

Smart Eye Interim Report January - September 2018



Strengthened financial position enables increased growth

July–September 2018

- Net sales totalled SEK 15,324 thousand (12,945), which corresponds to an increase of 18 per cent.
- Operating profit/loss totalled SEK -9,759 thousand (-8,180). Earnings are developing according to plan as a result of investments, mainly in personnel, to meet the increasing level of activity in the Applied Solutions business area.
- Profit/loss after financial items was SEK -9,836 thousand (-8,285).
- Profit/loss after tax per share was negative.
- Cash and cash equivalents totalled SEK 104,568 thousand at 30 September. During the quarter, the company conducted a private placement that generated SEK 113,940 thousand before issue costs.
- The company announced that the design win announced in July was with Geely Auto Group.
- Smart Eye expanded its business with an existing customer by gaining a further five fem design wins during the quarter for models on the same platform where the company already has two design wins.

January – September 2018

- Net sales totalled SEK 35,817 thousand (32,692), which corresponds to an increase of 10 per cent compared with the year-earlier period.
- Operating profit/loss totalled SEK -40,369 thousand (-26,649).
- Profit/loss after financial items was SEK -40,666 thousand (-27,002).
- Profit/loss after tax per share was 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 20 August 2018.

The total estimated value of the company's 23 (18) design wins announced to date currently amounts to at least 675 MSEK (475) over a product life cycle.

If the company's system had been used in all car models on existing platforms by the five (five) car manufacturers with whom design wins have been communicated, the estimated value would amount to at least 2,000 MSEK (2,000) over a product life cycle.

Financial summary

TSEK	Jul-sep		Jan-sep		Helår
	2018	2017	2018	2017	2017
Net revenue	15 234	12 945	35 817	32 692	43 199
Operating costs	-29 516	-25 158	-90 445	-70 128	102 068
Operating profit/loss	-9 759	-8 180	-40 369	-26 649	-41 463
Operating margin, %	neg.	neg.	neg.	neg.	neg.
Profit/loss after tax	-9 836	-8 285	-40 666	-27 002	-41 896
Profit per share*, SEK	-0,75	-0,84	-3,09	-2,72	-4,23
Profit per share after full dilution*, SEK	-0,74	-0,82	-3,06	-2,66	-4,12
Return on total capital	-5,3%	-9,38%	-22,0%	-30,6%	-57,1%
Equity per share, SEK	14,07	8,91	14,07	8,91	7,41
Equity per share after full dilution*, SEK	13,90	8,69	13,90	8,69	7,41
Equity ratio	87%	78%	87%	78%	73%
Number of shares	13 146 943	9 910 892	13 146 943	9 910 892	9 910 892
Number of shares after full dilution	13 307 143	10 160 892	13 307 143	10 160 892	10 160 892
Average number of shares before full dilution	11 199 248	9 910 892	11 217 049	9 910 892	9 910 892
Average number of shares after full dilution	11 359 448	10 160 892	11 377 249	10 160 892	10 160 892

Comments from CEO

Strong performance



Looking back at the third quarter of 2018, three developments stand out in particular. In July, we announced Geely as a new customer, a breakthrough in China. In August, we achieved five new design wins

with an existing customer, an acknowledgement that our business model is working. Finally, in September, a directed share issue was conducted totalling 114 MSEK, which will be invested in the strategically important mass market for driver monitoring. There was high demand for the stock, which exceeded the number of shares that the Board of Directors was authorised to issue. Consequently, the government-owned venture capital company Fouriertransform, which became an owner of the company back in 2012, was able to sell all of its shares. Fouriertransform's decision to ultimately divest its full shareholding was in line with the Swedish government's new ownership directive from 2016. In addition to contributing capital, Fouriertransform also provided expertise, working on the Board of Directors and a broad industry network. This occurred at the critical stage when Smart Eye made the transition from a measuring technology company to a qualified subcontractor to the automotive industry. We would like to thank Fouriertransform for their commitment and, at the same time, welcome the new owners who take their place.

Wind in the sails for research products

Research Instruments has honed its product offering to be able to accommodate new market trends, which is starting to yield results. In the third quarter, sales amounted to 9 MSEK, up 27 per cent compared with the third

quarter of 2017. This represents an increase of 51 per cent compared with the second quarter of this year. There is a positive sales trend in all geographic markets and in all product families. Intensive work is currently under way to further refine the product portfolio and we will continue to introduce new products models in the autumn and winter.

Market leader in automotive driver monitoring

The situation for Applied Solutions continues to be characterised by intense market interest from essentially all major car manufacturers. Purchasing processes in various phases around the globe are being managed in a commendable manner by an efficient and well-structured organisation. Our main weapon for success in procurement processes is the market's most mature and stress-tested software solution for automotive customers, developed in accordance with the car industry's stringent standards and quality requirements. A safety system in a car simply must work, year after year, with the highest possible precision. This makes Smart Eye's flexible and open solution unique at a time when the needs of the market are increasing at a steadily increasing pace. The new share issue ensures that the successful business model can be scaled up.

High thresholds

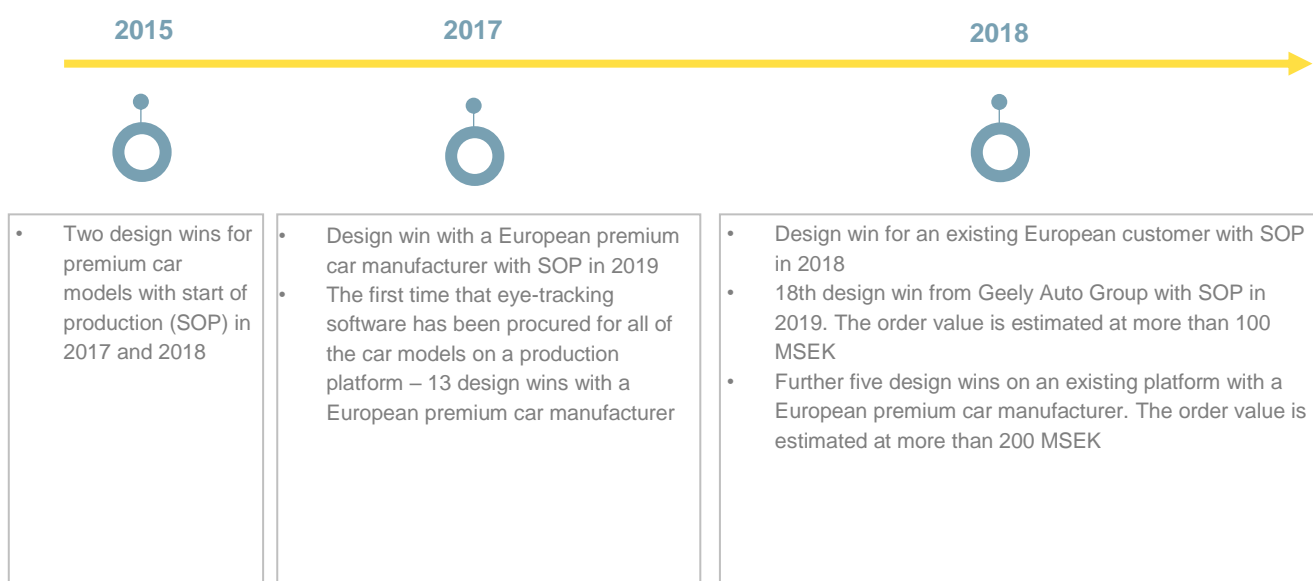
The long and challenging qualification process for software for cars is an obstacle for new market players, who must take an extremely long-term and persistent approach to be incorporated in their first car. At the same time, Smart Eye can deliver the necessary functionality with high speed for this context. Applied Solutions' sales of 6.2 MSEK represent an increase of 7 per cent compared with the same quarter in 2017. It is important to point out that this result has been achieved at the same time as a predominant share of the available resources was allocated to business opportunities in the mass market segment, with a future total value in excess of SEK 10 billion. Total sales for the Group amounted to 15.3 MSEK, an increase of 18 per cent compared with 2017.

Martin Krantz

CEO Smart Eye

Estimated value of obtained design wins

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



Design win / (MSEK)	DW 1-18	DW 19-23	Total
Estimated revenue over the product life cycle from current design wins	475	200	675
Estimated revenue over the product life cycle from possible additional designs wins with existing car manufacturers on existing platforms	1,300		1,300
Estimated revenue over the product life cycle including current and possible additional designs wins with existing car manufacturers on existing platforms	~1,800	200	~2,000

The Group in summary

Revenue and earnings

July–September 2018

Net sales for the period July to September 2018 amounted to SEK 15,234 thousand (12,945), up 18 per cent. The increase is primarily due to the positive trend in the Research Instruments business area, which continued during the third quarter.

Applied Solutions' net sales during the third quarter totalled SEK 6,244 thousand, compared with SEK 5,844 thousand in the third quarter of 2017. Sales thus increased somewhat despite the focus during the quarter on managing the large number of inquiries from mass market customers regarding driver monitoring systems.

Net sales in the Research Instruments business area amounted to SEK 8,990 thousand (7,088) during the third quarter. The increasing demand seen at the end of the last quarter continued during this quarter and the company noted growth of 27 per cent compared with the third quarter of 2017. It is clear that the establishment in the US is beginning to have an effect.

Other operating income, which is primarily attributable to external research, amounted to SEK 59 thousand (79). Capitalised work on own account amounted to SEK 4,464 thousand (3,954) during the period.

The Group's total revenue amounted to SEK 19,757 thousand (16,978) during the period.

Operating profit/loss for the period totalled SEK -9,759 thousand (-8,180). Earnings are developing according to plan as a result of investments, mainly in personnel, to meet the increasing level of activity in the Applied Solutions business area. The company is continuing to recruit personnel in Sweden and has increased the pace of its geographical expansion.

January–September 2018

Net sales for the period January to September 2018 amounted to SEK 35,817 thousand (32,692), up nearly 10 per cent.

Other operating income, which is primarily attributable to external research, amounted to SEK 1,489 thousand (424). Capitalised work on own account amounted to SEK 12,769 thousand (10,363) during the period.

The company's total revenue amounted to SEK 50,076 thousand (43,479) during the period.

Operating profit/loss for January to September amounted to SEK -40,369 thousand (-26,649). The lower earnings are largely attributable to investments in personnel to meet the increased demand for software for driver monitoring systems.

Net sales for the Applied Solutions business area from January to September totalled SEK 17,420 thousand, compared with SEK 16,400 thousand for the corresponding period in 2017. The increase in sales is attributable to higher sales of systems intended to evaluate our technology.

Net sales for the Research Instruments business area from January to September totalled SEK 18,397 thousand, compared with SEK 16,292 for the corresponding period in 2017.

Financial position

Cash and cash equivalents totalled SEK 104,568 thousand at September 30th. During the quarter, the company conducted a private placement that generated SEK 113,940 thousand before issue costs.

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

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

Otherwise, regarding risks and uncertainties, refer to the 2017 Annual Report, pages 21-22

Transactions with related parties

There were no transactions with related parties during the period.

Accounting policies

The interim report has been prepared in accordance with the Annual Accounts Act and the general advice and guidelines of the Swedish Accounting Standards Board, BFNAR 2012:1, Annual Reports and Consolidated Financial Statements (K3). The same accounting policies have been applied as in the 2017 Annual Report.

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

Gothenburg, 25 October 2018

Board of Directors

Smart Eye Aktiebolag (publ)

Consolidated Statement of Income

TSEK	Jul-sep 2018	Jul-sep 2017	Jan-sep 2018	Jan-sep 2017	Helår 2017
Operating revenue					
Net revenue	15 234	12 945	35 817	32 692	43 199
Capitalised work for own account	4 464	3 954	12 769	10 363	15 722
Other operating revenue	59	79	1 489	424	1 684
Total operating revenue, etc.	19 757	16 978	50 076	43 479	60 605
Operating costs					
Other external costs	-10 874	-10 067	-34 007	-27 904	-40 794
Personnel costs	-15 059	-12 145	-46 888	-34 545	-50 318
Depreciation and write-down of tangible and intangible assets	-3 583	-2 946	-9 551	-7 679	-10 956
	-29 516	-25 158	-90 445	-70 128	-102 068
Operating profit/loss	-9 759	-8 180	-40 369	-26 649	-41 463
Result of financial items					
Other interest income and similar items	0	0	1	0	15
Interest costs and similar items	-77	-105	-298	-353	-448
Total result of financial items	-77	-105	-297	-353	-433
Result after financial items	-9 836	-8 285	-40 666	-27 002	-41 896
Tax on the result for the period	0	0	0	0	0
Result for the period	-9 836	-8 285	-40 666	-27 002	-41 896

Consolidated Balance Sheet

TSEK	2018-09-30	2017-09-30	2017-12-31
ASSETS			
Intangible assets	74 245	57 990	63 448
Property, plant and equipment	4 768	4 574	5 150
Financial assets	25	25	25
Total fixed assets	79 037	62 589	68 623
Inventories	3 045	2 887	2 959
Trade receivables	18 537	12 216	13 931
Receivables from Group companies	0	0	0
Current tax receivables	1 495	578	370
Other current receivables	942	43 008	43 100
Prepaid expenses and accrued income	4 862	5 885	3 167
Current receivables	25 836	20 323	19 209
Cash and cash equivalents	104 568	27 468	10 262
Total current assets	133 448	50 677	32 430
TOTAL ASSETS	212 485	113 266	101 053

Consolidated Balance Sheet

TSEK	2018-09-30	2017-09-30	2017-12-31
Equity			
Restricted equity			
Share capital	1 315	991	991
Non-registered share capital	0	0	-
Fund for development costs	40 860	24 354	28 314
Share premium fund	21 914	21 914	21 914
	64 088	47 258	51 219
Unrestricted equity			
Share premium fund	291 617	139 737	139 737
Conversion difference	-5	-27	-8
Retained profit	-130 080	-71 683	-75 644
Profit/loss for the year	-40 700	-27 003	-41 896
	120 833	41 024	22 189
Total equity	184 921	88 283	73 408
Other debt to credit institutions	4 167	6 000	5 667
Other non-current liabilities	0	0	0
Non-current liabilities	4 167	6 000	5 667
Advance payments from customers	953	233	0
Trade payables	6 690	7 326	7 828
Overdraft facility	0	0	0
Debt to Group companies	0	0	0
Other current debt	0	989	1 481
Accrued expenses and prepaid income	13 754	8 425	10 669
Other debt to credit institutions	2 000	2 000	2 000
Current liabilities	23 397	18 983	21 978
TOTAL EQUITY AND LIABILITIES	212 485	113 266	101 053

Consolidated change in equity

TSEK	Share capital	Share premium fund (restricted)	Fund for development costs (restricted)	Share premium fund (unrestricted)	Other un-restricted equity	Total equity
Opening balance 2017-01-01	816	21 914	13 990	139 912	-61 320	115 312
New issue	0			0		0
Ongoing new issue, subscribed and paid in, not registered	175			-175		0
Warrants 2016				0		0
Translation difference					-8	-8
	0	0	0	0	-41 896	-41 896
Equity 2017-12-31	991	21 914	13 990	139 737	-103 224	73 408
Opening balance 2018-01-01	991	21 914	13 990	139 737	-103 224	73 408
New issue	324			150 935		
Option program 2018	0			945		
Translation difference					10	10
Profit/loss for the year					-40 700	-40 700
Equity 2018-09-30	1 315	21 914	13 990	291 617	-143 914	184 921

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

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

Consolidated Cash Flow Analysis

TSEK	2018-09-30	2017-09-30	2017-12-31
Current activities			
Operating profit after depreciation	-40 369	-26 649	-41 463
Reversal of depreciation	9 551	7 679	10 956
Financial payments received	1	0	15
Financial disbursements	-298	-353	-448
Tax	0	0	0
Change in operating capital			
Change in stocks	-85	98	26
Change in trade receivables	-4 605	-2 520	-4 235
Change in other current receivables*	-2 021	5 862	10 041
Change in trade payables	-1 139	2 259	2 761
Changes in other current liabilities	2 558	1 783	3 017
<i>Cash flow, current activities</i>	-36 407	-11 841	-19 330
Investment activities			
Intangible assets	-19 301	-16 769	-25 191
Property, plant and equipment	-665	-4 483	-5 374
Financial assets	0	0	-90
<i>Cash flow, investment activities</i>	-19 966	-21 252	-30 655
Financing activities			
New issue*	152 204	0	0
Distribution			
Non-current liabilities	-1 500	-1 500	-1 833
<i>Cash flow, financing activities</i>	150 704	-1 500	-1 833
<i>Translation difference</i>	-25		-8
Cash flow	94 306	-34 620	-51 826
Opening cash and cash equivalents	10 262	62 088	62 088
Closing cash and cash equivalents	104 568	27 468	10 262

*Concerning 2016: Current receivables and new issue include a receivable from Erik Penser Bank AB totalling MSEK 10.8 for the element of the new issue from December 2016 not yet paid out to the company, and which was paid out in January 2017.

Parent Company's Statement of Income

TSEK	Jul-sep 2018	Jul -sep 2017	Jan-sep 2018	Jan-sep 2017	Helår 2017
Operating revenue					
Net revenue	15 234	12 945	35 818	32 692	43 199
Capitalised work for own account	4 464	3 954	12 769	10 363	15 722
Other operating revenue	147,65	79	1 489	424	1 683
Total operating revenue	19 845	16 978	50 076	43 479	60 604
	0				
Other external costs	-10 943	-9 751	-34 157	-27 588	-40 824
Personnel costs	-15 059	-11 123	-46 889	-33 523	-50 378
	-3 583	-2 946	-9 551	-7 679	-10 956
Total operating costs	-29 585	-23 821	-90 597	-68 791	-102 158
Operating profit/loss	-9 740	-6 842	-40 521	-25 312	-41 553
Result of financial items					
Other interest income and similar items	0	0	1	0	15
Interest costs and similar items	-77	-105	-298	-353	-448
Total result of financial items	-77	-105	-297	-353	-434
Result after financial items	-9 817	-6 947	-40 818	-25 665	-41 987
Tax on the result for the period	0	0	0	0	0
Result for the period	-9 817	-6 947	-40 818	-25 665	-41 987

Parent Company's Balance Sheet

TSEK	2018-09-30	2017-09-30	2017-12-31
ASSETS			
Intangible assets	74 245	57 990	63 448
Property, plant and equipment	4 768	4 574	5 150
Financial assets	648,6	486	486
Total fixed assets	79 661	63 050	69 084
Inventories	3 045	2 887	2 959
Trade receivables	18 537	12 216	13 931
Receivables from Group companies	0	1 351	0
Current tax receivables	1 495	578	370
Other current receivables	917	43 008	1 741
Prepaid expenses and accrued income	4 862	5 884	3 167
Current receivables	25 810	21 673	19 209
Cash and cash equivalents	104 389	27 317	9 733
Total current assets	133 244	51 876	31 901
TOTAL ASSETS	212 905	114 926	100 985

Parent Company's Balance Sheet

TSEK	2018-09-30	2017-09-30	2017-12-31
Equity			
Restricted equity			
Share capital	1 315	991	991
Non-registered share capital	0	0	0
Fund for development costs	40 860	24 354	28 314
Share premium fund	21 914	21 914	21 914
	64 088	47 258	51 219
Unrestricted equity			
Share premium fund	291 617	139 737	139 737
Retained profit	-130 177	-71 683	-75 644
Profit/loss for the year	-40 818	-25 665	-41 987
	120 622	42 389	22 106
Total equity	184 710	89 647	73 325
Other debt to credit institutions	4 167	6 000	5 667
Other non-current liabilities	0	0	0
Non-current liabilities	4 167	6 000	5 667
Advance payments from customers	953	233	0
Trade payables	6 557	7 251	7 821
Overdraft facility	0	0	0
Debt to Group companies	380	380	493
Other current debt	429	989	1 020
Accrued expenses and prepaid income	13 709	8 425	10 659
Other debt to credit institutions	2 000	2 000	2 000
Current liabilities	24 028	19 279	21 993
TOTAL EQUITY AND LIABILITIES	212 905	114 926	100 985

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 2017-01-01	816	21 914	13 990	139 912	-61 320	115 312
New issue	0			0		0
Ongoing new issue, subscribed and paid, not registered	175			-175		0
Warrants 2016				0		0
Fund for development costs			14 323		-14 323	0
Profit/loss for the year					-41 987	-41 987
Equity 2017-12-31	991	21 914	28 314	139 737	-117 631	73 325
Opening balance 2018-01-01	991	21 914	28 314	139 737	-117 631	73 325
New issue	324			150 935		151 259
Option program 2018	0			945		945
Fund for development costs			12 546		-12 546	
Profit/loss for the year					-40 818	-40 818
Equity 2018-09-30	1 315	21 914	40 860	291 617	-170 996	184 710

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

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

Parent Company's Cash Flow Analysis

TSEK	2018-09-30	2017-09-30	2017-12-31
Current activities			
Operating profit after depreciation	-40 521	-25 312	-41 553
Reversal of depreciation	9 551	7 679	10 956
Financial payments received	1	0	15
Financial disbursements	-298	-353	-448
Tax	0	0	0
Change in operating capital			
Change in stocks	-85	98	26
Change in trade receivables	-4 605	-2 520	-4 235
Change in other current receivables*	-1 996	5 862	10 041
Change in trade payables	-1 263	2 184	2 754
Change in other current liabilities	3 299	433	2 577
<i>Cash flow, current activities</i>	-35 918	-11 929	-19 867
Investment activities			
Intangible assets	-19 301	-16 769	-25 191
Property, plant and equipment	-665	-4 483	-5374
Financial assets	-163	-90	-90
<i>Cash flow, investment activities</i>	-20 130	-21 342	-30 655
Financing activities			
New issue*	152 204	0	0
Distribution			
Non-current liabilities	-1 500	-1 500	-1 833
<i>Cash flow, financing activities</i>	150 704	-1 500	-1 833
Cash flow	94 656	-34 771	-52 355
Opening cash and cash equivalents	9 733	62 088	62 088
Closing cash and cash equivalents	104 389	27 317	9 733

Current receivables and new issue include a receivable from Erik Penser Bank AB totalling MSEK 10.8 for the element of the new issue from December 2016 not yet paid out to the company, and which was paid out in January 2017.

Definitions 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.

Dividend per share

The amount distributed for the period divided by the number of outstanding shares at the time of distribution.

Calendar

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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 on October 2018 25 at 8:30 CET.

Smart Eye develops AI-powered eye tracking technology that understands, assists and predicts human intentions and actions. Our eye tracking solutions can draw conclusions about an individual's alertness, attention, focus and gain insights into a person's awareness and mental status.

Smart Eye's technology is embedded in the next generation of vehicles helping the automotive industry to take another step towards a safer and more eco-friendly drive. Our research instruments offer new insights in complex and real-world situations for aerospace, aviation, psychology, neuroscience and clinical research.

Smart Eye is headquartered in Gothenburg, Sweden, and has offices in USA, Japan and China. Clients include US Airforce, Geely, BMW, NASA, Lockheed Martin, Boeing and more.

smarteye.se

“Bridging the gap between
man and machine”



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