



smart eye

Interim report
January - June 2021

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

DMS market stays strong while Affectiva strengthens Interior Sensing

April – June 2021

- Net sales totaled SEK 16.9 (13.9) million which corresponds to an increase of 22 %. The increase in sales is mainly due increased sales in business area Research Instruments.
- Operating loss totaled SEK -22.0 (-22.9) million.
- Profit/loss after financial items was SEK -22.0 (-23.0) million.
- Profit/loss after tax per share is negative.
- Cash and cash equivalents totaled SEK 389.2 million at the end of June.
- 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.
- 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.

January - June 2021

- Net sales amounted to SEK 35.1 (31.5) million, which corresponds to an increase of 11%.
- Operating profit amounted to SEK -40.5 (-44.9) million.
- Profit after financial items amounted to SEK -40.6 (-45.1) million
- Earnings after tax per share are negative.

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 May 5th 2021.

The total estimated value of the company's 88 (84) design wins announced to date currently amounts to at least SEK 2,250 (2,150) 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

		apr-jun	apr-jun	jan-jun	jan-jun	Full Year
		2021	2020	2021	2020	2020
TSEK						
Net revenue	TSEK	16 932	13 848	35 063	31 560	65 097
Operating profit/loss	TSEK	-22 025	-22 925	-40 542	-44 911	-77 156
Operating margin	%	neg.	neg.	neg.	neg.	neg.
Profit/loss after tax	TSEK	-22 039	-22 998	-40 575	-45 103	-77 557
Profit per share	SEK	-1,11	-1,52	-2,05	-2,98	-4,66
Return on total capital	%	-20,6	-9,5	-20,6	-15,2	-20,1
Equity per share	SEK	54,17	13,79	54,17	13,79	21,20
Equity per share after full dilution	SEK	53,14	13,55	53,14	13,55	20,70
Equity ratio	%	86,85	86,02	86,85	86,02	91,24
Number of shares		19 787 857	15 118 984	19 787 857	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		18 209 370	15 118 984	18 209 370	15 118 984	15 874 933
Average number of shares after full dilution		18 590 670	15 425 851	18 590 670	15 402 517	16 275 133

Comments from the CEO

Automotive Solutions

The second quarter has come and gone, and it was a very eventful one. For a long time, we have seen the automotive market moving in the direction of measuring more than DMS. We call this Interior Sensing, which is driver monitoring together with in-cabin sensing, combined in a system that measures the state of the driver, the cabin and the occupants in it. We showed our concept for Interior Sensing at CES 2020, which resulted in concrete work with automotive customers. These pre-development projects have been ongoing since then – during the pandemic.

At CES we also met with the management team of Affectiva, a spin out of the MIT Media Lab in Boston. Affectiva pioneered the field of Emotion AI and in recent years, broadened its technology to Interior Sensing. At that meeting it became clear that not only are we competitors, but we also have complementary strengths. In addition, there is a cultural fit in how we look at the industry and future innovations. I left CES with the conviction that for the budding Interior Sensing market, Affectiva was going to be our main adversary as opposed to any of our traditional DMS competitors.

Then the pandemic hit and shortly thereafter I started to talk to the founder and CEO of Affectiva, Dr. Rana el Kaliouby. It turned out that we share the same vision about the possibilities of this technology and how to reach it. It became clear that by joining forces, combining our best-of-breed technologies and two highly skilled, and complementary teams, we can bring to market unparalleled automotive-grade Interior Sensing AI, better and faster than the competition. This solution will improve automotive safety and provide enhanced in-vehicle experiences. We started to work towards merging the two companies during the fall of last year. In May, we could finally announce the merger, and by end of June the deal was closed. Since then, we have started integration and have already received RFQs for Interior Sensing where our combined strengths are playing into our hand.

What should be expected is that DMS will be the dominant market factor for some time, whilst Interior Sensing is slowly gaining momentum starting with the premium segment, much the same way it happened for DMS in 2014-15.



After the end of Q2 we received four new design wins from an existing customer. While great news, this was very much expected as we see this pattern regularly. It's because the inertia of the industry makes it much more likely for any OEM to continue to order a system from an existing supplier, compared to going through the trouble of renewed sourcing. The automotive industry is very sticky in this respect. We should expect much more add-on business like this.

At the same time, we have seen that the semiconductor shortage has affected some of our customers negatively, and it seems that some of our programs in production have not grown as expected. We believe this effect to be transient and that the large OEMs will have solved these issues before long. During 2020 the world's car production decreased due to Corona and this year, the rebound is not as high as it could have been, had it not been for the scarcity of electronic components.

Research Instruments

A very pleasant result from Q2 is that we are back to solid growth for Research Instruments. We can now see 60% growth and the customer activity is at record levels. It seems that the customers are again ready to do research in labs using eye tracking equipment. We expect further tail wind for the rest of this year.

Applied AI Systems

Our aftermarket solution for the fleet market (AIS) has also been affected by the semiconductor crisis, but we have now secured key components for the remainder of this year. We are currently involved in testing together with customers with the goal of having deliveries of more substantial volumes in the fall.

Martin Krantz

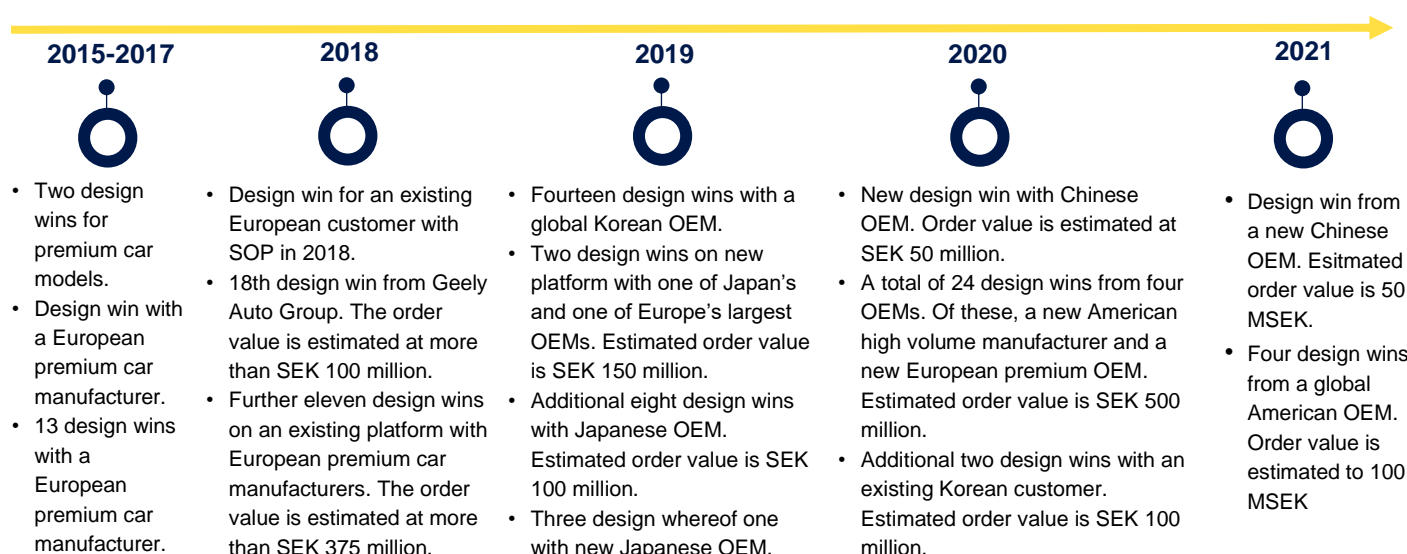
CEO Smart Eye

Final Words

During the company's 22 years, we have never experienced a period of such intense consolidation as right now. With the present atomized DMS market, we believe the consolidation of market players are inevitable. Smart Eye has taken a decisive and strategic step forward to grasp the future by joining forces with Affectiva. We are now in pole position

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	150	2 250
Estimated revenue over the product life cycle from possible additional designs wins with existing car manufacturers on existing platforms	1 300	2 400	300	4 000
Estimated revenue over the product life cycle including current and possible additional designs wins with existing car manufacturers on existing platforms	2 750	3 050	450	6 250

The Group in summary

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. 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

Second quarter 2021

Net sales for the period April to June 2021 amounted to SEK 16.9 (13.9) million, which is an increase of 22%.

Net sales for Automotive Solutions during the second quarter were SEK 9.9 million, compared with SEK 9.7 million in the second quarter of the previous year. Continued project revenue balanced a slightly lower license revenue caused by the semiconductor shortage situation.

The Research Instruments business area's net sales during the second quarter amounted to SEK 6.7 (4.2) million. The increase of 60% clearly shows that sales are continuing to pick up as more markets are opening up post Covid. Several new orders and business opportunities have materialized during the quarter.

January-June 2021

Net sales for the period January to June 2021 amounted to SEK 35.1 (31.6) million, which is an increase of 11%.

Net sales for Automotive Solutions during the first half of the year were SEK 20.7 million, compared with SEK 19.4 million in the second quarter of the previous year. The increase in sales is mainly due to continued project revenues from customer projects

The Research Instruments business area's net sales during the first six months amounted to SEK 14.0 (12.2) million. Increasing customer

activity can be seen as the Covid restrictions are being lifted.

Results

Second quarter 2021

The operating result for the second quarter totaled SEK -22.0 (-22.9) million. The positive sales development during the quarter compensated for the higher costs leading to lower losses than last year's second quarter. A Covid related tight cost control during last year explains the difference in cost.

January-June 2021

The operating result for the first half year totaled SEK -40.5 (-44.9) million.

Financial position

In addition to cash and cash equivalents of SEK 389.2 million, the Group has an unutilised bank overdraft facility of SEK 5 million.

Important events during the period

In May the company entered into an agreement to acquire Affectiva. Affectiva is a tech company pioneering in Emotion AI and Human Perception AI located in Boston, MA, with an additional office in Cairo, Egypt. In conjunction with the agreement the company carried out a directed share issue and raised SEK 275 million before transaction costs.

The acquisition of Affectiva was completed on June 17th. 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 were paid in cash. See note 5 for more information.

Events after the end of 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.

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 19,787,857.

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, and May 8th, 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 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, August 26, 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	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Full Year 2020
Net sales	16 932	13 848	35 063	31 560	65 097
Cost of goods sold	-1 958	-1 528	-4 101	-3 961	-7 577
Gross Profit	14 974	12 320	30 962	27 599	57 520
Sales expenses	-14 834	-13 340	-28 180	-36 283	-64 079
Administrative expenses	-9 721	-7 713	-18 483	-16 066	-31 752
Research and development expenses	-14 491	-14 044	-29 425	-24 658	-48 077
Other operating income	3 800	4 103	6 318	8 654	17 328
Other operating expenses	-1 753	-4 250	-1 734	-4 157	-8 096
Operating profit/loss	-22 025	-22 925	-40 542	-44 911	-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	-15	-73	-33	-192	-256
Total financial income and expenses	-15	-73	-33	-192	-249
Profit/loss after financial items	-22 039	-22 998	-40 575	-45 103	-77 405
Tax on the result for the period	0	0	0	0	-152
Result for the period	-22 039	-22 998	-40 575	-45 103	-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	2021-06-30	2020-06-30	2020-12-31
ASSETS			
Intangible assets	786 008	123 381	129 597
Tangible assets	6 003	4 896	4 201
Financial assets	0	25	0
Total fixed assets	792 011	128 302	133 798
Inventories	5 227	4 751	5 203
Trade receivables	20 979	19 677	17 538
Current tax receivables	2 614	1 905	2 868
Other current receivables	12 590	3 152	1 572
Prepaid expenses and accrued income	11 519	3 076	6 787
Current receivables	47 702	27 810	28 765
Cash and cash equivalents	389 237	81 438	218 701
Total current assets	442 166	113 999	252 669
TOTAL ASSETS	1 234 177	242 301	386 468

Condensed Consolidated Balance Sheet

TSEK	2021-06-30	2020-06-30	2020-12-31
Equity			
Share Capital	1 979	1 512	1 663
Other contributed Equity	1 436 424	503 689	677 943
Other Equity	-366 564	-296 768	-326 977
Total equity	1 071 837	208 431	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	667	1 000	1 667
Advance payments from customer	1 648	0	0
Trade payables	19 836	6 454	8 807
Other current debt	47 566	3 124	3 293
Accrued expenses and prepaid income	29 702	21 625	20 074
Current liabilities	99 419	32 203	33 841
TOTAL EQUITY AND LIABILITIES	1 234 177	242 301	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	441 114		441 293
Set-off issue*	23	56 544		56 567
Option program 2018*	2		918	920
Translation difference			70	70
Profit/loss for the year			-40 575	-40 575
Equity 2021-06-30	1 979	1 436 424	-366 564	1 071 837

The share capital consists of 19 787 857 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 1 890. 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

	2021-06-30	2020-06-30	2020-12-31
Operating activities			
Operating profit after depreciation	-40 542	-44 911	-77 557
Reversal of depreciation	11 494	10 395	21 558
Financial payments received	0	0	13
Financial disbursements	-33	-192	0
Tax	0	0	2 231
Change in working capital			
Change in stocks	-24	-652	-1 103
Change in trade receivables	9 389	-7 943	-5 804
Change in other current receivables	-2 907	11 789	6 464
Change in trade payables	9 363	-11 709	-9 356
Changes in other current liabilities	-12 179	14	-728
<i>Cash flow from working capital</i>	-25 439	-43 209	-64 282
Investment activities			
Intangible assets	-21 684	-22 583	-38 767
Tangible assets	-771	-136	-887
Financial assets	-43 732	0	0
<i>Cash flow from investment activities</i>	-66 187	-22 719	-39 654
Financing activities			
Rights issue	261 250	0	177 176
Stock option program	919	1 960	1 960
Non-current liabilities	0	0	-1 667
<i>Cash flow from financing activities</i>	262 169	1 960	177 469
<i>Translation difference</i>	-7	22	-216
Cash flow	170 536	-63 946	73 317
Opening cash and cash equivalents	218 701	145 384	145 384
Closing cash and cash equivalents	389 237	81 438	218 701

Condensed Parent Company's Statement of Income*

TSEK	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Full Year 2020
Net sales	16 932	13 848	35 063	31 560	65 097
Cost of goods sold	-1 958	-1 528	-4 101	-3 961	-7 577
Total operating revenue	14 974	12 320	30 962	27 599	57 520
Sales expenses	-15 029	-13 563	-28 518	-36 794	-63 503
Administrative expenses	-9 721	-7 713	-18 484	-16 066	-31 752
Research and development expenses	-14 491	-14 044	-29 425	-24 658	-49 335
Other operating income	3 800	4 102	6 318	8 654	16 811
Other operating expenses	-1 753	-4 250	-1 734	-4 157	-8 096
Operating profit/loss	-22 220	-23 148	-40 881	-45 422	-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	-15	-73	-33	-192	-256
Total financial income and expenses	-15	-73	-33	-192	-249
Profit/loss after financial items	-22 234	-23 221	-40 914	-45 614	-78 604
Tax on the result for the period	0	0	0	0	0
Result for the period	-22 234	-23 221	-40 914	-45 614	-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	2021-06-30	2020-06-30	2020-12-31
ASSETS			
Intangible assets	141 024	123 381	129 597
Tangible assets	3 287	4 645	3 980
Financial assets	650 495	1 605	1 580
Total fixed assets	794 806	129 631	135 157
Inventories	5 227	4 751	5 203
Trade receivables	8 149	19 677	17 538
Receivables from Group companies	21 481	492	29
Current tax receivables	2 614	1 905	2 868
Other current receivables	1 788	2 269	1 572
Prepaid expenses and accrued income	8 955	3 077	5 745
Current receivables	42 987	27 420	27 752
Cash and cash equivalents	364 393	79 382	218 141
Total current assets	412 607	111 553	251 096
TOTAL ASSETS	1 207 413	241 184	386 253

Condensed Parent Company's Balance Sheet

TSEK	2021-06-30	2020-06-30	2020-12-31
Equity			
Restricted equity			
Share capital	1 979	1 512	1 663
Fund for development costs	128 695	91 623	115 370
Share premium fund	21 914	21 914	21 914
	152 587	115 049	138 947
Unrestricted equity			
Share premium fund	1 414 509	481 774	656 028
Retained profit	-456 284	-344 296	-365 273
Profit/loss for the year	-40 914	-45 614	-78 604
	917 311	91 864	212 151
Total equity	1 069 899	206 913	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	667	1 000	1 667
Advance payments from customer	1 648	0	0
Trade payables	18 135	6 414	8 773
Debt to Group companies	1 632	788	2 063
Other current debt	29 551	2 786	2 858
Accrued expenses and prepaid income	22 961	21 616	19 794
Current liabilities	74 593	32 604	35 155
TOTAL EQUITY AND LIABILITIES	1 207 413	241 184	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			441 114		441 293
Set-off issue*	23			56 544		56 567
Option program 2018*	2				918	920
Fund for development costs			21 685		-21 685	
Reversal of fund for development costs			-8 360		8 360	
Profit/loss for the year					-40 914	-40 914
Equity 2021-06-30	1 979	21 914	128 695	1 414 509	-497 198	1 069 899

The share capital consists of 19 787 857 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 1 890. 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	2021-06-30	2020-06-30	2020-12-31
Operating activities			
Operating profit after depreciation	-40 881	-45 422	-78 354
Reversal of depreciation	11 494	10 395	21 558
Financial payments received	0	0	13
Financial disbursements	-33	-192	-262
Tax	0	0	2 231
Change in working capital			
Change in stocks	-24	-652	-1 103
Change in trade receivables	9 389	-7 944	-5 804
Change in other current receivables*	-24 945	11 711	7 008
Change in trade payables	9 362	-11 459	-9 100
Change in other current liabilities	9 262	-1 136	-945
<i>Cash flow from working capital</i>	-26 376	-44 699	-64 758
Investment activities			
Intangible assets	-21 684	-22 583	-38 767
Tangible assets	-543	-136	-666
Financial assets	-67 313	-277	-252
<i>Cash flow, investment activities</i>	-89 540	-22 996	-39 685
Financing activities			
Rights issue	261 250	0	177 176
Stock option program	919	1 960	1 960
Non-current liabilities	0	0	-1 667
<i>Cash flow from financing activities</i>	262 169	1 960	177 469
Cash flow	146 253	-65 735	73 023
Opening cash and cash equivalents	218 141	145 118	145 118
Closing cash and cash equivalents	364 393	79 382	218 141

Note 1 Transition to income statement classified by function

2020-04-01 - 2020-06-30

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		13 848						13 848
Capitalised work for own account	1	6 222	-6 222					0
Other operating revenue	2	-148		148				0
<i>Cost of goods sold</i>					-1 145	-383		-1 528
Gross profit		19 922	-6 222	148	-1 145	-383	0	12 320
Other external costs	3	-14 261			14 261			0
Personnel costs	4	-23 186				23 186		0
Depreciation and amortisation of tangible and intangible assets	5	-5 400					5 400	0
<i>Sales expenses</i>					-4 557	-8 783		-13 340
<i>Administrative expenses</i>					-4 535	-2 561	-617	-7 713
<i>Research and development expenses</i>			6 222		-4 024	-11 460	-4 783	-14 044
<i>Other operating income</i>				4 103				4 103
<i>Other operating expenses</i>				-4 250				-4 250
Operating profit/loss		-22 925		0	0	0	0	-22 925
Financial income and expenses								
Profit/loss from participations in associated companies								
Interest income and similar profit items								
Interest costs and similar loss items		-73						-73
Total profit/loss from financial items		-73	0	0	0	0	0	-73
Profit/loss after financial items		-22 998	0	0	0	0	0	-22 998
Tax on profit for the period		0						0
Net profit/loss for the period		-22 998						-22 998

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 second 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 - 2020-06-30

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		31 560						31 560
Capitalised work for own account	1	16 333	-16 333					0
Other operating revenue	2	4 497		-4 497				0
Cost of goods sold					-3 168	-793		-3 961
Gross profit		52 390	-16 333	-4 497	-3 168	-793	0	27 599
Other external costs	3	-39 043			39 043			0
Personnel costs	4	-47 863				47 863		0
Depreciation and amortisation of tangible and intangible assets	5	-10 395					10 395	0
Sales expenses					-18 101	-18 182		-36 283
Administrative expenses					-9 479	-5 357	-1 229	-16 066
Research and development expenses			16 333		-8 295	-23 530	-9 165	-24 658
Other operating income				8 654				8 654
Other operating expenses				-4 157				-4 157
Operating profit/loss		-44 911		0	0	0	0	-44 911
Financial income and expenses								
Profit/loss from participations in associated companies								
Interest income and similar profit items								
Interest costs and similar loss items		-192						-192
Total profit/loss from financial items		-192	0	0	0	0	0	-192
Profit/loss after financial items		-45 103	0	0	0	0	0	-45 103
Tax on profit for the period		0						0
Net profit/loss for the period		-45 103						-45 103

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 first half year 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

2020-04-01 - 2020-06-30

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		13 848						13 848
Capitalised work for own account	1	6 222	-6 222					0
Other operating revenue	2	-148		148				0
<i>Cost of goods sold</i>					-1 145	-383		-1 528
Gross profit		19 922	-6 222	148	-1 145	-383	0	12 320
Other external costs	3	-14 505			14 505			0
Personnel costs	4	-23 165				23 165		0
Depreciation and amortisation of tangible and intangible assets	5	-5 400					5 400	0
<i>Sales expenses</i>					-4 802	-8 762		-13 564
<i>Administrative expenses</i>					-4 535	-2 561	-617	-7 713
<i>Research and development expenses</i>			6 222		-4 024	-11 460	-4 783	-14 044
<i>Other operating income</i>				4 102				4 102
<i>Other operating expenses</i>				-4 250				-4 250
Operating profit/loss		-23 148	0	0	0	0	0	-23 148
Financial income and expenses								
Profit/loss from participations in associated companies								
Interest income and similar profit items								
Interest expenses and similar loss items		-73						-73
Total profit/loss from financial items		-73	0	0	0	0	0	-73
Profit/loss after financial items		-23 221	0	0	0	0	0	-23 221
Tax on profit for the period		0						0
Net profit/loss for the period		-23 221						-23 221

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 second 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 - 2020-06-30

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	Adjustments depreciation and amortisation	Income statement classified by function
		31 560						31 560
	1	16 333	-16 333					0
	2	4 497		-4 497				0
					-3 168	-793		-3 961
		52 390	-16 333	-4 497	-3 168	-793	0	27 599
	3	-39 575			39 575			0
	4	-47 842				47 842		0
	5	-10 395					10 395	0
					-18 632	-18 161		-36 794
					-9 479	-5 357	-1 229	-16 066
			16 333		-8 295	-23 530	-9 165	-24 658
				8 654				8 654
				-4 157				-4 157
		-45 422	0	0	0	0	0	-45 422
		-192						-192
		-192	0	0	0	0	0	-192
		-45 614	0	0	0	0	0	-45 614
		0						0
		-45 614						-45 614

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 first half year 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 June 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 quarter no preliminary purchase price allocation has yet been prepared 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.

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 and the Securities Markets Act. The information was submitted for publication at 8:30 am CET on August 26, 2021.

Calendar

Interim report Jul-Sep 2021
October 22nd 2021

Interim report Oct-Dec 2021
February 23rd 2021

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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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