

Continued growth on a fast expanding market

January - March 2018

- Net sales totalled SEK 9 580 (7 633) thousand which corresponds to a rise of 26 %.
- Operating profit/loss totalled SEK -13 846 (-9 163) thousand, in line with plan and in accordance with decided investments in personnel in Sweden as well as an increased pace in the geographical expansion.
- Profit/loss after financial items was SEK -13 974 (-9 282) thousand
- Profit/loss after tax per share is negative.
- Cash and cash equivalents totalled SEK 37 794 TSEK at the end of March
- A Directed issue of SEK 43.6 million was completed in January.
- Smart Eye released in cooperation with NVIDIA, Smart AI-X, an AI platform for car interior sensing.

Financial summary

TSEK	Jan - mar		Helår
	2018	2017	2017
Net revenue	9 580	7 633	43 199
Operating costs	28 688	20 143	102 068
Operating profit/loss	-13 846	-9 163	-41 463
Operating margin, %	neg.	neg.	neg.
Profit/loss after tax	-13 974	-9 282	-41 896
Equity per share, SEK	9,49	10,7	7,41
Equity ratio	79%	81%	73%
Number of shares	10 955 786	9 910 892	9 910 892



Comments from CEO

The first quarter of 2018 was marked by the final stages of many of the procurements currently under way throughout the world in respect of driver monitoring cameras. Smart Eye is faring well in the face of the international competition. With speed, flexibility and innovativeness, we are meeting the meticulous requirements of the automotive industry.

Broad acceptance leading to increased growth rate

The first generation of driver monitoring systems found its epicentre in the European premium car segment. The systems now being procured and that will be fitted in large volumes into serial produced cars starting as of 2020 will have a much greater geographical reach. All global automotive centres – i.e. the EU, Detroit, Japan, Korea and China as well as the electric car manufacturers in Silicon Valley – will implement driver monitoring systems on a large scale.

There are many mechanisms that make the automotive industry reluctant to change but once new technology has become sufficiently accepted on a broad scale, changes occur rapidly and simultaneously throughout the industry. This is precisely the stage that the market for driver monitoring systems has reached. Smart Eye is delighted to be a part of the automotive industry's global supply chain in such a situation.

Smart Eye - an AI company in the automotive industry

The transformation of the global automotive industry, which Smart Eye is a part of, is a feature of an even larger macro-trend, whereby the machines that we use to assist us are becoming smarter for each generation that passes. The new technology means that computers can now process a large amount of information in parallel, calculate it in parallel and also feedback parts of the result into its own learning process. This is what is known as artificial intelligence, AI. Together with the automotive industry's premium segment, Smart Eye is at the epicentre of AI development. In the electronic industry, the opinion is that the automotive industry is expected to be the next growth driver, after mobile telephony. Smart Eye already uses cutting-edge technologies and tools



for sophisticated software based on AI. Our products are compatible with our customers' AI strategies. We have established a position that enables us to play a key role in AI in the premium segment of the automotive industry and to take part in the global AI transformation.

Product launches

In the past quarter, we achieved tangible successes with our R&D work. We launched two products. Smart AI-X, a hardware and software plug-and-play suite for driver monitoring that is based on NVIDIA's DRIVE IX platform, which was presented in March and we have already sold the first systems. The second product is a new version of our off-the-shelf eye-tracker, Aurora, now with a recording speed of 30Hz.

Positive sales trend

While the market upheaval occurring on the front line has yet to become tangibly evident in the figures, net sales still rose 26 percent year-on-year. It is Applied Solutions that is the main contributor to the increase and sales in this business area rose by 96 percent. However, Research Instrument's sales declined 20 percent year-on-year. We continue to foresee increasingly favourable market conditions when volume manufacturing of driver monitoring systems starts in earnest during 2019 and 2020.

Martin Krantz
CEO, Smart Eye

The Group in summary

Revenue and earnings

First quarter of 2018

Net sales for the period January to March 2018 amounted to SEK 9,580 (7,633) thousand, up 26 per cent. The increase was attributable to the Applied Solutions business area, where we continue to see a high level of business activity. Applied Solutions' net sales totalled SEK 6,134 thousand in the first quarter, compared with SEK 3,145 thousand in the first quarter of 2017. In addition to continued project revenues, we are selling increasing numbers of systems that are designed to evaluate our technology. This provides us with revenues before the design wins result in consultancy and licence fees. Demand from Asia in particular has increased recently.

Net sales in the Research Instruments business area totalled SEK 3,446 (4,301) thousand in the first quarter. This quarter too was hallmarked by deferred orders. Following the end of the period, a number of orders were received, including one from NASA, worth approximately SEK 1.5 million.

Other operating income, which is primarily attributable to external research, amounted to SEK 741 thousand (346). Capitalised work on own account amounted to SEK 4,521 (3,001) thousand during the period.

The Group's total revenues amounted to SEK 14,842 (10,980) thousand during the period.

The operating result for the period amounted to SEK -13,846 (-9,163) thousand. The earnings are tracking our plan and are a consequence of the actions that we have taken to meet the increased demand from primarily customers in the Applied Solutions business area. The company is continuing to recruit personnel in Sweden and has increased the pace of its geographical expansion.

Financial position

In addition to cash and cash equivalents of SEK 37.8 million, the Group has an unutilised overdraft facility of SEK 7 million.

Significant events in the period

A private placement of SEK 43.6 million was implemented in January and, in February, the company received proceeds of SEK 2.4 million from the exercise of warrants.

Smart AI-X, a hardware and software plug-and-play suite for driver monitoring that is based on NVIDIA's DRIVE IX platform, was presented in March.

Events after the end of the period

Following the end of the period, the Research Instruments business area received an order from NASA worth approximately SEK 1.5 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

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 in 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 Annual Report 2017 p. 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 April 2018

Board of Directors

Smart Eye Aktiebolag (publ)



Consolidated Statement of Income

TSEK	Jan-mar 2018	Jan-mar 2017	Helår 2017
Operating revenue			
Net revenue	9 580	7 633	43 199
Capitalised work for own account	4 521	3 001	15 722
Other operating revenue	741	346	1684
Total operating revenue, etc.	14 842	10 980	60 605
Operating costs			
Other external costs	-10 293	-7 428	-40 794
Personnel costs	-15 550	-10 517	-50 318
Depreciation and write-down of tangible and intangible assets	-2 845	-2 197	-10 956
Total operating costs	-28 688	-20 143	-102 068
Operating profit/loss	-13 846	-9 163	-41 463
Result of financial items			
Other interest income and similar items	4	0	15
Interest costs and similar items	-132	-119	-448
Total result of financial items	-128	-119	-433
Result after financial items	-13 974	-9 282	-41 896
Tax on the result for the period	0	0	0
Result for the period	-13 974	-9 282	-41 896

Consolidated Balance Sheet

TSEK	2018-03-31	2017-03-31	2017-12-31
ASSETS			
Intangible assets	67 886	51 083	63 448
Property, plant and equipment	5 279	1 982	5 150
Financial assets	25	396	25
Total fixed assets	73 190	53 461	68 623
Inventories	3 313	2 980	2 959
Trade receivables	9 676	7 501	13 931
Receivables from Group companies	0	0	0
Current tax receivables	475	375	370
Other current receivables	1 821	1 665	1 741
Prepaid expenses and accrued income	5 057	3 393	3 167
Current receivables	17 029	12 935	19 209
Cash and cash equivalents	37 794	61 881	10 262
Total current assets	58 136	77 796	32 430
TOTAL ASSETS	131 326	131 257	101 053

Consolidated Balance Sheet

TSEK	2018-03-31	2017-03-31	2017-12-31
Equity			
Restricted equity			
Share capital	1 096	991	991
Non-registered share capital	-		-
Fund for development costs	32 835		28 314
Share premium fund	21 914	21 914	21 914
	55 844	39 895	51 219
Unrestricted equity			
Share premium fund	184 179	139 737	139 737
Conversion difference	0	0	-8
Retained profit	-122 067	-64 320	-75 644
Profit/loss for the year	-13 974	-9 282	-41 896
	48 138	66 135	22 189
Total equity	103 982	106 030	73 408
Other debt to credit institutions	5 167	7 000	5 667
Other non-current liabilities	0	0	0
Non-current liabilities	5 167	7 000	5 667
Advance payments from customers	889	971	0
Trade payables	6 050	5 983	7 828
Overdraft facility	0	0	0
Debt to Group companies	0	380	0
Other current debt	0	831	1 481
Accrued expenses and prepaid income	13 238	9 061	10 669
Other debt to credit institutions	2 000	1 000	2 000
Current liabilities	22 177	18 227	21 978
TOTAL EQUITY AND LIABILITIES	131 326	131 257	101 053

Consolidated change in equity

SEK	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	816 089	21 913 575	13 990 292	139 912 138	-61 319 929	115 312 165
New issue	0			0		0
Ongoing new issue, subscribed and paid in, not registered	175 000			-175 000		0
Warrants 2016				0		0
Fund for development costs			14 323 358		-14 323 358	0
Translation difference					-8 000	-8 000
Profit/loss for the year					-41 896 294	-41 896 294
Equity 2017-12-31	991 089	21 913 575	28 313 650	139 737 138	-117 547 581	73 407 871
Opening balance 2018-01-01	991 089	21 913 575	28 313 650	139 737 138	-117 547 581	73 407 871
New issue	104 489			44 441 983		
Ongoing new issue, registered	0			0		
Fund for development costs			4 521 456		-4 521 456	
Translation difference					2 500	2 500
Profit/loss for the year					-13 974 379	-13 974 379
Equity 2018-03-31	1 095 578	21 913 575	32 835 106	184 179 121	-136 040 916	103 982 464

Consolidated Cash Flow Analysis

TSEK	2018-03-31	2017-03-31	2017-12-31
Current activities			
Operating profit after depreciation	-13 847	-9 163	-41 463
Reversal of depreciation	2 845	2 197	10 956
Financial payments received	4	0	15
Financial disbursements	-132	-119	-448
Tax	0	0	0
Change in operating capital			
Change in stocks	-354	5	26
Change in trade receivables	4 255	2 195	-4 235
Change in other current receivables*	-2 074	9 885	10 041
Change in trade payables	-1 778	916	2 761
Changes in other current liabilities	1 978	147	3 017
<i>Cash flow, current activities</i>	-9 103	6 063	-19 330
Investment activities			
Intangible assets	-6 944	-4 909	-25 191
Property, plant and equipment	-468	-1 362	-5 374
Financial assets	0	0	-90
<i>Cash flow, investment activities</i>	-7 412	-6 271	-30 655
Financing activities			
New issue*	44546,4	0	0
Distribution			
Non-current liabilities	-500	1	-1 833
<i>Cash flow, financing activities</i>	44 046	1	-1 833
<i>Translation difference</i>	1		-8
Cash flow	27 532	-207	-51 826
Opening cash and cash equivalents	10 262	62 088	62 088
Closing cash and cash equivalents	37 794	61 881	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	Jan-mar 2018	Jan-mar 2017	Helår 2017
Operating revenue			
Net revenue	9 581	7 633	43 199
Capitalised work for own account	4 521	3 001	15 722
Other operating revenue	741	346	1 683
Total operating revenue	14 843	10 980	60 604
Operating costs			
Other external costs	-10 341	-7 428	-40 824
Personnel costs	-15 535	-10 517	-50 378
Depreciation and write-down of tangible and intangible assets	-2 845	-2 197	-10 956
Total operating costs	-28 722	-20 143	-102 158
Operating profit/loss	-13 879	-9 163	-41 553
Result of financial items			
Other interest income and similar items	4	0	15
Interest costs and similar items	-132	-119	-448
Total result of financial items	-128	-119	-434
Result after financial items	-14 007	-9 282	-41 987
Tax on the result for the period	0	0	0
Result for the period	-14 007	-9 282	-41 987

Parent Company's Balance Sheet

TSEK	2018-03-31	2017-03-31	2017-12-31
ASSETS			
Intangible assets	67 886	51 083	63 448
Property, plant and equipment	5 279	1 982	5 150
Financial assets	486	396	486
Total fixed assets	73 651	53 461	69 084
Inventories	3 313	2 980	2 959
Trade receivables	9 676	7 501	13 931
Receivables from Group companies	0	0	0
Current tax receivables	475	375	370
Other current receivables	1 793	1 665	1 741
Prepaid expenses and accrued income	5 057	3 393	3 167
Current receivables	17 002	12 935	19 209
Cash and cash equivalents	37 533	61 881	9 733
Total current assets	57 847	77 796	31 901
TOTAL ASSETS	131 498	131 257	100 985

Parent Company's Balance Sheet

TSEK	2018-03-31	2017-03-31	2017-12-31
Equity			
Restricted equity			
Share capital	1 096	991	991
Non-registered share capital	0	0	0
Fund for development costs	32 835		28 314
Share premium fund	21 914	21 914	21 914
	55 844	39 895	51 219
Unrestricted equity			
Share premium fund	184 179	139 737	139 737
Retained profit	-122 152	-64 320	-75 644
Profit/loss for the year	-14 007	-9 282	-41 987
	48 020	66 135	22 106
Total equity	103 864	106 030	73 325
Other debt to credit institutions	5 167	7 000	5 667
Other non-current liabilities	0	0	0
Non-current liabilities	5 167	7 000	5 667
Advance payments from customers	889	971	0
Trade payables	6 017	5 983	7 821
Overdraft facility	0	0	0
Debt to Group companies	801	380	493
Other current debt	0	831	1 020
Accrued expenses and prepaid income	12 760	9 061	10 659
Other debt to credit institutions	2 000	1 000	2000
Current liabilities	22 468	18 227	21 993
TOTAL EQUITY AND LIABILITIES	131 498	131 257	100 985

Parent Company's Change in Equity

SEK	Share capital	Share fund (restricted)	Fund for development costs (restricted)	Share premium fund (unrestricted)	Share premium fund (unrestricted)	Other unrestricted equity	Total equity
Opening balance 2017-01-01	816 089	21 913 575	13 990 292	139 912 138		-61 319 929	115 312 165
New issue	0			0			0
Ongoing new issue, subscribed and paid, not registered				-175 000			0
Warrants 2016				0			0
Fund for development costs			14 323 358			-14 323 358	0
Profit/loss for the year						-41 987 394	-41 987 394
Equity 2017-12-31	991 089	21 913 575	28 313 650	139 737 138		-117 630 681	73 324 771
Opening balance 2018-01-01	991 089	21 913 575	28 313 650	139 737 138		-117 630 681	73 324 771
New issue	104 489			44 441 983			44 546 472
Ongoing new issue, registered	0			0			
Fund for development costs			4 521 456			-4 521 456	
Profit/loss for the year						-14 007 165	-14 007 165
Equity 2018-03-31	1 095 578	21 913 575	32 835 106	184 179 121		-136 159 302	103 864 078

The share capital consists of 10 955 786 shares with a quota value of SEK 0.1.

During the period ongoing new issue was registered and the share capital increased by SEK 104,489.

Parent Company's Cash Flow Analysis

TSEK	2018-03-31	2017-03-31	2017-12-31
Current activities			
Operating profit after depreciation	-13 879	-9 163	-41 553
Reversal of depreciation	2 845	2 197	10 956
Financial payments received	4	0	15
Financial disbursements	-132	-119	-448
Tax	0	0	0
Change in operating capital			
Change in stocks	-354	5	26
Change in trade receivables	4 255	2 195	-4 235
Change in other current receivables*	-2 346	9 885	10 041
Change in trade payables	-1 804	916	2 754
Change in other current liabilities	2 577	147	2 577
<i>Cash flow, current activities</i>	-8 834	6 063	-19 867
Investment activities			
Intangible assets	-6 944	-4 909	-25 191
Property, plant and equipment	-468	-1 362	-5374
Financial assets	0	0	-90
<i>Cash flow, investment activities</i>	-7 412	-6 271	-30 655
Financing activities			
New issue*	44 546	0	0
Distribution			
Non-current liabilities	-500	1	-1 833
<i>Cash flow, financing activities</i>	44 046	1	-1 833
Cash flow	27 800	-207	-52 355
Opening cash and cash equivalents	9 733	62 088	62 088
Closing cash and cash equivalents	37 533	61 881	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.

Definition of key ratios

Equity ratio

Equity as a 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.

Calendar

AGM	25 April 2018
Interim report jan-jun 2018	20 augusti 2018
Interim report jul-sep 2018	25 oktober 2018

Contact

Martin Krantz, VD

Tel no. + (46) (0)70-329 26 98

Martin.krantz@smarteye.se

Anders Lyrheden, CFO

Tel no. + (46) (0)70-320 96 95

Anders.lyrheden@smarteye.se

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 April 25, 2018.

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