



smart eye

Interim Report

January - September 2021

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

Strong rebound post Covid – New exciting perspectives

July - September 2021

- Net sales amounted to SEK 30.9 (15.2) million, which is an increase of 103% compared to the corresponding period previous year, of which 35% was organic growth.
- Operating loss totaled SEK -46.8 (-12.8) million. The acquisition of Affectiva contributes to SEK -11.2 million of the operating result. Depreciation of the surplus value created in conjunction with the Affectiva acquisition amounts to SEK 18.6 million.
- Profit/loss after financial items was SEK -46.8 (-12.9) million.
- Profit/loss after tax per share is negative.
- Cash and cash equivalents totaled SEK 326.3 million at the end of September
- In July, four design wins were obtained from a global North American OEM. The order is for four new car models on an existing platform with an estimated order value of SEK 100 million, and 1st of October an additional design win with an existing Japanese customer was communicated. Estimated order value SEK 25 million.

January - September 2021

- Net sales amounted to SEK 66.0 (46.8) million, which is an increase of 41% compared to the corresponding period previous year, of which 19% was organic growth
- Operating loss amounted to SEK -87.3 (-57.7) million.
- Profit after financial items amounted to SEK -87.3 (-58.0) million.
- Earnings after tax per share are negative.
- In May the company entered into an agreement to acquire Affectiva, a Boston based Emotion AI company, for a consideration of USD 73.5 million. In conjunction with the acquisition a directed share issue of SEK 275 million were completed.

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 August 26th 2021.

The total estimated value of the company's 89 (88) design wins announced to date currently amounts to SEK 2,275 (2,250) million over a product life cycle.

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

Financial summary

		jul-sep	jul-sep	jan-sep	jan-sep	Full Year
		2021	2020	2021	2020	2020
TSEK						
Net sales	TSEK	30 898	15 212	65 961	46 772	65 097
Operating profit/loss	TSEK	-46 755	-12 818	-87 297	-57 729	-77 156
Operating margin	%	neg.	neg.	neg.	neg.	neg.
Profit/loss after tax	TSEK	-46 771	-12 854	-87 346	-57 957	-77 557
Profit per share	SEK	-2,35	-0,85	-4,38	-3,83	-4,66
Return on total capital	%	-4,54	-5,70	-4,54	-19,50	-20,10
Equity per share	SEK	51,74	12,93	51,74	12,93	21,20
Equity per share after full dilution	SEK	51,12	12,71	51,12	12,71	20,70
Equity ratio	%	88,34	86,11	88,34	86,11	91,24
Number of shares		19 929 157	15 118 984	19 929 157	15 118 984	16 630 882
Number of shares after full dilution		20 169 157	15 379 184	20 169 157	15 379 184	17 031 082
Average number of shares before full dilution		19 858 507	15 118 984	18 280 020	15 118 984	16 630 882
Average number of shares after full dilution		20 098 507	15 425 851	18 520 020	15 402 517	17 031 082

Comments from the CEO

We are back and have surpassed our pre-covid levels of business activity. All our business areas are performing very well and our position in the market is as good as it has ever been. We stand strong in the business pursuits in Automotive Solutions, we have a pent-up market demand for our brand new fleet product soon to be delivered, and our research products are picking up speed post pandemic.

Automotive

Let's put some color on our existing automotive production programs. We have been hamstrung by NDAs to talk openly about all but a few OEMs, but it is possible to give more information in general terms.

- We have three OEMs in production with cars equipped with our software being produced out of Europe, US, Korea, and China.
- Since the start of series production in 2018, we have equipped more than half a million cars with Smart Eye software, and are rapidly approaching one million in total delivery, a number that we will surpass during the first half of 2022.
- We expect two more car OEMs to start production in Q4 this year, or latest early next year.
- Next year we will add production in Japan.
- The majority of the 89 car models that we won until now will be in production before the end of 2023.

Let's now put some color on the ongoing automotive procurements where we are currently participating. Generally speaking, our competitive position continues to be very strong thanks to our long history of delivering DMS and Eye Tracking to highly qualified customers during the last 22 years.

- Three of the largest procurements of DMS to date are due for sourcing in coming quarters. Smart Eye is a force to be reckoned with in all three. There are also several smaller procurements soon to be decided in the near term.
- Close to all global OEMs will procure their first or second generation DMS during the next couple of years, fueled by regulatory



tailwind in Europe, and soon in other regions of the world.

- We stand firm by our previously communicated estimate that there is an estimated lifetime value of 10 billion SEK or higher in the procurements that we expect during the coming 18 months, including the three big ones mentioned above.
- We hold a very positive view on the outlook of winning more car models on the current platforms. The recently communicated Japanese design win is an example of that.
- Interior Sensing is a budding market opportunity that soon will be in full swing in the automotive procurement circles. By joining forces with Affectiva we are perfectly positioned for this development.
- We believe that Interior Sensing is heading towards integrating multiple sensors into one multimodal sensing unit. This is logical for reasons of functionality, cost, physical size, and power consumption. We already see this trend in the sensors on the outside of the car. Smart Eye will continuously explore this exciting development and how it applies to automotive and other industries in the future.

While selling software to the world's largest car OEMs is our main task, we also have the business unit AIS, developing an offering for the aftermarket and small OEMs. The system consists of hardware and software bundled together. We are still pre-revenue in that

deliveries have not yet started, except that a handful customers have tested early production samples. We are making ourselves ready to start production ramp-up and deliveries for early next year.

Research

Starting in quarter three we now have two business units offering products to research customers. The first one is Research Instruments, selling high-end eye tracking products to advanced customers for more than 20 years. The growth was 51% in the third quarter.

In addition we have the new business unit Media Analytics, which is now a part of Smart Eye since the acquisition of Affectiva. The main business is advertisement testing with Emotion AI. Media Analytics also had a strong quarter where business is rebounding after Covid.

Affectiva Integration

One quarter has passed since we acquired Affectiva. The integration is in full swing. Even though we have not finalized every aspect of the integration yet, the most important thing is that we have already started to work on Interior Sensing procurement processes for

automotive customers. This shows that the timing for the merger was right. The automotive side of Affectiva is being tightly integrated with Smart Eye's automotive team, while Media Analytics' team operates more independently. It is pleasing to see the positive spirit and energy that has been created by the teams.

Final Words

The pandemic and the subsequent semiconductor shortage has affected everyone in the car industry negatively. For Smart Eye it has been even more important, that thanks to regulatory tailwind we have seen our market grow and now even surpass pre-covid levels. We stand stronger than ever. The palette is full of colors in the automotive production and procurement programs. With Affectiva, our operations have widened and accelerates our development of interior sensing.

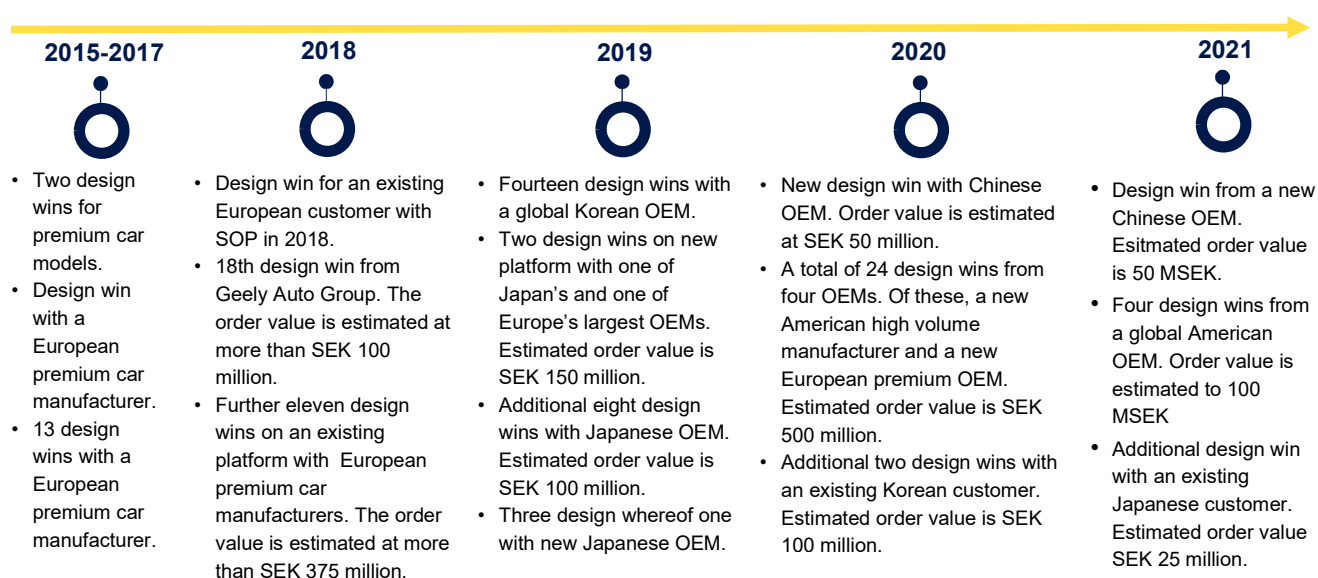
All combined this creates exciting perspectives for the future that makes smart eyes sparkle with anticipation.

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 was 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.



Design Win Year / (MSEK)	2015-2019	2020	2021	Total
Estimated revenue over the product life cycle from current design wins	1 450	650	175	2 275
Estimated revenue over the product life cycle from possible additional designs wins with existing car manufacturers on existing platforms	1 300	2 375	300	3 975
Estimated revenue over the product life cycle including current and possible additional designs wins with existing car manufacturers on existing platforms	2 750	3 025	475	6 250

The Group

As of first quarter 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

Third quarter 2021

Net sales for the period July to September 2021 amounted to SEK 30.9 (15.2) million, which is an increase of 103% compared to the corresponding period previous year, impacted by the consolidation of Affectiva. The organic growth was 35%.

Net sales for the **Automotive** business areas (AS and AIS) during the third quarter were SEK 12.4 million, compared with SEK 10.0 million in the third quarter of the previous year corresponding to an increase of 24%. A growth in license revenue and continued project revenue is the reason for the increased sales in the quarter.

For the **Research** business areas (RI and MA) net sales during the third quarter amounted to SEK 18.5 (5.2) million. The increase of 256% is partly due to the fact that Affectivas Media Analytics business has been consolidated into the group numbers. The organic growth in the quarter is however as high as 51% which again clearly demonstrates that the research market is coming back after the Covid restrictions.

January-September 2021

Net sales amounted to SEK 66.0 (46.8) million, which is an increase of 41% compared to the corresponding period previous year, of which 19% was organic growth

Net sales for **Automotive** business areas (AS and AIS) during the first three quarters of the year were SEK 33.5 million, compared with SEK 29.4 million in the third quarter of the previous year. The increase in sales is mainly due increased license revenue

Research business areas (RI and MA) net sales during the first nine months amounted to SEK 32.5 (17.4) million. which is an increase of 87% compared to the corresponding period previous year, of which 26% was organic growth

Results

Third quarter 2021

The operating result for the third quarter totaled SEK -46.8 (-12.8) million. The acquisition of Affectiva impacts the operating result with a negative SEK 11.2 million. Depreciation of the surplus value created in conjunction with the Affectiva acquisition amounts to SEK 18.6 million in the quarter. Increased post-Covid activity is another reason for the increased losses compared to last year's third quarter.

January-September 2021

The operating result for the first three quarters totaled SEK -87.3 (-57.7) million. Acquired company represents SEK -11.2 million of the operating result.

Financial position

In addition to cash and cash equivalents of SEK 326.3 million, the Group has an unutilised bank overdraft facility of SEK 5 million.

Important events during the period

In July, four new design wins were received from a major North American car manufacturer. The order is for four new car models on an existing platform, with an estimated revenue of 100 MSEK, based on forecasts of the estimated product life cycle.

Events after the end of the period

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

Parent company

Revenue

Third quarter 2021

Net sales for the period July to September 2021 amounted to SEK 20.1 (15.2) million.

January-September 2021

Net sales for the period January to September 2021 amounted to SEK 55.1 (46.8) million.

Results

Third quarter 2021

The operating result for the third quarter totaled SEK -17.2 (-12.8) million.

January-September 2021

The operating result for the first three quarters totaled SEK -58.1 (-58.2) 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 19,929,157.

Share-based incentive scheme

At the Annual General Meeting on April 14, 2021, the company resolved to establish an incentive program aimed at senior executives and staff. With full utilization of the company's incentive program, 200,000 shares will be issued.

In addition, the company has ongoing incentive programs that were decided at the Annual General Meetings on May 15, 2019, May 8th, 2020 and at an Extraordinary General Meeting Oct 8th, 2021

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 first quarter 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.

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

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, October 22, 2021

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	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Full Year 2020
Net sales	30 898	15 212	65 961	46 772	65 097
Cost of goods sold	-2 704	-1 826	-6 805	-5 787	-7 577
Gross Profit	28 194	13 386	59 156	40 985	57 520
Sales expenses	-19 699	-11 413	-47 879	-47 696	-64 079
Administrative expenses	-18 082	-7 626	-36 565	-23 692	-31 752
Research and development expenses	-38 478	-10 405	-67 903	-35 064	-48 077
Other operating income	1 441	4 318	7 759	12 972	17 328
Other operating expenses	-131	-1 077	-1 865	-5 234	-8 096
Operating profit/loss	-46 755	-12 818	-87 297	-57 729	-77 156
Financial income and expenses					
Profit/loss from participations in associated companies	0	0	0	0	-6
Interest income and similar profit items	0	0	0	0	13
Interest expenses and similar loss items	-16	-36	-49	-228	-256
Total financial income and expenses	-16	-36	-49	-228	-249
Profit/loss after financial items	-46 771	-12 854	-87 346	-57 957	-77 405
Tax on the result for the period	0	0	0	0	-152
Result for the period	-46 771	-12 854	-87 346	-57 957	-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	2021-09-30	2020-09-30	2020-12-31
ASSETS			
Intangible assets	777 624	125 303	129 597
Tangible assets	5 200	4 319	4 201
Financial assets	0	25	0
Total fixed assets	782 824	129 647	133 798
Inventories	5 237	4 341	5 203
Trade receivables	21 399	15 585	17 538
Current tax receivables	2 977	2 434	2 868
Other current receivables	12 261	2 887	1 572
Prepaid expenses and accrued income	16 243	4 795	6 787
Current receivables	52 880	25 701	28 765
Cash and cash equivalents	326 313	67 314	218 701
Total current assets	384 430	97 356	252 669
TOTAL ASSETS	1 167 254	227 003	386 468

Condensed Consolidated Balance Sheet

TSEK	2021-09-30	2020-09-30	2020-12-31
Equity			
Share Capital	1 993	1 512	1 663
Other contributed Equity	1 443 809	503 689	677 943
Other Equity	-414 662	-309 725	-326 977
Total equity	1 031 139	195 474	352 627
Other long-term debt	62 921	0	0
Other debt to credit institutions	0	1 667	0
Non-current liabilities	62 921	1 667	0
Other debt to credit institutions	167	500	1 667
Advance payments from customer	2 191	0	0
Trade payables	11 583	7 084	8 807
Other current debt	35 595	2 667	3 293
Accrued expenses and prepaid income	23 658	19 611	20 074
Current liabilities	73 194	29 862	33 841
TOTAL EQUITY AND LIABILITIES	1 167 254	227 003	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*	112	260 823		260 935
Non-cash issue*	179	440 760		440 938
Set-off issue*	23	56 498		56 521
Option program 2018*	16	7 785		7 801
Translation difference			-339	-339
Profit/loss for the year			-87 346	-87 346
Equity 2021-09-30	1 993	1 443 809	-414 662	1 031 139

The share capital consists of 19 929 157 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 313 807,50.

Condensed Consolidated Cash Flow Analysis

	2021-09-30	2020-09-30	2020-12-31
Operating activities			
Operating profit after depreciation	-87 297	-57 729	-77 557
Reversal of depreciation	36 668	16 124	21 558
Financial payments received	0	0	13
Financial disbursements	-49	-228	0
Tax	0	0	2 231
Change in working capital			
Change in stocks	-34	31	-1 103
Change in trade receivables	7 635	-3 851	-5 804
Change in other current receivables	-5 493	9 534	6 464
Change in trade payables	254	-11 079	-9 356
Changes in other current liabilities	-30 902	-2 985	-728
<i>Cash flow from working capital</i>	-79 218	-50 184	-64 282
Investment activities			
Intangible assets	-36 588	-29 648	-38 767
Tangible assets	-1 899	-136	-887
Financial assets	-43 804	0	0
<i>Cash flow from investment activities</i>	-82 292	-29 784	-39 654
Financing activities			
Rights issue	261 250	0	177 176
Stock option program	7 802	1 960	1 960
Non-current liabilities	0	0	-1 667
<i>Cash flow from financing activities</i>	269 052	1 960	177 469
<i>Translation difference</i>	70	-62	-216
Cash flow	107 612	-78 070	73 317
Opening cash and cash equivalents	218 701	145 384	145 384
Closing cash and cash equivalents	326 313	67 314	218 701

Condensed Parent Company's Statement of Income*

TSEK	jul-sep 2021	jul-sep 2020	jan-sep 2021	jan-sep 2020	Full Year 2020
Net sales	20 078	15 212	55 141	46 772	65 097
Cost of goods sold	-1 489	-1 826	-5 590	-5 786	-7 577
Total operating revenue	18 590	13 386	49 551	40 986	57 520
Sales expenses	-14 573	-11 354	-43 091	-48 148	-63 503
Administrative expenses	-9 422	-7 626	-27 906	-23 692	-31 752
Research and development expenses	-13 130	-10 405	-42 554	-35 063	-49 335
Other operating income	1 441	4 318	7 759	12 972	16 811
Other operating expenses	-131	-1 077	-1 865	-5 234	-8 096
Operating profit/loss	-17 224	-12 758	-58 105	-58 180	-78 355
Financial income and expenses					
Profit/loss from participations in associated companies	0	0	0	0	-6
Interest income and similar profit items	0	0	0	0	13
Interest expenses and similar loss items	-6	-36	-40	-228	-256
Total financial income and expenses	-6	-36	-40	-228	-249
Profit/loss after financial items	-17 230	-12 794	-58 145	-58 408	-78 604
Tax on the result for the period	0	0	0	0	0
Result for the period	-17 230	-12 794	-58 145	-58 408	-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	2021-09-30	2020-09-30	2020-12-31
ASSETS			
Intangible assets	144 335	125 303	129 597
Tangible assets	2 781	4 059	3 980
Financial assets	651 601	1 605	1 580
Total fixed assets	798 717	130 967	135 157
Inventories	5 237	4 341	5 203
Trade receivables	13 118	15 585	17 538
Receivables from Group companies	22 428	384	29
Current tax receivables	2 977	2 434	2 868
Other current receivables	1 908	2 039	1 572
Prepaid expenses and accrued income	10 085	4 798	5 745
Current receivables	50 516	25 240	27 752
Cash and cash equivalents	322 823	66 207	218 141
Total current assets	378 576	95 788	251 096
TOTAL ASSETS	1 177 293	226 755	386 253

Condensed Parent Company's Balance Sheet

TSEK	2021-09-30	2020-09-30	2020-12-31
Equity			
Restricted equity			
Share capital	1 993	1 512	1 663
Fund for development costs	133 012	97 637	115 370
Share premium fund	21 914	21 914	21 914
	156 919	121 063	138 947
Unrestricted equity			
Share premium fund	1 421 894	481 774	656 028
Retained profit	-461 519	-350 311	-365 273
Profit/loss for the year	-58 145	-58 408	-78 604
	902 231	73 055	212 151
Total equity	1 059 150	194 118	351 098
Other long term-debt	62 921	0	0
Other debt to credit institutions	0	1 667	0
Non-current liabilities	62 921	1 667	0
Other debt to credit institutions	167	500	1 667
Advance payments from customer	2 191	0	0
Trade payables	8 263	7 055	8 773
Debt to Group companies	1 670	1 429	2 063
Other current debt	23 804	2 381	2 858
Accrued expenses and prepaid income	19 126	19 605	19 794
Current liabilities	55 221	30 970	35 155
TOTAL EQUITY AND LIABILITIES	1 177 293	226 755	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*	112			260 823		260 935
Non-cash issue*	179			440 760		440 938
Set-off issue*	23			56 498		56 521
Option program 2018*	16			7 785		7 801
Fund for development costs			30 561		-30 561	
Reversal of fund for development costs			-12 919		12 919	
Profit/loss for the year					-58 145	-58 145
Equity 2021-09-30	1 993	21 914	133 012	1 421 894	-519 663	1 059 150

The share capital consists of 19 929 157 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 313 807,50.

Condensed Parent Company's Cash Flow Analysis

TSEK	2021-09-30	2020-09-30	2020-12-31
Operating activities			
Operating profit after depreciation	-58 105	-58 180	-78 354
Reversal of depreciation	17 620	16 124	21 558
Financial payments received	0	0	13
Financial disbursements	-40	-228	-262
Tax	0	0	2 231
Change in working capital			
Change in stocks	-34	31	-1 103
Change in trade receivables	4 420	-3 851	-5 804
Change in other current receivables*	-27 193	9 527	7 008
Change in trade payables	-511	-10 816	-9 100
Change in other current liabilities	-1 206	-3 411	-945
<i>Cash flow from working capital</i>	-65 048	-50 805	-64 758
Investment activities			
Intangible assets	-30 497	-29 648	-38 767
Tangible assets	-661	-136	-666
Financial assets	-68 164	-277	-252
<i>Cash flow, investment activities</i>	-99 322	-30 061	-39 685
Financing activities			
Rights issue	261 250	0	177 176
Stock option program	7 802	1 960	1 960
Non-current liabilities	0	0	-1 667
<i>Cash flow from financing activities</i>	269 052	1 960	177 469
Cash flow	104 682	-78 906	73 023
Opening cash and cash equivalents	218 141	145 118	145 118
Closing cash and cash equivalents	322 823	66 212	218 141

Note 1 Transition to income statement classified by function

2020-07-01 - 2020-09-30

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		15 212						15 212
Capitalised work for own account	1	6 015	-6 015					0
Other operating revenue	2	3 242		-3 242				0
<i>Cost of goods sold</i>					-1 461	-365		-1 826
Gross profit		24 469	-6 015	-3 242	-1 461	-365	0	13 386
Other external costs	3	-12 529			12 529			0
Personnel costs	4	-19 029				19 029		0
Depreciation and amortisation of tangible and intangible assets	5	-5 729					5 729	0
<i>Sales expenses</i>					-3 062	-8 351		-11 413
<i>Administrative expenses</i>					-4 703	-2 307	-616	-7 626
<i>Research and development expenses</i>			6 015		-3 302	-8 005	-5 113	-10 405
<i>Other operating income</i>				4 318				4 318
<i>Other operating expenses</i>				-1 077				-1 077
Operating profit/loss		-12 818		0	0	0	0	-12 818
Financial income and expenses								
Profit/loss from participations in associated companies								
Interest income and similar profit items								
Interest costs and similar loss items		-36						-36
Total profit/loss from financial items		-36	0	0	0	0	0	-36
Profit/loss after financial items		-12 854	0	0	0	0	0	-12 854
Tax on profit for the period		0						0
Net profit/loss for the period		-12 854						-12 854

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 third 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 2 Transition to income statement classified by function

2020-01-01 - 2020-09-30

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
Net sales		46 772						46 772
Capitalised work for own account	1	22 348	-22 348					0
Other operating revenue	2	7 739		-7 739				0
<i>Cost of goods sold</i>					-4 629	-1 158		-5 787
Gross profit		76 859	-22 348	-7 739	-4 629	-1 158	0	40 985
Other external costs	3	-51 572			51 572			0
Personnel costs	4	-66 892				66 892		0
Depreciation and amortisation of tangible and intangible assets	5	-16 124					16 124	0
<i>Sales expenses</i>					-21 163	-26 534		-47 696
<i>Administrative expenses</i>					-14 182	-7 664	-1 845	-23 692
<i>Research and development expenses</i>			22 348		-11 597	-31 536	-14 278	-35 064
<i>Other operating income</i>				12 972				12 972
<i>Other operating expenses</i>				-5 234				-5 234
Operating profit/loss		-57 729		0	0	0	0	-57 729
Financial income and expenses								
Profit/loss from participations in associated companies								
Interest income and similar profit items								
Interest costs and similar loss items		-228						-228
Total profit/loss from financial items		-228	0	0	0	0	0	-228
Profit/loss after financial items		-57 957	0	0	0	0	0	-57 957
Tax on profit for the period		0						0
Net profit/loss for the period		-57 957						-57 957

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 three quarters 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 3 Transition to income statement classified by function

2020-07-01 - 2020-09-30

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 depreciation and amortisation	Income statement classified by function
Net sales		15 212					15 212
Capitalised work for own account	1	6 015	-6 015				0
Other operating revenue	2	3 242		-3 242			0
Cost of goods sold					-1 461	-365	-1 826
Gross profit		24 469	-6 015	-3 242	-1 461	-365	13 386
Other external costs	3	-12 358			12 358		0
Personnel costs	4	-19 140				19 140	0
Depreciation and amortisation of tangible and intangible assets	5	-5 729				5 729	0
Sales expenses					-2 892	-8 462	-11 354
Administrative expenses					-4 703	-2 307	-7 626
Research and development expenses			6 015		-3 302	-8 005	-10 405
Other operating income				4 318			4 318
Other operating expenses				-1 077			-1 077
Operating profit/loss		-12 758	0	0	0	0	-12 758
Financial income and expenses							
Profit/loss from participations in associated companies							
Interest income and similar profit items							
Interest expenses and similar loss items		-36					-36
Total profit/loss from financial items		-36	0	0	0	0	-36
Profit/loss after financial items		-12 794	0	0	0	0	-12 794
Tax on profit for the period		0					0
Net profit/loss for the period		-12 794					-12 794

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 third 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 Transition to income statement classified by function

2020-01-01 - 2020-09-30

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	Adjustment personnel costs	Adjustments depreciation and amortisation	Income statement classified by function
Net sales		46 772						46 772
Capitalised work for own account	1	22 348	-22 348					0
Other operating revenue	2	7 739		-7 739				0
<i>Cost of goods sold</i>					-4 629	-1 158		-5 787
Gross profit		76 859	-22 348	-7 739	-4 629	-1 158	0	40 985
Other external costs	3	-51 933			51 933			0
Personnel costs	4	-66 982				66 982		0
Depreciation and amortisation of tangible and intangible assets	5	-16 124					16 124	0
<i>Sales expenses</i>					-21 525	-26 624		-48 148
<i>Administrative expenses</i>					-14 182	-7 664	-1 845	-23 692
<i>Research and development expenses</i>			22 348		-11 597	-31 536	-14 278	-35 063
<i>Other operating income</i>				12 972				12 972
<i>Other operating expenses</i>				-5 234				-5 234
Operating profit/loss		-58 180	0	0	0	0	0	-58 180
Financial income and expenses								
Profit/loss from participations in associated companies								
Interest income and similar profit items								
Interest expenses and similar loss items		-228						-228
Total profit/loss from financial items		-228	0	0	0	0	0	-228
Profit/loss after financial items		-58 408	0	0	0	0	0	-58 408
Tax on profit for the period		0						0
Net profit/loss for the period		-58 408						-58 408

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 the three quarters 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 5 Acquisition

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 consideration amounted to USD 73.5 million based on Affectiva's financial position. The Consideration consists partly of shares in Smart Eye (the "Consideration Shares"), and partly of a cash payment. USD 67.5 million will be paid in 2,354,668 shares in Smart Eye and the remainder will be paid in cash. Of the 2,354,668 shares, 2,015,626 were 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 company and as of September 30, 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.

Due to the fact that the acquisition was completed late in the second quarter no preliminary purchase price allocation has yet been finalized as the analysis is currently in progress. Due to this the preliminary allocation of surplus values have been in total allocated to intangible assets based on an initial assessment made at the time of the acquisition. When preparing the purchase price allocation this allocation could however change.

Intangible assets are depreciated over a period of 10 years.

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 at 8:30 am CET on October 22, 2021.

Calendar

Interim report Oct-Dec 2021
February 23rd 2022

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Since 1999, Smart Eye has developed artificial intelligence (AI) in the form of eye tracking technology that understands, supports and predicts a person's intentions and actions. By carefully studying eye, facial and head movement, our technology can draw conclusions about a person's awareness and mental state.

Our technology is used in the next generation of cars, in commercial vehicles and for providing new insights for research within aerospace, aviation, neuroscience and more. Since acquiring Emotion AI pioneer Affectiva in June 2021, Smart Eye will expand our industry-leading Driver Monitoring technology to advanced Interior Sensing solutions to gain a deep, human-centric understanding of what's happening in a vehicle.

Smart Eye is headquartered in Gothenburg, Sweden, with additional offices in Tokyo (Japan), Chongqing (China), Cairo (Egypt), Detroit and Boston (USA), and Germany. Our solutions are used around the world by more than 800 partners and customers, including the US Air Force, NASA, BMW, Audi, Boeing, Volvo, GM, and Harvard University. Smart Eye's business is organized in four business areas: Research Instruments, Automotive Solutions, Applied AI Systems (AIS) and Media Analytics.

Visit www.smarteye.ai for more information.



smart eye

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