 million.

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.

Calendar

The 2021 Annual Report will be available on the Smart Eyes Website from April 7th, 2022

Annual General Meeting April 28th 2022

Interim report Jan-Mar 2022, April 28th 2022

Interim report Apr-Jun 2022, August 26th 2022

Interim report Jul-Sep 2022, October 20th 2022

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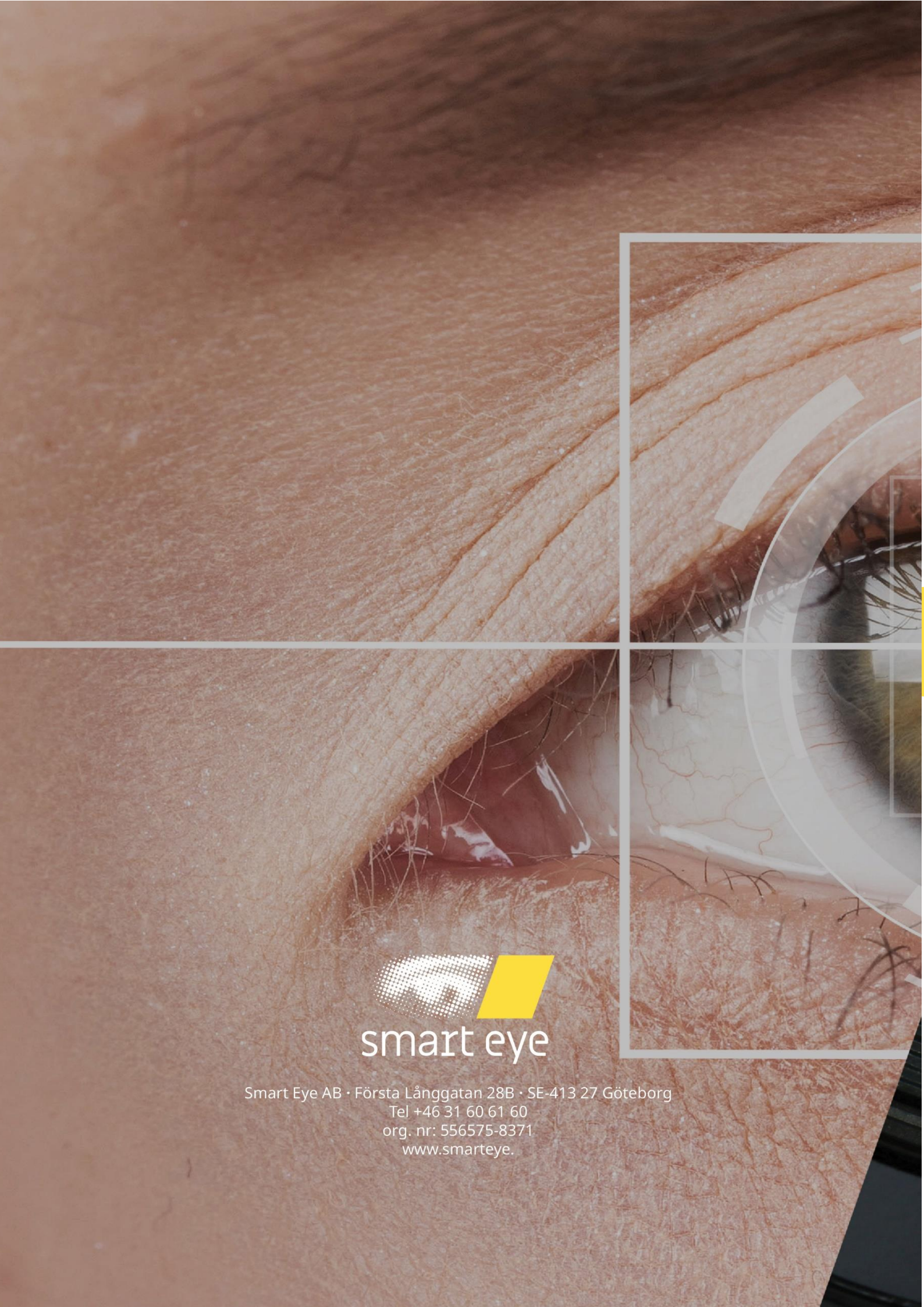
Smart Eye is the global leader in Human Insight AI, technology that understands, supports and predicts human behavior in complex environments. Bridging the gap between humans and machines for a safe and sustainable future.

Today, our technology is embedded in next-generation vehicles, leading the way towards human-centric mobility through Driver Monitoring Systems and Interior Sensing solutions. Our Research Instruments offer unparalleled insights into automotive, aviation, assistive technology, behavioral science and many more fields.

Our subsidiary Affectiva is humanizing technology by pioneering Emotion AI, helping companies gain a deeper understanding of how consumers engage with their content, products and services, in automotive, media & entertainment, market research and beyond.

Our subsidiary iMotions provides the world's leading biosensor software platform, that synchronizes data streams in real time from multiple sensors.

Smart Eye was founded in 1999 and is headquartered in Sweden with offices in the US, UK, Germany, Denmark, Egypt, Japan, Singapore and China. 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.



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