

Smart Eye Interim Report January-June 2018



Mass market volumes in sight

April – June 2018

- Net sales totalled SEK 11 004 (12 114) thousand which corresponds to a decline of 9 %.
- Operating profit/loss totalled SEK -16 764 (-9 306) thousand, in line with plan and in accordance with decided investments in product development as well as an increased pace in the geographical expansion.
- Profit/loss after financial items was SEK -6 856 (-9 435) thousand.
- Profit/loss after tax per share is negative.
- Cash and cash equivalents totalled SEK 14 976 TSEK at the end of June. In addition to this the company has a non-used credit facility amounting to 15 MSEK
- The geographical expansion continues. During the quarter the company has opened offices in Tokyo and Chongqing, China.
- Two more Smart Eye equipped cars was launched during the quarter

January – June 2018

- Net sales totalled SEK 20 584 (19 747) thousand which corresponds to an increase of 4 %.
- Operating profit/loss totalled SEK -30 610 (-18 469) thousand.
- Profit/loss after financial items was SEK -30 830 (-18 717) thousand
- Profit/loss after tax per share is negative.

Events occurring after the end of the period

- In July the company was awarded yet another design win, this time with one of China's largest OEM:s. This car model with Smart Eye's technology will go into production in 2019. The order value is estimated to exceed 100 MSEK.

Estimated value of obtained design wins

- Starting this quarterly report, the estimated market value of the company's obtained design wins will be provided and updated on a regular basis.
- The total estimated value of the company's so far announced design wins currently amounts to at least 475 MSEK over the product life cycle
- If the company's system were to be used in all car models in the existing platforms of the five car manufacturers where design wins have been communicated, the estimated value is currently at least 2,000 MSEK over the product lifecycle.

Financial summary

TSEK	Apr -jun		Jan-jun		Helår
	2018	2017	2018	2017	2017
Net revenue	11 004	12 114	20 584	19 747	43 199
Operating costs	-32 240	-24 828	-60 929	-44 970	102 068
Operating profit/loss	-16 764	-9 306	-30 610	-18 469	-41 463
Operating margin, %	neg.	neg.	neg.	neg.	neg.
Profit/loss after tax	-16 856	-9 435	-30 830	-18 469	-41 896
Profit per share*, SEK	-1,54	-0,95	-2,81	-1,86	-4,23
Profit per share after full dilution*, SEK	-1,52	-0,93	-2,77	-1,82	-4,12
Return on total capital	-19,1%	-9,77%	-35,0%	-19,4%	-57,1%
Equity per share, SEK	8,67	9,75	8,67	9,75	7,41
Equity per share after full dilution*, SEK	8,04	9,51	8,04	9,51	7,41
Equity ratio	76%	78%	76%	78%	73%
Number of shares	10 955 786	9 910 892	10 955 786	9 910 892	9 910 892
Number of shares after full dilution	11 115 986	10 160 892	11 115 986	10 160 892	10 160 892
Average number of shares before full dilution	10 955 786	9 910 892	10 857 488	9 910 892	9 910 892
Average number of shares after full dilution	11 115 986	10 160 892	10 851 021	10 160 892	10 160 892

Comments from CEO

The market picture becomes clearer

Smart Eye has previously communicated 18 design wins from five OEMs, the latest from July this year. The combined estimated order value of the 18 models exceeds 475 MSEK over the product life cycle. If our Driver Monitoring Systems (DMS) is migrated to other cars with the same five OEMs the potential value of estimated revenue may exceed 2 billion SEK over the life cycle of these car platforms. To put that in perspective, the mass market Request for Quotations (RFQs) that are either ongoing or upcoming and will be decided in the 2018-2019 timeframe will have a potential value of more than 10 billion SEK. Hence, it's clear that the time for DMS has come and Smart Eye is perfectly positioned to make the most of this market opportunity. The opening of our offices in China and Japan should be seen in the light of the opportunities that opens up, not just in these markets but globally.

The tipping point for the mass-market

Smart Eye's second quarter of 2018 consisted first and foremost of the positive change of mindset from all the major car OEMs in the world. They are now leaning heavily towards DMS and as a result many RFQs have been initiated for their upcoming mass-market car models. Up until 2017 it has exclusively been premium cars that have been equipped with DMS, but now we have procurements going out for the high-volume car models, and from all geographical markets.

Solving the global traffic accident epidemic

This is excellent news for everyone worldwide. The life-saving potential of DMS is enormous and will fully come into play when the system is present in a majority of cars on the roads. Inattention, drowsiness and other impairments are one of the biggest contributors to the fact that road fatality is among the three most common causes of death for people aged 5-44 years. More than 1,2 million road deaths occurring every year and more than 50 million injuries. United Nations have declared

2011-2020 the decade of action for road safety and urged all its member states do increase work for road safety

New DMS technology part of the solution

We are therefore proud to see that decades of work now are paying off and the spread of DMS is moving from premium cars to so called C- and D-level cars (equivalent to VW Golf, Toyota Corolla, Honda Civic, Ford Fusion etc). The wave of mass market DMS is coming slightly faster than what we earlier anticipated, and also what we earlier have communicated to the market. This, however, is good news because it means that more lives will be saved within a shorter timeframe by DMS. Everyone in the industry is working hard to make the most of this historic chance of developing a whole new safety technology that takes the actual human behaviour into account.

Revenue development

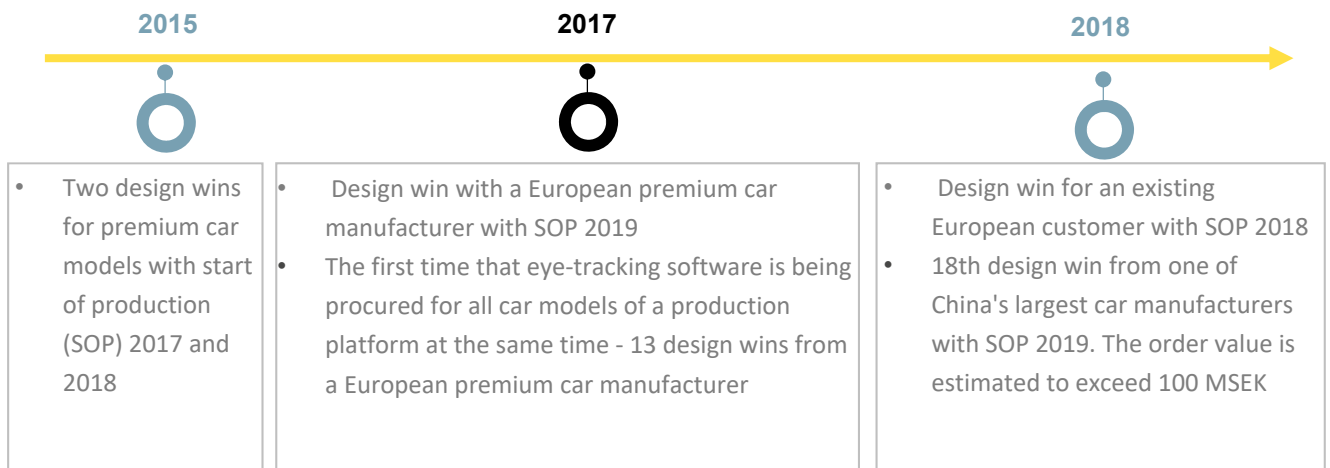
Net sales January-June amounted to 20,6 MSEK, a 4% increase compared to last year's 19,7 MSEK. Applied Solutions sales increased by 8 percent and Research Instruments increased by 2 percent. In the second quarter AS sales decreased by 30 % due to the focus on handling all RFQ:s. RI increased sales in the second quarter by 21 % due to a clear pick up in demand.



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 are made by the company and are based on OEM's estimated production volumes of car models and may change due to changed conditions for estimated life cycle estimates of the car platforms.



Design Win / (MSEK)	DW 1-17	DW 18	Total
Estimated revenue over the product life cycle from current design wins	375	100	475
Estimated revenue over product life cycle from possible additional designs wins with existing car manufacturers on existing platforms	1 100	400	1 500
Estimated revenue over the product life cycle including current and possible additional designs wins with existing car manufacturers on existing platforms	~1 500	500	2 000

The Group in summary

Revenue and earnings

April–June 2018

Net sales for the period April to June 2018 amounted to SEK 11,004 thousand (12,114), down 9 per cent. The decrease is due primarily to our focusing of market activities in the Applied Solutions business area on the large number of procurements of driver monitoring systems currently in progress.

Applied Solutions' net sales during the second quarter totalled SEK 5,050 thousand, compared with SEK 7,205 thousand in the second quarter of 2017. The decrease in sales is mainly a result of the business area focusing during the quarter on managing the increased amount of inquiries from customers around the world regarding driver monitoring systems.

Net sales in the Research Instruments business area amounted to SEK 5,954 thousand (4,909) during the second quarter. Following a period of lower activity, we can now see that demand has picked up, as shown in both increased sales and order intake.

Other operating income, which is primarily attributable to external research, amounted to SEK 689 thousand (0). Capitalised work on own account amounted to SEK 3,784 thousand (3,407) during the period.

The Group's total revenues amounted to SEK 15,476 thousand (15,521) during the period.

Operating profit for the period totalled SEK -16,764 thousand (-9,306). 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.

January–June 2018

Net sales for the period January to June 2018 amounted to SEK 20,584 thousand (19,747), an increase of just over 4 per cent.

Other operating income, which is primarily attributable to external research, amounted to SEK 1,430 thousand (344). Capitalised work on own account amounted to SEK 8,305 thousand (6,410) during the period.

The Company's total revenues amounted to SEK 30,319 thousand (26,501) during the period.

Operating profit for January to June totalled SEK -30,610 thousand (-18,469). The change in profit is primarily attributable to the planned expansion through an increase in the number of employees as well as geographical expansion.

Net sales for the Applied Solutions business area from January to June totalled SEK 11,184 thousand, compared with SEK 10,360 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 June totalled SEK 9,400 thousand, compared with SEK 9,211 for the corresponding period in 2017. The business area has performed positively, particularly in the second quarter.

Financial position

In addition to cash and cash equivalents of SEK 14,976 thousand, the Group had an unutilised overdraft facility of SEK 15 million.

Significant events in the period

To support its geographical expansion, the company opened offices in both Japan and China during the quarter.

An auto manufacturer launched a further two car models with Smart Eyes technology in the period. These models will go into serial production shortly, which means that the first licensing revenue will be recognised.

An option program for all employees was implemented in June. In total, 160,200 options were signed at a premium of SEK 5.9 per option.

Events after the end of the period

A further design win was received in July, this time with one of China's largest auto manufacturers. The car model will begin production in 2019, and the estimated order value is at least SEK 100 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 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, 20 August 2018

Board of Directors

Smart Eye Aktiebolag (publ)

Consolidated Statement of Income

TSEK	Apr-jun 2018	Apr-jun 2017	Jan-jun 2018	Jan-jun 2017	Helår 2017
Operating revenue					
Net revenue	11 004	12 114	20 584	19 747	43 199
Capitalised work for own account	3 784	3 407	8 305	6 410	15 722
Other operating revenue	689	0	1 430	344	1 684
Total operating revenue, etc.	15 476	15 521	30 319	26 501	60 605
Operating costs					
Other external costs	-12 839	-10 409	-23 133	-17 837	-40 794
Personnel costs	-16 279	-11 883	-31 829	-22 400	-50 318
Depreciation and write-down of tangible and intangible assets	-3 123	-2 536	-5 968	-4 733	-10 956
	-32 240	-24 828	-60 929	-44 970	-102 068
Operating profit/loss	-16 764	-9 306	-30 610	-18 469	-41 463
Result of financial items					
Other interest income and similar items	-3	0	1	0	15
Interest costs and similar items	-89	-129	-221	-248	-448
Total result of financial items	-92	-129	-220	-248	-433
Result after financial items	-16 856	-9 435	-30 830	-18 717	-41 896
Tax on the result for the period	0	0	0	0	0
Result for the period	-16 856	-9 435	-30 830	-18 717	-41 896

Consolidated Balance Sheet

TSEK	2018-06-30	2017-06-30	2017-12-31
ASSETS			
Intangible assets	70 161	54 860	63 448
Property, plant and equipment	5 055	4 339	5 150
Financial assets	25	396	25
Total fixed assets	75 241	59 595	0
Inventories	3 227	3 035	2 959
Trade receivables	14 875	9 875	13 931
Receivables from Group companies	0	1 102	0
Current tax receivables	572	477	370
Other current receivables	1 406	42 916	43 100
Prepaid expenses and accrued income	6 138	3 948	3 167
Current receivables	22 992	17 589	19 209
Cash and cash equivalents	14 976	42 916	10 262
Total current assets	41 195	63 869	32 430
TOTAL ASSETS	116 436	123 464	101 053

Consolidated Balance Sheet

TSEK	2018-06-30	2017-06-30	2017-12-31
Equity			
Restricted equity			
Share capital	1 096	991	991
Non-registered share capital	0	0	-
Fund for development costs	36 619	20 400	28 314
Share premium fund	21 914	21 914	21 914
	59 628	43 304	51 219
Unrestricted equity			
Share premium fund	185 124	139 737	139 737
Conversion difference	9	0	-8
Retained profit	-125 837	-67 729	-75 644
Profit/loss for the year	-30 862	-18 717	-41 896
	28 434	53 290	22 189
Total equity	88 062	96 595	73 408
Other debt to credit institutions	4 667	6 500	5 667
Other non-current liabilities	0	0	0
Non-current liabilities	4 667	6 500	5 667
Advance payments from customers	953	625	0
Trade payables	6 365	7 523	7 828
Overdraft facility	0	0	0
Debt to Group companies	0	380	0
Other current debt	0	797	1 481
Accrued expenses and prepaid income	14 389	9 544	10 669
Other debt to credit institutions	2 000	1 500	2 000
Current liabilities	23 707	20 369	21 978
TOTAL EQUITY AND LIABILITIES	116 436	123 464	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	105			44 442		
Option program 2018	0			945		
Translation difference					-8	-8
Profit/loss for the year					-30 829	-30 829
Equity 2018-06-30	1 096	21 914	13 990	185 124	-134 062	88 062

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

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

Consolidated Cash Flow Analysis

TSEK	2018-06-30	2017-06-30	2017-12-31
Current activities			
Operating profit after depreciation	-30 610	-18 469	-41 463
Reversal of depreciation	5 968	4 733	10 956
Financial payments received	1	0	15
Financial disbursements	-221	-248	-448
Tax	0	0	0
Change in operating capital			
Change in stocks	-268	-50	26
Change in trade receivables	-944	-178	-4 235
Change in other current receivables*	-2 839	7 604	10 041
Change in trade payables	-1 463	2 456	2 761
Changes in other current liabilities	3 193	1 250	3 017
<i>Cash flow, current activities</i>	-27 184	-2 903	-19 330
Investment activities			
Intangible assets	-11 991	-10 968	-25 191
Property, plant and equipment	-595	-3 972	-5 374
Financial assets	0	0	-90
<i>Cash flow, investment activities</i>	-12 586	-14 941	-30 655
Financing activities			
New issue*	45 491	0	0
Distribution			
Non-current liabilities	-1 001	-1 000	-1 833
<i>Cash flow, financing activities</i>	44 490	-1 000	-1 833
<i>Translation difference</i>	-7		-8
Cash flow	4 714	-18 843	-51 826
Opening cash and cash equivalents	10 262	62 088	62 088
Closing cash and cash equivalents	14 976	43 244	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	Apr-jun 2018	Apr-jun 2017	Jan-jun 2018	Jan-jun 2017	Helår 2017
Operating revenue					
Net revenue	11 003	12 114	20 584	19 747	43 199
Capitalised work for own account	3 784	3 407	8 305	6 410	15 722
Other operating revenue	689	0	1 430	344	1 683
Total operating revenue	15 476	15 521	30 319	26 501	60 604
	0				
Other external costs	-12 869	-10 409	-23 210	-17 837	-40 824
Personnel costs	-16 295	-11 883	-31 830	-22 400	-50 378
	-3 123	-2 536	-5 968	-4 733	-10 956
Total operating costs	-32 286	-24 828	-61 008	-44 970	-102 158
Operating profit/loss	-16 810	-9 306	-30 689	-18 469	-41 553
Result of financial items					
Other interest income and similar items	-3	0	1	0	15
Interest costs and similar items	-89	-129	-221	-248	-448
Total result of financial items	-92	-129	-220	-248	-434
Result after financial items	-16 902	-9 435	-30 909	-18 717	-41 987
Tax on the result for the period	0	0	0	0	0
Result for the period	-16 902	-9 435	-30 909	-18 717	-41 987

Parent Company's Balance Sheet

TSEK	2018-06-30	2017-06-30	2017-12-31
ASSETS			
Intangible assets	70 161	54 860	63 448
Property, plant and equipment	5 055	4 339	5 150
Financial assets	486	396	486
Total fixed assets	75 702	59 595	69 084
Inventories	3 227	3 035	2 959
Trade receivables	14 875	9 875	13 931
Receivables from Group companies	0	1 102	0
Current tax receivables	572	477	370
Other current receivables	1 372	42 916	1 741
Prepaid expenses and accrued income	6 138	3 948	3 167
Current receivables	22 958	17 589	19 209
Cash and cash equivalents	14 615	43 244	9 733
Total current assets	40 800	63 869	31 901
TOTAL ASSETS	116 502	123 464	100 985

Parent Company's Balance Sheet

TSEK	2018-06-30	2017-06-30	2017-12-31
Equity			
Restricted equity			
Share capital	1 096	991	991
Non-registered share capital	0	0	0
Fund for development costs	36 619	20 400	28 314
Share premium fund	21 914	21 914	21 914
	59 628	43 305	51 219
Unrestricted equity			
Share premium fund	185 124	139 737	139 737
Retained profit	-125 936	-67 729	-75 644
Profit/loss for the year	-30 909	-18 717	-41 987
	28 280	53 290	22 106
Total equity	87 908	96 595	73 325
Other debt to credit institutions	4 667	6 500	5 667
Other non-current liabilities	0	0	0
Non-current liabilities	4 667	6 500	5 667
Advance payments from customers	953	625	0
Trade payables	6 347	7 523	7 821
Overdraft facility	0	0	0
Debt to Group companies	838	380	493
Other current debt	0	797	1 020
Accrued expenses and prepaid income	13 789	9 544	10 659
Other debt to credit institutions	2 000	1 500	2 000
Current liabilities	23 927	20 369	21 993
TOTAL EQUITY AND LIABILITIES	116 502	123 464	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		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	105			44 442		44 546
Option program 2018	0			945		945
Fund for development costs			8 305		-8 305	
Profit/loss for the year					-30 909	-30 909
Equity 2018-06-30	1 096	21 914	36 619	185 124	-156 845	87 908

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	2018-06-30	2017-06-30	2017-12-31
Current activities			
Operating profit after depreciation	-30 688	-18 469	-41 553
Reversal of depreciation	5 968	4 733	10 956
Financial payments received	1	0	15
Financial disbursements	-221	-248	-448
Tax	0	0	0
Change in operating capital			
Change in stocks	-268	-50	26
Change in trade receivables	-944	-178	-4 235
Change in other current receivables*	-2 804	7 604	10 041
Change in trade payables	-1 474	2 456	2 754
Change in other current liabilities	3 409	1 250	2 577
<i>Cash flow, current activities</i>	-27 022	-2 903	-19 867
Investment activities			
Intangible assets	-11 991	-10 968	-25 191
Property, plant and equipment	-595	-3 972	-5374
Financial assets	0	0	-90
<i>Cash flow, investment activities</i>	-12 586	-14 941	-30 655
Financing activities			
New issue*	45 491	0	0
Distribution			
Non-current liabilities	-1 001	-1 000	-1 833
<i>Cash flow, financing activities</i>	44 490	-1 000	-1 833
Cash flow	4 882	-18 843	-52 355
Opening cash and cash equivalents	9 733	62 088	62 088
Closing cash and cash equivalents	14 615	43 244	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

Interim report jul-sep 2018

25 October 2018

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This information is information that Smart Eye AB (publ) is obliged to make public pursuant to the Securities Markets Act. The information was submitted for publication at 08:30 CET on August 20, 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.

“Bridging the gap between
man and machine”



smart eye

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