



smart eye

Year-End Report

January - December 2021

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

Increase in business activity and growth

October - December 2021

- Net sales amounted to SEK 43.7 (18.3) million, which is an increase of 139% compared to the corresponding period previous year, of which 20% was organic growth.
- EBITDA amounted to SEK -21.1 (-14.0) million. Increased activity including additional cost for the added resources from the Affectiva acquisition is the reason for the lower result.
- Operating loss amounted to SEK -43.6 (-19.4) million. Depreciation of the surplus value created in conjunction with the Affectiva and iMotions acquisitions amounts to SEK 18.8 million.
- Profit/loss after tax was SEK -45.4 (-19.6) million.
- Earnings after tax per share is negative.
- Cash and cash equivalents totaled SEK 278.4 million at the end of December
- In October the company entered into an agreement to acquire iMotions, a Copenhagen based provider of multimodal software for human behavior research, for a consideration of SEK 434 million and SEK 50 million in potential earn-out consideration based on achievement of certain financial targets. In conjunction with the acquisition a directed share issue of SEK 220 million was completed.
- In October 2021 an additional design win with an existing Japanese customer was communicated, estimated revenue of the order is SEK 25 million and on February 7th 2022 the company announced a design win from one of Europe's largest OEM:s. The estimated revenue of the order is SEK 50 million based on estimated product life cycle projections. The potential of further design wins on this new platform is estimated at SEK 500 million.

January - December 2021

- Net sales amounted to SEK 109.7 (65.1) million, which is an increase of 68% compared to the corresponding period previous year, of which 19% was organic growth
- EBITDA amounted to SEK -71.7 (-55.6) million.
- Operating loss amounted to SEK -130.9 (-77.2) million. Depreciation of the surplus value created in conjunction with the Affectiva and iMotions acquisitions amounts to SEK 33.3 million.
- Profit/loss after tax amounted to SEK -132.7 (-77.6) million.
- Earnings after tax per share is negative.
- In May the company entered into an agreement to acquire Affectiva, a Boston based Emotion AI company, for a consideration of 650 MSEK. In conjunction with the acquisition a directed share issue of SEK 275 million was completed.

Financial summary

| TSEK | | okt-dec | | Full Year | |
|---|------|------------|------------|------------|------------|
| | | 2021 | 2020 | 2021 | 2020 |
| Net sales | TSEK | 43 718 | 18 325 | 109 679 | 65 097 |
| Operating profit/loss | TSEK | -43 612 | -19 427 | -130 909 | -77 156 |
| Operating margin | % | neg. | neg. | neg. | neg. |
| EBITDA | TSEK | -21 082 | -13 993 | -71 711 | -55 598 |
| Profit/loss after tax | TSEK | -45 367 | -19 600 | -132 713 | -77 557 |
| Profit per share | SEK | -2,05 | -1,18 | -5,99 | -4,66 |
| Return on total capital | % | -3,13 | -5,10 | -9,15 | -20,10 |
| Equity per share | SEK | 65,46 | 21,20 | 65,46 | 21,20 |
| Equity per share after full dilution | SEK | 63,80 | 20,70 | 63,80 | 20,70 |
| Equity ratio | % | 83,07 | 91,24 | 83,07 | 91,24 |
| Number of shares | | 22 148 650 | 16 630 882 | 22 148 650 | 16 630 882 |
| Number of shares after full dilution | | 22 726 150 | 17 031 082 | 22 726 150 | 17 031 082 |
| Average number of shares before full dilution | | 21 038 904 | 16 630 882 | 19 389 766 | 16 630 882 |
| Average number of shares after full dilution | | 21 616 404 | 17 031 082 | 19 967 266 | 17 031 082 |

Comments from the CEO

Just like last quarter the pickup is continuing, indicating that we have passed the peak of being affected by Covid. Each of our business units are performing well and our research portfolio is greatly strengthened by the acquisition of iMotions.

Automotive

Let's continue to put some color on our automotive production programs, by giving general information while honoring our disclosure agreements.

- We recently received a design-win from one more OEM, consolidating our market leadership by bringing the total number of OEMs we have design wins with 14.
- Our contracts with these 14 OEMs are planned for at least 90 car models. In addition, there is a high likelihood that the OEMs continue to buy the existing solution for more vehicles on the same platforms.
- Five of our OEMs have started series production, two more than last quarter.
- We are in production with OEMs in Europe, US, Korea, China and Japan.
- Deliveries increased in Q4 and we continue to be on track to surpass one million cars, powered by Smart Eye, on the roads during the first half of 2022.

In the ongoing automotive procurement scene, Smart Eye continue to stand strong thanks to our competitive technological position and regulatory tailwind.

- Nominations of DMS suppliers among some of the world's largest groups of car manufacturers were decided in Q4 and early Q1. Smart Eye has held its ground so far while one major procurement is still in the making.
- There is an ongoing trend, that on top of the traditional DMS features, customers are more and more asking for additional features in relation to cabin monitoring. It is still early days and the feature lists of those projects that have been nominated in the market are still quite small. But some of the RFQs that are in play for nomination



this or next year are quite rich in terms of features and can most definitely be described as legitimate Interior Sensing.

Our fleet product, AIS, is nearing the end of its development cycle. Extensive final testing is ongoing with the goal of starting the deliveries shortly. We hold a positive outlook on the market as everything seems ready to start up after the peak of the pandemic.

Research

Since the acquisition of iMotions in the quarter we have three business units offering products to researchers: iMotions, Research Instruments and Media Analytics. iMotions is a company founded in Copenhagen, Denmark that is pioneering a multimodal software platform for human behavioral research. During the last five years the two companies have collaborated extensively, with iMotions selling our eye trackers and Smart Eye selling their gaze analysis software.

We were always aligned in our view of how the market is developing and more generally in terms of company values. We were already in conversation regarding strategic alternatives before the pandemic, but it had to be halted due to Covid, just like so many other things. When the markets stabilized, we prepared for the deal, to be done as soon as possible after closing the Affectiva acquisition. Also, Affectiva and iMotions were in close collaboration for many years before the merger, with iMotions selling Affectiva's Emotion SDK as part of their solution. The multimodal concept is extremely

interesting for the automotive market in a near future, as gaining a deep understanding of what is happening in a vehicle requires combining input from multiple sensors and modalities.

Research Instruments continued to do well. The rate of growth in Q4 was increasing compared to earlier in the year. For the full year the growth was 30%. We are doing well with both partner sales and direct sales. We believe the positive trend continues in 2022.

Media Analytics fourth quarter was one where we continued to pick up speed. We had the highest revenue of the year and also several key customers where onboarded.

Innovation

While delivering on our customer commitments remains a priority, we continue to invest in research and our science to stay ahead of technological innovation. This has always been critical to the success of each of Smart Eye's business units. Post the pandemic peak we have seen our research collaborations in

industry and academia pick up steam. We have also been able to ramp up our in-person data collection again, a key enabler of our deep-learning based technology. At the end of Q4 we were awarded a CES 2022 Innovation Award for our Interior Sensing solution – great validation that our technology is solving a critical market need and recognition for the innovative technologies the Smart Eye team continues to develop.

Final Words

Even though we see an impact from the semiconductor shortage affecting the whole automotive industry, still all our business units and markets are growing, both organically and because of the Affectiva and iMotions acquisitions. Each of our markets are gaining momentum as the effects of the pandemic seems to abate, and we are approaching 2022 with eager anticipation.

Martin Krantz

CEO Smart Eye

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 October 22nd 2021.

The total estimated value of the company's 90 (89) design wins announced to date amounts to SEK 2,325 (2,275) million over a product life cycle.

If the company's system had been used in all car models on existing platforms by the 14 (13) car manufacturers with whom design wins have been communicated, the estimated value would amount to at least SEK 6,800 (6,250) million over a product life cycle.

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) | 2015-2020 | 2021 | 2022 | Total |
|--|------------------|-------------|-------------|--------------|
| Estimated revenue over the product life cycle from current design wins | 2 100 | 175 | 50 | 2 325 |
| Estimated revenue over the product life cycle from possible additional designs wins with existing car manufacturers on existing platforms | 3 675 | 300 | 500 | 4 475 |
| Estimated revenue over the product life cycle including current and possible additional designs wins with existing car manufacturers on existing platforms | 5 775 | 475 | 550 | 6 800 |

The Group

As of 2021 Smart Eye classifies operating expenses by function instead of nature of expense. This transition has been made to offer a more 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

Fourth quarter 2021

Net sales for the period October to December 2021 amounted to SEK 43.7 (18.3) million, which is an increase of 139% compared to the corresponding period previous year, impacted by the consolidation of Affectiva and iMotions. The organic growth was 20%.

Net sales for the **Automotive** business area (Automotive Solutions and Fleet & Aftermarket) during the fourth quarter were SEK 13.9 million, compared with SEK 11.9 million in the fourth quarter of the previous year corresponding to an increase of 17%. A growth in license revenue and continued project revenue is the reason for the increased sales in the quarter.

For the **Research** business area (Research Instruments, Media Analytics and iMotions) net sales during the fourth quarter amounted to SEK 29.8 (6.4) million. The high growth of 365 % is due to the fact that Affectiva's Media Analytics business and iMotions has been consolidated into the group numbers. The organic growth in the quarter is however as high as 41% which clearly demonstrates that the research market continues to come back after the Covid restrictions.

January-December 2021

Net sales amounted to SEK 109.7 (65.1) million, which is an increase of 68% compared to the corresponding period previous year, of which 19% was organic growth.

Net sales for **Automotive** business area (Automotive Solutions and Fleet & Aftermarket) during the year were SEK 47.2 million, compared with SEK 41.3 million previous year, corresponding to an increase of 14%. The

increase in sales is mainly due increased license revenue.

Research business area (Research Instruments, Media analytics and iMotions) net sales during the period amounted to SEK 62.5 (23.8) million, which is an increase of 163 % compared to the corresponding period previous year, of which 30% was organic growth.

Results

Fourth quarter 2021

EBITDA amounted to SEK -21.1 (-14.0) million. Increased activity including additional cost for the added resources from the Affectiva acquisition is the reason for the lower result.

The operating result for the fourth quarter totaled SEK -43.6 (-19,4) million. The acquisitions of Affectiva and iMotions impacts the operating result with a negative SEK 3.8 million. Depreciation of the surplus value created in conjunction with the Affectiva and iMotions acquisitions amounts to SEK 18.8 million in the quarter. Increased post-Covid activity is another reason for the increased losses compared to last year's fourth quarter.

January-December 2021

EBITDA amounted to SEK -71.7 (-55.6) million. Increased activity during the latter part of the year compared to 2020, when covid had a higher impact, is the reason for the lower result.

Operating loss amounted to SEK -130.9 (-77.2) million. Depreciation of the surplus value created in conjunction with the Affectiva and iMotions acquisitions amounts to SEK 33.3 million.

Financial position

In addition to cash and cash equivalents of SEK 278.4 million, the Group has an unutilised bank overdraft facility of SEK 5 million.

Important events during the period

In October the company entered into an agreement to acquire iMotions, a Copenhagen based provider of multimodal software for

human behavior research, for a consideration of SEK 434 million and SEK 50 million in potential earn-out consideration based on achievement of certain financial targets. In conjunction with the acquisition a directed share issue of SEK 220 million was completed.

In October an additional design win with an existing Japanese customer was communicated. Estimated order value SEK 25 million.

Events after the end of the period

February 7th 2022 the company announced a design win from one of Europe's largest OEM:s. The estimated revenue of the order is SEK 50 million based on estimated product life cycle projections. The potential of further design wins on this new platform is estimated at SEK 500 million.

Parent company

Revenue

Fourth quarter 2021

Net sales for the period October to December 2021 amounted to SEK 23.0 (18.3) million.

January-December 2021

Net sales for the period January to December 2021 amounted to SEK 78.1 (65.1) million.

Results

Fourth quarter 2021

The operating result for the fourth quarter totaled SEK -25.1 (-20.2) million.

January-December 2021

The operating result for the first three quarters totaled SEK -83.2 (-78.4) 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

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 22,148,650.

Share-based incentive scheme

At its AGM on 14th April 2020, the company resolved to establish an incentive programme for senior executives and staff. On full exercise of the company's incentive program, 200,000 shares would be issued. Subject to the fulfilment of certain conditions, the subscription price of shares subscribed with warrants is SEK 218.75 per share. Subscription is possible in the period 1st June 2024 to 30th June 2024 inclusive.

In addition, the company resolved at an EGM on 8th October 2021 to establish an incentive programme for senior executives and staff of the acquired company Affectiva. On full exercise of the company's incentive program, 137,500 shares would be issued. Subject to the fulfilment of certain conditions, the subscription price of shares subscribed with warrants is SEK 218.75 per share. Subscription is possible in the period 15th

November 2024 to 15th December 2024 inclusive.

The company also has two current incentive programmes adopted by the AGMs on 15th May 2019 and 8th May 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 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.

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, February 23, 2022

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 | Okt-Dec 2021 | Okt-Dec 2020 | Full Year 2021 | Full Year 2020 |
|---|-----------------|-----------------|-------------------|-------------------|
| Net sales | 43 718 | 18 325 | 109 679 | 65 097 |
| Cost of goods sold | -5 624 | -1 789 | -12 429 | -7 577 |
| Gross Profit | 38 094 | 16 536 | 97 250 | 57 520 |
| Sales expenses | -32 551 | -16 382 | -80 430 | -64 079 |
| Administrative expenses | -21 841 | -8 059 | -58 406 | -31 752 |
| Research and development expenses | -34 214 | -13 013 | -102 117 | -48 077 |
| Other operating income | 7 520 | 4 356 | 15 279 | 17 328 |
| Other operating expenses | -620 | -2 863 | -2 485 | -8 096 |
| Operating profit/loss | -43 612 | -19 427 | -130 909 | -77 156 |
| Financial income and expenses | | | | |
| Profit/loss from participations in associated companies | 0 | -6 | 0 | -6 |
| Interest income and similar profit items | 0 | 13 | 0 | 13 |
| Interest expenses and similar loss items | -241 | -28 | -290 | -256 |
| Total financial income and expenses | -241 | -21 | -290 | -249 |
| Profit/loss after financial items | -43 853 | -19 448 | -131 199 | -77 405 |
| Tax on the result for the period | -203 | -152 | -203 | -152 |
| Deferred tax | -1 311 | 0 | -1 311 | 0 |
| Result for the period | -45 367 | -19 600 | -132 713 | -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 | Note | 2021-12-31 | 2020-12-31 |
|-------------------------------------|------|------------------|----------------|
| ASSETS | | | |
| Intangible assets | 5 | 1 376 957 | 129 597 |
| Tangible assets | | 4 667 | 4 201 |
| Total fixed assets | | 1 381 624 | 133 798 |
| Inventories | | 6 557 | 5 203 |
| Trade receivables | | 43 011 | 17 538 |
| Current tax receivables | | 3 970 | 2 868 |
| Other current receivables | | 13 290 | 1 572 |
| Prepaid expenses and accrued income | | 18 530 | 6 787 |
| Current receivables | | 78 801 | 28 765 |
| Cash and cash equivalents | | 278 360 | 218 701 |
| Total current assets | | 363 718 | 252 669 |
| TOTAL ASSETS | | 1 745 342 | 386 468 |

Condensed Consolidated Balance Sheet

| TSEK | Note | 2021-12-31 | 2020-12-31 |
|-------------------------------------|------|------------------|----------------|
| Equity | | | |
| Share Capital | | 2 215 | 1 663 |
| Other contributed Equity | | 1 867 060 | 677 943 |
| Other Equity | | -419 378 | -326 977 |
| Total equity | | 1 449 895 | 352 627 |
| Deferred taxes | 5 | 118 992 | 0 |
| Provisions | | 118 992 | 0 |
| Other long-term debt | 5 | 75 822 | 0 |
| Other debt to credit institutions | | 3 084 | 0 |
| Non-current liabilities | | 78 906 | 0 |
| Other debt to credit institutions | | 0 | 1 667 |
| Advance payments from customer | | 1 644 | 0 |
| Trade payables | | 20 235 | 8 807 |
| Other current debt | | 37 003 | 3 293 |
| Accrued expenses and prepaid income | | 38 667 | 20 074 |
| Current liabilities | | 97 549 | 33 841 |
| TOTAL EQUITY AND LIABILITIES | | 1 745 342 | 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* | 232 | 469 063 | | 469 295 |
| Non-cash issue* | 281 | 655 771 | | 656 051 |
| Set-off issue* | 23 | 56 498 | | 56 521 |
| Option program 2018* | 16 | 7 785 | | 7 801 |
| Option program 2021* | | | 531 | 531 |
| Translation difference | | | 39 781 | 39 781 |
| Profit/loss for the year | | | -132 713 | -132 713 |
| Equity 2021-12-31 | 2 215 | 1 867 060 | -419 378 | 1 449 895 |

The share capital consists of 22 148 650 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 16 020. Also a new issue, non-cash issue and a set-off issue was registered and the share capital increased by SEK 535 756,80.

Condensed Consolidated Cash Flow Analysis

| | 2021-12-31 | 2020-12-31 |
|---|-----------------|----------------|
| Operating activities | | |
| Operating profit after depreciation | -130 909 | -77 557 |
| Reversal of depreciation | 59 198 | 21 558 |
| Reversal of non-cash items | 3 183 | 0 |
| Financial payments received | 0 | 13 |
| Financial disbursements | -290 | 0 |
| Tax | -1 449 | 2 231 |
| Change in working capital | | |
| Change in stocks | -1 354 | -1 103 |
| Change in trade receivables | 2 775 | -5 804 |
| Change in other current receivables | -6 420 | 6 464 |
| Change in trade payables | 8 038 | -9 356 |
| Changes in other current liabilities | -36 813 | -728 |
| <i>Cash flow from working capital</i> | -104 042 | -64 282 |
| Investment activities | | |
| Intangible assets | -55 274 | -38 767 |
| Tangible assets | -944 | -887 |
| Financial assets | -257 584 | 0 |
| <i>Cash flow from investment activities</i> | -313 802 | -39 654 |
| Financing activities | | |
| Rights issue | 469 870 | 177 176 |
| Stock option program | 7 802 | 1 960 |
| Non-current liabilities | 75 | -1 667 |
| <i>Cash flow from financing activities</i> | 477 746 | 177 469 |
| <i>Translation difference</i> | -243 | -216 |
| Cash flow | 59 659 | 73 317 |
| Opening cash and cash equivalents | 218 701 | 145 384 |
| Closing cash and cash equivalents | 278 360 | 218 701 |

Condensed Parent Company's Statement of Income*

| TSEK | Okt-Dec 2021 | Okt-Dec 2020 | Full Year 2021 | Full Year 2020 |
|---|-----------------|-----------------|-------------------|-------------------|
| Net sales | 22 953 | 18 325 | 78 094 | 65 097 |
| Cost of goods sold | -3 362 | -1 789 | -8 952 | -7 577 |
| Total operating revenue | 19 591 | 16 536 | 69 142 | 57 520 |
| Sales expenses | -18 042 | -15 354 | -61 133 | -63 503 |
| Administrative expenses | -12 372 | -8 059 | -40 278 | -31 752 |
| Research and development expenses | -17 408 | -14 272 | -59 962 | -49 335 |
| Other operating income | 3 622 | 3 839 | 11 381 | 16 811 |
| Other operating expenses | -506 | -2 863 | -2 371 | -8 096 |
| Operating profit/loss | -25 115 | -20 175 | -83 221 | -78 355 |
| Financial income and expenses | | | | |
| Profit/loss from participations in associated companies | 0 | -6 | 0 | -6 |
| Interest income and similar profit items | 0 | 13 | 0 | 13 |
| Interest expenses and similar loss items | -1 | -28 | -41 | -256 |
| Total financial income and expenses | -1 | -21 | -41 | -249 |
| Profit/loss after financial items | -25 116 | -20 196 | -83 262 | -78 604 |
| Tax on the result for the period | 0 | 0 | 0 | 0 |
| Result for the period | -25 116 | -20 196 | -83 262 | -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 | 2021-12-31 | 2020-12-31 |
|-------------------------------------|------------------|----------------|
| ASSETS | | |
| Intangible assets | 149 085 | 129 597 |
| Tangible assets | 2 297 | 3 980 |
| Financial assets | 1 141 069 | 1 580 |
| Total fixed assets | 1 292 451 | 135 157 |
| Inventories | 6 557 | 5 203 |
| Trade receivables | 15 129 | 17 538 |
| Receivables from Group companies | 596 | 29 |
| Current tax receivables | 3 970 | 2 868 |
| Other current receivables | 2 568 | 1 572 |
| Prepaid expenses and accrued income | 12 091 | 5 745 |
| Current receivables | 34 354 | 27 752 |
| Cash and cash equivalents | 267 346 | 218 141 |
| Total current assets | 308 257 | 251 096 |
| TOTAL ASSETS | 1 600 708 | 386 253 |

Condensed Parent Company's Balance Sheet

| TSEK | 2021-12-31 | 2020-12-31 |
|-------------------------------------|------------------|----------------|
| Equity | | |
| Restricted equity | | |
| Share capital | 2 215 | 1 663 |
| Share premium fund | 21 914 | 21 914 |
| Fund for development costs | 138 626 | 115 370 |
| | 162 754 | 138 947 |
| Unrestricted equity | | |
| Share premium fund | 1 845 145 | 656 028 |
| Retained profit | -466 602 | -365 273 |
| Profit/loss for the year | -83 262 | -78 604 |
| | 1 295 282 | 212 151 |
| Total equity | 1 458 037 | 351 098 |
| Other long term-debt | 75 822 | 0 |
| Non-current liabilities | 75 822 | 0 |
| Other debt to credit institutions | 0 | 1 667 |
| Advance payments from customer | 1 644 | 0 |
| Trade payables | 13 899 | 8 773 |
| Debt to Group companies | 1 672 | 2 063 |
| Other current debt | 25 713 | 2 858 |
| Accrued expenses and prepaid income | 23 921 | 19 794 |
| Current liabilities | 66 849 | 35 155 |
| TOTAL EQUITY AND LIABILITIES | 1 600 708 | 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* | 232 | | | 469 063 | | 469 295 |
| Non-cash issue* | 281 | | | 655 771 | | 656 051 |
| Set-off issue* | 23 | | | 56 498 | | 56 521 |
| Option program 2018* | 16 | | | 7 785 | | 7 801 |
| Option program 2021* | | | | | 531 | 531 |
| Fund for development costs | | | 41 001 | | -41 001 | |
| Reversal of fund for development costs | | | -17 746 | | 17 746 | |
| Profit/loss for the year | | | | | -83 262 | -83 262 |
| Equity 2021-12-31 | 2 215 | 21 914 | 138 626 | 1 845 145 | -549 864 | 1 458 037 |

The share capital consists of 22 148 650 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 16 020. Also a new issue, non-cash issue and a set-off issue was registered and the share capital increased by SEK 535 756,80.

Condensed Parent Company's Cash Flow Analysis

| TSEK | 2021-12-31 | 2020-12-31 |
|--|-----------------|----------------|
| Operating activities | | |
| Operating profit after depreciation | -83 221 | -78 354 |
| Reversal of depreciation | 23 980 | 21 558 |
| Reversal of non-cash items | 295 | 0 |
| Financial payments received | 0 | 13 |
| Financial disbursements | -41 | -262 |
| Tax | -1 449 | 2 231 |
| Change in working capital | | |
| Change in stocks | -1 354 | -1 103 |
| Change in trade receivables | 2 149 | -5 804 |
| Change in other current receivables | -8 772 | 7 008 |
| Change in trade payables | 5 126 | -9 100 |
| Change in other current liabilities | 6 087 | -945 |
| <i>Cash flow from working capital</i> | -57 200 | -64 758 |
| Investment activities | | |
| Intangible assets | -40 997 | -38 767 |
| Tangible assets | -789 | -666 |
| Financial assets | -327 815 | -252 |
| <i>Cash flow, investment activities</i> | -369 601 | -39 685 |
| Financing activities | | |
| Rights issue | 469 870 | 177 176 |
| Stock option program | 7 802 | 1 960 |
| Non-current liabilities | -1 667 | -1 667 |
| <i>Cash flow from financing activities</i> | 476 005 | 177 469 |
| Cash flow | 49 204 | 73 023 |
| Opening cash and cash equivalents | 218 141 | 145 118 |
| Closing cash and cash equivalents | 267 346 | 218 141 |

Note 1. Transitions to income statement classified by function

2020-10-01 - 2020-12-31

Group condensed consolidated statement of income

| 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 | | 18 325 | | | | | | 18 325 |
| Capitalised work for own account | 1 | 3 711 | -3 711 | | | | | 0 |
| Other operating revenue | 2 | 1 493 | | -1 493 | | | | 0 |
| <i>Cost of goods sold</i> | | | | | -1 343 | -446 | | -1 789 |
| Gross profit | | 23 529 | -3 711 | -1 493 | -1 343 | -446 | 0 | 16 536 |
| Other external costs | 3 | -14 092 | | | 14 092 | | | 0 |
| Personnel costs | 4 | -23 430 | | | | 23 430 | | 0 |
| Depreciation and amortisation of tangible and intangible assets | 5 | -5 434 | | | | | 5 434 | 0 |
| <i>Sales expenses</i> | | | | | -5 740 | -10 642 | | -16 382 |
| <i>Administrative expenses</i> | | | | | -4 615 | -2 806 | -639 | -8 059 |
| <i>Research and development expenses</i> | | | 3 711 | | -2 393 | -9 535 | -4 795 | -13 013 |
| <i>Other operating income</i> | | | | 4 356 | | | | 4 356 |
| <i>Other operating expenses</i> | | | | -2 863 | | | | -2 863 |
| Operating profit/loss | | -19 427 | | 0 | 0 | 0 | 0 | -19 427 |
| Financial income and expenses | | | | | | | | |
| Profit/loss from participations in associated companies | | -6 | | | | | | -6 |
| Interest income and similar profit items | | 13 | | | | | | 13 |
| Interest costs and similar loss items | | -28 | | | | | | -28 |
| Total profit/loss from financial items | | -21 | 0 | 0 | 0 | 0 | 0 | -21 |
| Profit/loss after financial items | | -19 448 | 0 | 0 | 0 | 0 | 0 | -19 448 |
| Tax on profit for the period | | -152 | | | | | | -152 |
| Net profit/loss for the period | | -19 600 | | | | | | -19 600 |

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 last quarter of 2020, which in the group principally was within sales and 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. Transitions to income statement classified by function

2020-01-01 - 2020-12-31

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 |
|------|-------------|--|---|-----------------------------------|---------------------------------|----------------------------|---|---|
| | | 65 097 | | | | | | 65 097 |
| | 1 | 26 059 | -26 059 | | | | | 0 |
| | 2 | 9 232 | | -9 232 | | | | 0 |
| | | | | | -5 973 | -1 604 | | -7 577 |
| | | 100 388 | -26 059 | -9 232 | -5 973 | -1 604 | 0 | 57 520 |
| | 3 | -65 664 | | | 65 664 | | | 0 |
| | 4 | -90 322 | | | | 90 322 | | 0 |
| | 5 | -21 558 | | | | | 21 558 | 0 |
| | | | | | -26 903 | -37 176 | | -64 079 |
| | | | | | -18 797 | -10 471 | -2 484 | -31 752 |
| | | | 26 059 | | -13 991 | -41 071 | -19 073 | -48 077 |
| | | | | 17 328 | | | | 17 328 |
| | | | | -8 096 | | | | -8 096 |
| | | -77 156 | 0 | 0 | 0 | 0 | 0 | -77 156 |
| | | Financial income and expenses | | | | | | |
| | | | | | | | | |
| | | -6 | | | | | | -6 |
| | | 13 | | | | | | 13 |
| | | -256 | | | | | | -256 |
| | | -249 | 0 | 0 | 0 | 0 | 0 | -249 |
| | | -77 405 | 0 | 0 | 0 | 0 | 0 | -77 405 |
| | | -152 | | | | | | -152 |
| | | -77 557 | | | | | | -77 557 |

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 2020, which in the group principally was within research and development and sales. 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. Transitions to income statement classified by function

2020-10-01 - 2020-12-31

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 |
|------|---|--|---|-----------------------------------|---------------------------------|----------------------------|---|---|
| | | 18 325 | | | | | | 18 325 |
| | Capitalised work for own account | 1 3 711 | -3 711 | | | | | 0 |
| | Other operating revenue | 2 976 | | -976 | | | | 0 |
| | <i>Cost of goods sold</i> | | | | -1 343 | -446 | | -1 789 |
| | Gross profit | 23 012 | -3 711 | -976 | -1 343 | -446 | 0 | 16 536 |
| | Other external costs | 3 -26 216 | | | 26 216 | | | 0 |
| | Personnel costs | 4 -11 537 | | | | 11 537 | | 0 |
| | Depreciation and amortisation of tangible and intangible assets | 5 -5 434 | | | | | 5 434 | 0 |
| | <i>Sales expenses</i> | | | | -17 863 | 2 508 | | -15 354 |
| | <i>Administrative expenses</i> | | | | -4 615 | -2 806 | -639 | -8 059 |
| | <i>Research and development expenses</i> | | 3 711 | | -2 393 | -10 794 | -4 795 | -14 272 |
| | <i>Other operating income</i> | | | 3 839 | | | | 3 839 |
| | <i>Other operating expenses</i> | | | -2 863 | | | | -2 863 |
| | Operating profit/loss | -20 175 | 0 | 0 | 0 | 0 | 0 | -20 175 |
| | Financial income and expenses | | | | | | | |
| | Profit/loss from participations in associated companies | | -6 | | | | | -6 |
| | Interest income and similar profit items | | 13 | | | | | 13 |
| | Interest expenses and similar loss items | | -28 | | | | | -28 |
| | Total profit/loss from financial items | -21 | 0 | 0 | 0 | 0 | 0 | -21 |
| | Profit/loss after financial items | -20 196 | 0 | 0 | 0 | 0 | 0 | -20 196 |
| | Tax on profit for the period | | 0 | | | | | 0 |
| | Net profit/loss for the period | -20 196 | | | | | | -20 196 |

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 last 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. Transitions to income statement classified by function

2020-01-01 - 2020-12-31

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 | Adjustments personnel costs amortisation | Adjustments depreciation and classified by function | Income statement classified by function |
|--|------------------|--|--|--|--|---|---|--|
| Net sales | | 65 097 | | | | | | 65 097 |
| Capitalised work for own account | 1 | 26 059 | -26 059 | | | | | 0 |
| Other operating revenue | 2 | 8 715 | | -8 715 | | | | 0 |
| <i>Cost of goods sold</i> | | | | | -5 973 | -1 604 | | -7 577 |
| Gross profit | | 99 871 | -26 059 | -8 715 | -5 973 | -1 604 | 0 | 57 520 |
| Other external costs | 3 | -78 149 | | | 78 149 | | | 0 |
| Personnel costs | 4 | -78 519 | | | | 78 519 | | 0 |
| Depreciation and amortisation of tangible and intangible assets | 5 | -21 558 | | | | | 21 558 | 0 |
| <i>Sales expenses</i> | | | | | -39 387 | -24 115 | | -63 503 |
| <i>Administrative expenses</i> | | | | | -18 797 | -10 471 | -2 484 | -31 752 |
| <i>Research and development expenses</i> | | | 26 059 | | -13 991 | -42 330 | -19 073 | -49 335 |
| <i>Other operating income</i> | | | | 16 811 | | | | 16 811 |
| <i>Other operating expenses</i> | | | | -8 096 | | | | -8 096 |
| Operating profit/loss | | -78 355 | | 0 | 0 | 0 | 0 | -78 355 |
| Financial income and expenses | | | | | | | | |
| Profit/loss from participations in associated companies | | -6 | | | | | | -6 |
| Interest income and similar profit items | | 13 | | | | | | 13 |
| Interest expenses and similar loss items | | -256 | | | | | | -256 |
| Total profit/loss from financial items | | -249 | 0 | 0 | 0 | 0 | 0 | -249 |
| Profit/loss after financial items | | -78 604 | 0 | 0 | 0 | 0 | 0 | -78 604 |
| Tax on profit for the period | | 0 | | | | | | 0 |
| Net profit/loss for the period | | -78 604 | | | | | | -78 604 |

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 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

5 Depreciations and amortisations related to research and development expenses principally consist of amortisations of capitalised expenditure of development work.

Note 5. Acquisitions

| Acquired net assets at the time of acquisition (preliminary purchase price allocations): | | |
|---|---------------------------|---------------|
| MSEK | Affectiva iMotions | |
| Identified intangible fixed assets | 330,2 | 110,1 |
| Tangible fixed assets | 2,5 | 0,7 |
| Accounts receivable | 12,8 | 16,4 |
| Other receivables | 12,9 | 2,1 |
| Cash and cash equivalents | 23,6 | 5,8 |
| Interest-bearing liabilities | -21,4 | -3,0 |
| Accounts payable | -1,7 | -1,3 |
| Other operating liabilities | -24,5 | -18,9 |
| Deferred tax liability | -89,2 | -23,1 |
| Net identifiable assets and liabilities | 245,2 | 88,8 |
| Group goodwill | 404,5 | 356,9 |
| Total purchase price | 649,8 | 445,7 |
| <i>Less:</i> | | |
| Cash and cash equivalents | 68,2 | 218,8 |
| Issued shares | -497,9 | -215,4 |
| Deferred shares | -83,7 | - |
| Conditional purchase price (earn out) | - | -11,6 |
| <i>Net cash outflow of acquisition:</i> | | |
| Purchase price paid in cash | -68,2 | -218,8 |
| Less: Cash in acquired company | 23,6 | 5,8 |
| Effect on group cash and cash equivalents | -44,6 | -213,0 |
| Intangible assets: | | |
| Goodwill | 404,5 | 356,9 |
| Capitalised development expenditure | | 26,6 |
| Trademark | 20,4 | 52,4 |
| Technology (current) | 23,0 | 20,3 |
| Technology (IP & R&D) | 216,2 | |
| Customer relationships | 70,6 | 10,8 |
| Total intangible assets | 734,7 | 467,0 |

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 purchase price amounted to SEK 649.8 million based on Affectiva's financial position, of which SEK 581.6 million consisted of 2,354,668 issued Smart Eye shares, and SEK 68.2 million was paid in cash. Of the 2,354,668 shares, 2,015,626 were newly 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 group as of December 31, 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.

In addition to net assets in Affectiva, surplus values in the form of trademark, technology and customer relationships have been identified in the purchase price allocation. A majority of the purchase price has been attributed to goodwill. The goodwill value includes the value of the acquired staff's know-how and synergy effects in the form of more efficient development and sales processes in the Group after the acquisition. No part of the goodwill is expected to be tax deductible.

If Affectiva had been included in the company's accounts throughout the financial year, the acquisition would have contributed net sales of approximately SEK 44.3 million instead of the reported SEK 23.8 million.

iMotions

On November 25th Smart Eye acquired 100 % of the shares in the Danish company iMotions A/S. iMotions is a provider of multimodal software for human behavior research with offices in Copenhagen, Boston, Singapore and Berlin.

The purchase price amounted to SEK 445.7 million (including earn-out) based on iMotions's financial position, of which SEK 215.4 million consisted of 1,019,493 newly issued Smart Eye shares, and SEK 218.8 million was paid in cash. There is a conditional purchase price (earn-out) of maximum SEK 50 million based on targeted gross profit and earnings (EBITDA)

for the financial year of 2021 and 2022. The earn-out amounted to SEK 3.1 million for the financial year 2021 (of maximum SEK 12.5 million) and is forecasted to amount to SEK 8.5 million for the financial year 2022 (of maximum SEK 37.5 million). The earn-out for both years is booked as a long-term debt in the group, amounting to SEK 11.6 million.

By combining Smart Eye's advanced eye tracking and Emotion AI technologies with iMotions' innovative, multiple-sensor data collection and analytics software to create a powerhouse in human behavioral research and analysis offering an end-to-end, multi-modal approach to analyzing complex human behaviors and delivering holistic human insights. Incorporating iMotions' software solution will enhance and future-proof Smart Eye's offering in the automotive sector by providing a platform that combines multiple sensor modalities to offer better insights.

In addition to net assets in iMotions, surplus values in the form of trademark, technology and customer relationships have been identified in the purchase price allocation. A majority of the purchase price has been attributed to goodwill. The goodwill value includes the value of the acquired staff's know-how and synergy effects in the form of more efficient development and sales processes in the Group after the acquisition. No part of the goodwill is expected to be tax deductible.

If iMotions had been included in the company's accounts throughout the financial year, the acquisition would have contributed net sales of approximately SEK 90.8 million instead of the reported SEK 8.6 million.

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.

Calendar

The 2021 Annual Report will be available on the Smart Eyes Website from April 7th, 2022

Annual General Meeting April 28th 2022

Interim report Jan-Mar 2022, April 28th 2022

Interim report Apr-Jun 2022, August 26th 2022

Interim report Jul-Sep 2022, October 20th 2022

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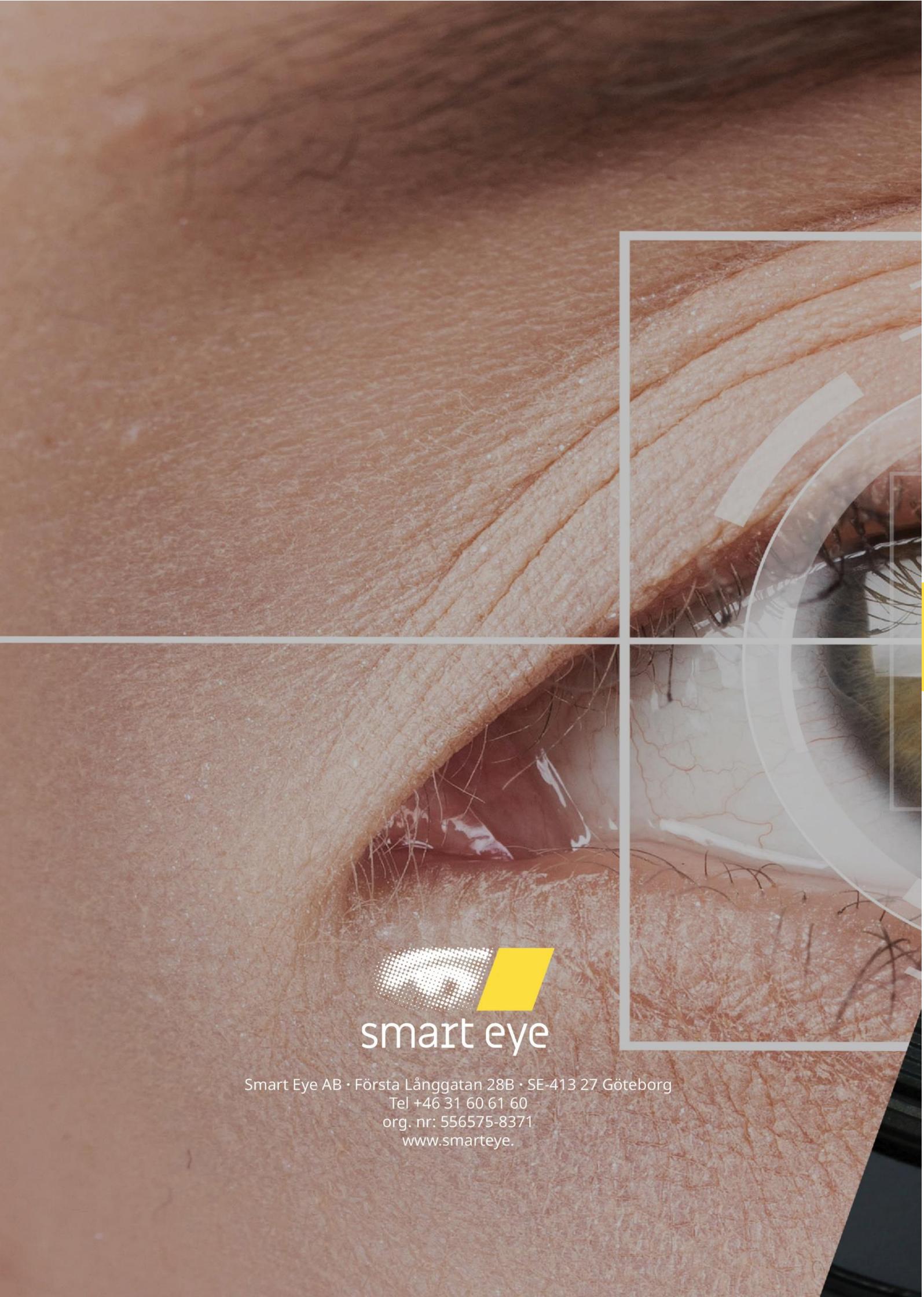
Smart Eye is the global leader in Human Insight AI, technology that understands, supports and predicts human behavior in complex environments. Bridging the gap between humans and machines for a safe and sustainable future.

Today, our technology is embedded in next-generation vehicles, leading the way towards human-centric mobility through Driver Monitoring Systems and Interior Sensing solutions. Our Research Instruments offer unparalleled insights into automotive, aviation, assistive technology, behavioral science and many more fields.

Our subsidiary Affectiva is humanizing technology by pioneering Emotion AI, helping companies gain a deeper understanding of how consumers engage with their content, products and services, in automotive, media & entertainment, market research and beyond.

Our subsidiary iMotions provides the world's leading biosensor software platform, that synchronizes data streams in real time from multiple sensors.

Smart Eye was founded in 1999 and is headquartered in Sweden with offices in the US, UK, Germany, Denmark, Egypt, Japan, Singapore and China. A publicly traded company since 2016, our customers include NASA, Nissan, Boeing, Honeywell, Volvo, GM, BMW, Geely, Harvard University, over 1,300 research organizations around the world, 70% of the world's largest advertisers and 28% of the Fortune Global 500 companies.



smart eye

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