



Smart Eye Interim Report 1 January–31 March 2017



Summary

Q1 2017

- Net revenue was TSEK 7,633 (5,591), equivalent to an increase of 36.5% compared to Q1 2016.
- The operating result was TSEK -9,163 (-3,821), relating to higher personnel costs.
- The result after financial items was TSEK -9,282 (-4,224).
- Profit per share was negative.
- Cash and cash equivalents amounted to TSEK 61,881 at the end of March.
- Smart Eye's cooperation with Autoliv on the LIV car was presented at the CES electronics fair in Las Vegas in January 2017.
- During the period, the company established cooperation with NVIDIA to deliver logger camera systems for Volvo Cars' Drive Me project.
- Smart Eye moved to new and larger premises in order to allow for further expansion.
- During the quarter, the establishment of a sales office in the USA commenced and Smart Eye International Inc was established as a wholly-owned subsidiary.

Financial Summary

TSEK	Q1		Full year
	2017	2016	2016
Net revenue	7,633	5,591	40,743
Operating costs	-20,143	-12,494	66,708
Operating profit/loss	-9,163	-3,821	-11,159
Operating margin, %	neg.	neg.	neg.
Profit/loss after tax	-9,282	-4,224	-12,403
Profit per share*, SEK	neg.	neg.	neg.
Profit per share after full dilution*, SEK	—	—	neg.
Return on total capital	—	—	neg.
Equity per share*, SEK	—	—	14.13
Equity per share after full dilution*, SEK	—	—	13.71
Equity ratio, %	—	—	83
Number of shares*, %	9,910,892	6,817,842	8,160,892
Number of shares after full dilution*	10,160,892	7,052,842	8,410,892

* Concerns the 2016 full year: does not include shares from the new issue before listing on Nasdaq First North, which took place in December 2016 and was registered in January 2017.

Comments from the CEO

In summary, in Q1 2017 we are following our plan. First of all, revenue increased by 36% from the same quarter of the previous year. Secondly, the investment rate was increased in order to meet the strong demand from the automotive industry. A large number of procurement procedures are being held in 2017 under which global car manufacturers are creating strategic supplier relationships for many years into the future. Smart Eye is well-positioned to be selected, which in turn will secure stable income flows far into the future. Our establishment in the USA has commenced, and we have staff in place in Detroit as from May. We have gained ten more staff members since year-end, mostly software engineers. Our expert staff continue to target the market with innovative solutions and strong technology. One of the cornerstones is artificial intelligence, AI. Several technical breakthroughs in recent years can be used in our ongoing development work. In this respect, the collaboration with NVIDIA is of great value, and we were both pleased and proud to announce a joint project whereby we are delivering cameras,

software and hardware for Volvo's Drive Me project, whereby 100 autonomous vehicles will operate in the Gothenburg region, starting up this year. This is a major focus for Volvo, which is at the forefront of developing active safety. Smart Eye is the system integrator, creating the software; NVIDIA provides the hardware; and the American semi-conductor company Omnivision supplies cameras based on "wafer level optics", a technique whereby the lens and lens housing are built onto the chip using processes from the semi-conductor industry. This makes it possible to achieve very small and cost-effective cameras. Lighting is provided by the German lighting giant, Osram, which for this purpose has developed light diodes with improved performance, to reduce power consumption and allow for compact packing. With advanced pre-development projects of this type, Smart Eye is ensuring that we are always an attractive partner for the automotive industry, with access to and knowledge of the latest high-tech developments, both now and in the future.

Group Summary

Income and results

Q1

The net revenue for the period from January to March 2017 was TSEK 7,633 (5,591), which is an increase of just over 35%. The increase is mainly related to higher project revenue in the Applied Solutions business area, as well as positive development within Research Instruments, compared with Q1 of the previous year.

Other operating revenue, mainly related to external research projects, amounted to TSEK 346 (118). Capitalised work for own account amounted to TSEK 3,001 (2,964) for the period.

The company's total revenue amounted to TSEK 10,980 (8,674) during the period.

The operating result for the period was TSEK -9,163 (-3,821). The change in the result is mainly attributable to increased revenue and the expansion and continued strengthening of activities through recruitment.

The net revenue for the business area Applied Solutions was TSEK 3,145 for Q1 2017, compared with TSEK 2,455 for Q1 2016. The expansion of activities, with increased project revenue, during the second half of 2016 has continued into Q1 2017.

The net revenue for the business area Research Instruments was TSEK 4,301 for Q1 2017, compared with TSEK 3,136 for Q1 2016. This is an increase from Q1 of the previous year and is related to higher sales within all geographical areas.

Financial position

At the beginning of the year, a current receivable from Erik Penser Bank AB totalling SEK 10.8 million for the element of the new issue from December 2016 not yet paid to the company was redeemed.

At the end of the period the Group had a non-utilised overdraft facility of SEK 7 million.

Important events during the period

During the period, the company engaged in cooperation with NVIDIA to deliver logger camera systems for Volvo Cars' Drive Me project.

During the period, the work commenced to start up a sales office in the USA, targeted at the North American market. Smart Eye International Inc was established and recruitment of staff is under way.

The headquarter in Gothenburg moved to larger new premises, to allow for the staff expansion.

Employees

The average number of employees during the period from January to March was 46 (41), of whom 8 (5) women. The increase in the number of employees is mainly related to development and sales staff.

Summary of significant risks and uncertainty factors

Operative risks

There are risk factors in the operative activities that can have a negative impact on the company's commercial and financial position. The risks are related to the development activities running according to plan, and to the company being able to recruit qualified personnel to the extent required.

Financial risks

The company is financed with share capital and loans. If the company fails to generate revenue on the scale and in the time perspective deemed necessary by the Board of Directors, further capital requirements may arise. As sales increase, the company is subject to increased currency exposure, since most of the company's sales take place in another currency than Swedish kronor.

Market risks

Eyetracking is an emerging technology in which the company's products are used today for behavioural analysis and as integrated products in the automotive industry. The delayed or failed introduction of eyetracking in the automotive industry may lead to the risk of a lower growth rate than expected.

Transactions with related parties

No transactions with related parties took place during the period.

Accounting policies

The company applies the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's recommendation BFNAR 2012:1 Annual accounts and consolidated accounts ("K3"). The same accounting policies are applied as in the Annual Report for 2016.

Events occurring after the end of the period

No significant events have occurred after the end of the period.

Share information

The company is listed on Nasdaq OMX First North. Its Certified Advisor is Erik Penser Aktiebolag.

Number of shares

In conjunction with the listing on Nasdaq First North in December 2016, a new issue took place, which was registered in January 2017. The number of shares is now 9,910,892.

Share-based incentive programme

At the Annual General Meeting on 17 June 2016, the company decided to arrange an incentive programme for senior executives and personnel. On full utilisation of the company's incentive programme, 250,000 shares will be issued, which results in a total dilution effect of maximum around 3% of the share capital and number of votes. The subscription price of shares subscribed for using warrants is SEK 45 per share. The premium per warrant, calculated according to the Black-Scholes model, was SEK 1.40. Share subscription may take place during the period from 1 November 2017 up to and including 28 February 2018. On full utilisation of the warrants, the company's share capital will increase by SEK 25,000.

Dividend policy

The company is in a development phase and it is planned to re-invest any profit in the development of the company. The Board of Directors will not propose any dividend distribution.

This interim report has not been subject to review by the company's auditors.

Gothenburg, 25 April 2017

Board of Directors
Smart Eye Aktiebolag (publ)

Statement of Income

TSEK	Q1 2017	Q1 2016	Full year 2016
Operating revenue			
Net revenue	7,633	5,591	40,743
Capitalised work for own account	3,001	2,964	13,990
Other operating revenue	346	118	816
Total operating revenue, etc.	10,980	8,674	55,549
Operating costs			
Other external costs	-7,428	-3,054	-23,154
Personnel costs	-10,517	-7,639	-36,331
Depreciation and write-down of tangible and intangible assets	-2,197	-1,801	-7,223
Total operating costs	-20,143	-12,494	-66,708
Operating profit/loss	-9,163	-3,821	-11,159
Result of financial items			
Other interest income and similar items	0	0	0
Interest costs and similar items	-119	-404	-1,243
Total result of financial items	-119	-404	-1,243
Result after financial items	-9,282	-4,224	-12,403
Tax on the result for the period	0	0	0
Result for the period	-9,282	-4,224	-12,403

Balance Sheet

TSEK	2017-03-31	2016-03-31	2016-12-31
ASSETS			
Intangible assets	51,083	40,304	48,279
Property, plant and equipment	1,982	621	713
Financial assets	396	371	396
Total fixed assets	53,461	41,295	49,388
Inventories	2,980	2,000	2,985
Trade receivables	7,501	4,220	9,696
Receivables from Group companies	0	124	0
Current tax receivables	375	294	525
Other current receivables	1,665	555	11,841
Prepaid expenses and accrued income	3,393	220	2,953
Current receivables	12,935	5,414	25,014
Cash and cash equivalents	61,881	1,723	62,088
Total current assets	77,796	9,137	90,087
TOTAL ASSETS	131,257	50,432	139,475

Balance Sheet

TSEK	2017-03-31	2016-03-31	2016-12-31
Equity			
Restricted equity			
Share capital	991	682	816
Share premium fund	21,914	21,914	21,914
Fund for development costs	16,990	2,964	13,990
	39,895	25,560	36,720
Unrestricted equity			
Share premium fund	139,737	25,774	139,912
Retained profit	-64,320	-37,892	-48,917
Profit/loss for the year	-9,282	-4,224	-12,403
	66,135	-16,342	78,592
Total equity	106,030	9,218	115,312
Other debt to credit institutions	7,000	8,000	7,500
Other non-current liabilities	0	13,267	0
Non-current liabilities	7,000	21,267	7,500
Advance payments from customers	971	0	1,471
Trade payables	5,983	3,231	5,067
Overdraft facility	0	7,979	0
Debt to Group companies	380	505	380
Other current debt	831	380	733
Accrued expenses and prepaid income	9,061	7,853	8,512
Other debt to credit institutions	1,000	0	500
Current liabilities	18,227	19,947	16,663
TOTAL EQUITY AND LIABILITIES	131,257	50,432	139,475
OFF-BALANCE SHEET ITEMS			
Security pledges			
For own debt and provisions	15,000	19,500	15,000
Total security pledges	15,000	15,000	15,000
Contingent liabilities	None	None	None

Change in equity

SEK	Share capital	Share premium fund (restricted)	Fund for development costs (restricted)	Share premium fund (unrestricted)	Other unrestricted equity	Total equity
Opening balance 2016-01-01	681,784	21,913,575	—	25,259,042	-34,927,092	12,927,309
New issue	134,305			37,213,096		37,347,401
Ongoing new issue, subscribed and paid in, not registered				77,090,000		77,090,000
Warrants 2016				350,000		350,000
Fund for development costs			13,990,292		-13,990,292	
Profit/loss for the year					-12,402,545	-12,402,545
Equity 2016-12-31	816,089	21,913,575	13,990,292	139,912,138	-61,319,929	115,312,165
Opening balance 2017-01-01	816,089	21,913,575	13,990,292	139,912,138	-61,319,929	115,312,165
New issue						
Ongoing new issue, registered	175,000			-175,000		
Fund for development costs			3,000,000		-3,000,000	
Profit/loss for the year					-9,282,171	-9,282,171
Equity 2017-03-31	991,089	21,913,575	16,990,292	139,737,138	-73,602,100	106,029,994

The share capital consists of 9,910,892 shares with a quota value of SEK 0.1.

During the period an ongoing new issue was registered and the share capital increased by SEK 175,000 from the share premium fund.

Cash Flow Analysis

TSEK	2017-03-31	2016-03-31	2016-12-31
Current activities			
Operating profit after depreciation	-9,163	-3,821	-11,159
Reversal of depreciation	2,197	1,801	7,223
Financial payments received	0	0	0
Financial disbursements	-119	-404	-1,243
Tax	0	0	0
Change in operating capital			
Change in stocks	5	-34	-1,020
Change in trade receivables	2,195	2,591	-2,885
Change in other current receivables*	9,885	1,188	-13,017
Change in trade payables	916	-990	846
Change in other current liabilities	147	3,761	-1,277
<i>Cash flow, current activities</i>	6,063	4,094	-22,533
Investment activities			
Intangible assets	-4,909	-3,471	-16,636
Property, plant and equipment	-1,362	-0	-324
Financial assets	0	0	-25
<i>Cash flow, investment activities</i>	-6,271	-3,471	-16,986
Financing activities			
New issue*	0	515	114,787
Distribution			
Non-current liabilities	1	0	-13,767
<i>Cash flow, financing activities</i>	1	515	101,021
Cash flow	-207	1,138	61,503
Opening cash and cash equivalents	62,088	585	585
Closing cash and cash equivalents	61,881	1,723	62,088

* Concerning 2016: Short-term receivables and new issue include a receivable from Erik Penser Bank AB totalling SEK 10.8 million 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 as a ratio of total assets.

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.

Operating profit/loss

Profit/loss before financial items, costs and tax.

Return on total capital

Profit after tax as a ratio of average total capital during the period.

Operating margin

Operating profit as a ratio of net operating revenue.

Calendar

Annual General Meeting
Interim report April-June

27 April 2017, at 1pm
22 August 2017

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The company in brief

Smart Eye develops and markets eyetracking systems that can measure and calculate a person's gaze. Today the company has two business areas: Research Instruments and Applied Solutions. Within Research Instruments, Smart Eye provides advanced eyetracking systems to measure and analyse human behaviour. Within Applied Solutions, Smart Eye provides eyetracking software for integration in vehicles.

Smart Eye was founded in 1999, since when it has become established as one of the leading players for eyetracking analysis of human behaviour. This is based on advanced technical software for eyetracking systems, as well as longstanding experience in this industry. From an early stage, Smart Eye has focused on developing eyetracking for the automotive industry and today is one of the few companies in the world with eyetracking systems for integration in vehicles that lives up to the extensive requirements set by the automotive industry. Smart Eye currently has two design wins concerning serial delivery for passenger vehicles from two global automotive Groups.