

smart eye



Invitation to subscribe for shares in Smart Eye Aktiebolag (publ)

The Prospectus was approved by the Swedish Financial Supervisory Authority on 30 January 2023.

The Prospectus remains valid for a period of twelve months following its approval, provided that it is supplemented with additional information as required according to Article 23 of Regulation (EU) 2017/1129 of the European Parliament and the Council (the "**Prospectus Regulation**"). The obligation to supplement this Prospectus in the event of significant new circumstances, factual errors or material inaccuracies does not apply when this Prospectus is no longer valid. Smart Eye will only prepare supplements to this Prospectus in accordance with the provisions in the Prospectus Regulation.

Please note that the subscription rights may have a financial value. To ensure that any value associated with the subscription rights is not lost, the holder must either:

- exercise the received subscription rights and subscribe for new shares no later than 16 February 2023, or
- no later than 13 February 2023 sell the received subscription rights that the holder does not intend to exercise to subscribe for new shares.

Note that shareholders with nominee-registered holdings subscribe for new shares through the relevant nominee.

SOLE GLOBAL COORDINATOR



IMPORTANT INFORMATION TO INVESTORS

This prospectus (the "**Prospectus**") has been prepared as a result of the new issue of a maximum of 12,704,540 shares in Smart Eye Aktieföretag (publ), a Swedish public limited liability company with corporate registration number 556575-8371, with preferential rights for existing shareholders (the "**Rights Issue**"). In this Prospectus, "**Smart Eye**", the "**Company**" or the "**Group**" refers to Smart Eye Aktieföretag (publ), the group in which Smart Eye is the parent company or a subsidiary of the group, as the context may require. The "**Sole Global Coordinator**" refers to Carnegie Investment Bank AB (publ) ("**Carnegie**"). See the section "**Definitions**" for the definitions of these and other terms in this Prospectus.

The figures included in the Prospectus have, in certain cases, been rounded off and, consequently, the tables contained in the Prospectus do not necessarily add up. In addition, certain percentages stated in this Prospectus are calculated on the basis of underlying figures that are not rounded off, which is why they may differ slightly from percentages resulting from calculations based on rounded figures. All financial amounts are in Swedish kronor ("**SEK**"), unless indicated otherwise, and "**MSEK**" indicates millions of SEK.

The Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*) (the "**SFSA**") as a competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The Prospectus has been prepared in the form of a simplified prospectus for secondary issues in accordance with Article 14 of the Prospectus Regulation. The SFSA only approves this Prospectus if meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation, and such approval should not be considered as an endorsement of the issuer nor of the quality of the securities referred to in the Prospectus. Investors should make their own assessment as to the suitability of investing in these securities.

The Prospectus and the Rights Issue are governed by Swedish law. Disputes arising from the Prospectus, the Rights Issue and associated legal relationships must be determined exclusively by a Swedish court. A Swedish and an English version of the Prospectus have been prepared. In the event of discrepancies between the versions, the Swedish version shall prevail.

Except as expressly stated herein, no financial information in the Prospectus has been audited or reviewed by the Company's auditor. Financial information relating to the Company in the Prospectus that is not part of the information audited or reviewed by the Company's auditor as outlined herein originates from the Company's internal accounting and reporting systems.

Shares that have been subscribed for in the Rights Issue have not been registered and will not be registered under the United States Securities Act from 1933 ("**Securities Act**") applicable at any given time, nor the securities legislation in any state or other jurisdiction in the USA, and may not be offered, sold or otherwise transferred, directly or indirectly, in or to the USA, except in line with a valid exemption from, or through a transaction that is not covered by, the registration requirements under the Securities Act and in accordance with the securities legislation in the relevant state or other jurisdiction in the USA. The securities have not been recommended by the US Securities and Exchange Commission, any state securities authority or other authority in the USA. Furthermore, no such authority has assessed or expressed an opinion on the Rights Issue or the accuracy or reliability of this Prospectus. Any representation to the contrary is a criminal offence in the United States. Shares in the Rights Issue are offered outside the USA with the support of Regulation S in the Securities Act ("**Regulation S**"). No offering will be effected to the general public in the USA.

The Rights Issue is also not aimed at persons domiciled in Australia, Hong Kong, Canada, Japan, New Zealand, South Africa, Singapore, South Korea or in any other jurisdiction where participation would require an additional prospectus, registration or other measures than those pursuant to Swedish law. As a consequence, the Prospectus or other material attributable to the Rights Issue may not be distributed in or to the above countries, nor to any other country or other jurisdiction where such distribution or the Rights Issue according to the Prospectus requires such measures or is otherwise contrary to applicable regulations. Subscribing for shares or the acquisition of securities in the Rights Issue in contravention of the above restrictions may be invalid. Persons who receive a copy of the Prospectus must inform themselves about and comply with such restrictions. Measures that are contrary to these restrictions may constitute a breach of applicable securities legislation. Each investor should consult with their own advisors before acquiring shares covered by the terms and conditions set out in this Prospectus. Investors should perform an independent assessment of legal, tax-related, commercial, financial or other consequences of their investments. Investors should not interpret the content of the Prospectus as legal advice, investment advice or tax advice. Neither the Company nor the Sole Global Coordinator has implemented or will implement measures to allow the holding or distribution of the Prospectus (or any other material related to the Rights Issue) in countries where such distribution may be in breach of the law or other legal requirements.

Within the European Economic Area ("**EEA**"), no offering is made to the public of securities in countries other than Sweden. In other Member States within the European Union, such an offering may only be made in accordance with exemptions in the Prospectus Regulation. In other countries within the EEA that have implemented the Prospectus Regulation in their domestic legislation, such an offering may only be made in accordance with exemptions in the Prospectus Regulation and/or in accordance with each relevant implementation measure. In other countries within the EEA that have not implemented the Prospectus Regulation in their domestic legislation, such an offering may only be made in accordance with applicable exemptions in the domestic legislation. This Prospectus may only be distributed to "qualified investors" (in accordance with the definition in Article 2(e) of the Prospectus Regulation as incorporated into domestic British Law through the European Union (Withdrawal) Act 2018 applicable at any given time in the UK) who are: (i) persons with professional experience in matters relating to investments covered by the definition of "professional investors" within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended), the "**Financial Promotion Order**"; (ii) persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) persons outside the United Kingdom, or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the

issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). The Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Each investment or investment activity to which the Prospectus relates is available only to and will be engaged in only with relevant persons.

INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" for the purposes of the MiFID II product governance requirements may otherwise have with respect thereto, the shares in the Company have been subject to a product approval process, which has determined that the shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the shares may decline and investors could lose all or part of their investment; the shares offer no guaranteed income and no capital protection; and an investment in the Company's shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Rights Issue. The Target Market Assessment is not to be considered as (a) an appropriateness or suitability assessment in accordance with MiFID II; or (b) a recommendation to any investor or group of investors to invest in, acquire or take any other action with respect to the shares in the Company. Each distributor is responsible for its own target market assessment regarding the shares in the Company and for determining appropriate distribution channels.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements and opinions. Forward-looking statements are statements that do not relate to historical facts and events and such statements and opinions pertaining to the future that, for example, contain wording such as "believes", "estimates", "anticipates", "expects", "assumes", "forecasts", "intends", "could", "will", "should", "would", "according to estimates", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "to the knowledge of" or similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements and opinions in this Prospectus concerning the future financial returns, plans and expectations with respect to the business and management of the Company, future growth and profitability and the general economic and regulatory environment and other matters affecting the Company.

Forward-looking statements are based on current estimates and assumptions made according to the best of the Company's knowledge. Such forward-looking statements are subject to risks, uncertainties, and other factors that could cause the actual results, including the Company's cash flow, financial condition and results of operations, to differ materially from the results, or fail to meet expectations expressly or implicitly assumed or described in those statements or to turn out to be less favourable than the results expressly or implicitly assumed or described in those statements. Accordingly, prospective investors should not place undue reliance on the forward-looking statements herein, and are strongly advised to read the Prospectus, including the following sections: "**Summary**", "**Risk factors**" and "**Operations and Market overview**", which include more detailed descriptions of factors that might have an impact on the Company's business and the market in which it operates. Neither the Company nor the Sole Global Coordinator can give any assurance regarding the future accuracy of the opinions set forth herein or as to the actual occurrence of any predicted developments.

In light of the risks, uncertainties and assumptions associated with forward-looking statements, it is possible that the future events mentioned in this Prospectus may not occur. Moreover, the forward-looking estimates and forecasts derived from third-party studies referred to in the Prospectus may prove to be inaccurate. Actual results, performance or events may deviate significantly from such statements, for example as a result of risks such as those described in the section "**Risk factors**".

After the date of this Prospectus, neither the Company nor the Sole Global Coordinator assumes any obligation, except as required by law or Nasdaq First North Growth Market's Rulebook for Issuers of Shares, to update any forward-looking statements or to conform these forward-looking statements to actual events or developments.

BUSINESS AND MARKET DATA

This Prospectus includes industry and market data pertaining to Smart Eye's business and the market in which Smart Eye operates. Such information is based on the Company's analysis of multiple sources, including IHS Markit.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot therefore give any assurances as to the accuracy of industry and market data contained in this Prospectus that was extracted or derived from such industry publications or reports. Business and market data is inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such data is based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents, including judgements about what types of products and transactions should be included in the relevant market.

Information provided by third parties has been accurately reproduced and, as far as the Company is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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Financial calendar

| | |
|-----------------------------------|---------------|
| Year-end report 2022 (Q4) | 23 March 2023 |
| Annual shareholders' meeting 2023 | 2 May 2023 |

Certain definitions

| | |
|--|--|
| BTA | Paid subscribed share (Sw. <i>Betald tecknad aktie</i>). |
| Rights Issue | The offer of shares as set out in this Prospectus. |
| Smart Eye, the Company or the Group | Smart Eye Aktiefbolag (publ), the group in which Smart Eye is the parent company or a subsidiary of the group, as the context may require. |
| Euroclear Sweden | Euroclear Sweden AB. |
| Sole Global Coordinator | Carnegie Investment Bank AB (publ). |
| Nasdaq First North Growth Market | The multilateral trading platform Nasdaq First North Growth Market, which is run by Nasdaq Stockholm AB. |
| EUR | Euro. |
| SEK | Swedish krona. |
| USD | US dollar. |

Summary of the Rights Issue

Preferential rights

On the record date, 31 January 2023, one (1) share in Smart Eye entitles the holder to one (1) subscription right. Seven (7) subscription rights entitles the holder to subscribe for four (4) new shares in Smart Eye. To the extent that new shares in the Rights Issue are not subscribed for with preferential rights, investors are offered the opportunity to subscribe for shares without preferential rights.

Subscription price

SEK 25.50 per share

Record date for participation in the Rights Issue

31 January 2023

Subscription period

2 February 2023 – 16 February 2023

Trading in Subscription rights

2 February 2023 – 13 February 2023

Trading in BTA

2 February 2023 – 22 February 2023

Estimated date of publication of results

20 February 2023

Other information

Ticker: SEYE
ISIN code, share: SE0009268279
ISIN code, subscription right: SE0019762253
ISIN code, BTA: SE0019762261

Summary

Introduction and warnings

Introduction and warnings

This summary should be read as an introduction to this Prospectus. Any decision to invest in the securities should be based on an assessment of the Prospectus in its entirety by the investor.

An investor may lose all or part of their invested capital. Where statements in respect of information contained in a Prospectus are challenged in a court of law, the plaintiff investor may, in accordance with national legislation, be forced to pay the costs of translating the Prospectus before legal proceedings are initiated. Under civil law, only those individuals who have produced the summary, including translations thereof, may be enjoined, but only if the summary is misleading, incorrect or inconsistent with the other parts of the Prospectus or if it does not, together with other parts of the Prospectus, provide key information to help investors when considering whether to invest in the securities.

The Issuer

Smart Eye Aktiebolag (publ), corp. reg. no. 556575-8371.
 Address: Första Långgatan 28 B vån 7, SE-413 27 Gothenburg, Sweden.
 Telephone number: +46 (0)70-1825761
 Website: www.smarteye.se
 LEI code: 549300BUD7ZPFPKM6856
 Ticker: SEYE
 ISIN code: SE0009268279

Competent Authority

The SFSA is the competent authority responsible for approving the Prospectus.
 Street address: Brunnsgatan 3, SE-111 38 Stockholm, Sweden.
 Postal address: Box 7821, SE-103 97 Stockholm, Sweden.
 E-mail address: finansinspektionen@fi.se
 Telephone number: +46 (0)8-408 980 00
 Website: www.fi.se
 The Prospectus was approved by the SFSA on 30 January 2023.

Key information on the issuer

Who is the issuer of the securities?

Issuer information

The issuer of the securities is Smart Eye Aktiebolag (publ), corp. reg. no. 556575-8371. The Company's registered office is in Gothenburg Municipality. The Company is a Swedish public limited liability company founded and incorporated in Sweden under Swedish law. The business is run in accordance with Swedish law. The Company's form of association is governed by the Swedish Companies Act (2005:551). The Company's LEI code is 549300BUD7ZPFPKM6856.

The issuer's principal activities

The Company's principal operations involve the development of systems for Human Insight AI, technology that understands, supports and predicts human behaviour in various environments. Smart Eye operates in two business areas: Automotive Solutions and Behavioral Research.

Within the Automotive Solutions area, Smart Eye develops technology that can be integrated in vehicles, primarily Driver Monitoring Systems (DMS) and Interior Sensing Systems (Interior Sensing). For research and commercial purposes, Smart Eye offers technology that contributes insights into Automotive, Aviation & Aerospace, Assistive Technology, Media & Marketing, Psychology and many more fields.

The issuer's major shareholders

The Company's largest shareholders as at 31 December 2022, including subsequent changes that are known to the Company up until the date of the Prospectus, are set out in the table below. To the best of the Company's knowledge, there is no direct or indirect ownership that could lead to a change in the control of the Company. To the best of the Company's knowledge, the Company is not directly or indirectly controlled by an individual person.

| Shareholders | Number of shares | Percentage of shares and votes, % |
|---------------------------------|--------------------------------|-----------------------------------|
| First AP Fund | 1,816,271 | 8.17 |
| Handelsbanken Fonder | 1,568,042 | 7.05 |
| Mats Krantz and related parties | 1,165,184 | 5.24 |
| Total shareholders | 4,549,497 | 20.46 |
| Other shareholders | 17,683,454 ¹⁾ | 79.54 |
| Total | 22,232,951¹⁾ | 100 |

1) Includes 184,506 shares that have been registered by the Swedish Companies Registration Office but not booked out in Euroclear's system yet.

Key managing directors

The Company's board of directors comprises Anders Jöfelt (Chairman), Lars Olofsson, Mats Krantz, Magnus Jonsson, Cecilia Wachtmeister and Eva Elmstedt.

The Company's executive management comprises Martin Krantz (CEO), Rana El Kaliouby (Deputy CEO), Martin Bjuve (CFO) and Peter Hartzbech.

Auditor

Deloitte AB, with Harald Jagner as auditor in charge.

Key financial information regarding the issuer**Key financial information in summary**

The following summary relates to the 2021 and 2020 financial years, as well as the periods 1 January–30 September 2022 and 2021. The accounts for the 2021 and 2020 financial years have been audited and taken from the Company's consolidated financial statements for the financial years ending on 31 December 2021 and 31 December 2020 respectively. The information for the period 1 January–30 September 2022 and the comparative figures for the corresponding period in 2021 have been taken from the Company's interim report for the nine-month period 1 January–30 September 2022.

The Company's consolidated financial statements for the financial years ending on 31 December 2021 and 31 December 2020 respectively, as well as the Company's interim report for the nine-month period 1 January–30 September, have been prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board's general advice BFNAR 2012:1 Annual Report and Consolidated Financial Statements (K3).

Selected income statement items

| | Financial year | | January–September | |
|---|--|-------------|--|-------------|
| | <i>From audited financial statements</i> | | <i>From unaudited financial statements</i> | |
| TSEK, unless otherwise specified | 2021 | 2020 | 2022 | 2021 |
| Net sales | 109,679 | 65,097 | 164,228 | 65,961 |
| Operating profit | -130,909 | -77,156 | -242,919 | -87,297 |
| Profit for the year/period | -132,713 | -77,557 | -241,105 | -87,346 |

Selected balance sheet items

| | Financial year | | January–September | |
|--------------|--|-------------|--|-------------|
| | <i>From audited financial statements</i> | | <i>From unaudited financial statements</i> | |
| TSEK | 2021 | 2020 | 2022 | 2021 |
| Total assets | 1,745,342 | 386,468 | 1,795,724 | 1,167,254 |
| Total equity | 1,449,895 | 352,627 | 1,480,453 | 1,031,139 |

| Key financial information in summary, cont. | Selected cash flow items | | | |
|---|-----------------------------------|---------|-------------------------------------|---------|
| | Financial year | | January-September | |
| | From audited financial statements | | From unaudited financial statements | |
| TSEK | 2021 | 2020 | 2022 | 2021 |
| Cash flow from current operations | -102,376 | -64,282 | -126,157 | -79,218 |
| Cash flow from investment operations | -313,802 | -39,654 | -71,248 | -82,292 |
| Cash flow from financing operations | 476,079 | 177,469 | 132 | 269,052 |

Key risks that are specific to the issuer

Material risk factors specific to the issuer

The primary risks related to Smart Eye are as follows:

- Smart Eye operates within the business areas Automotive Solutions and Behavioral Research, both of which are characterised by rapid technical changes. Smart Eye is therefore dependent on being able to predict the markets of the future and, at an early stage, to invest in research and development in respect of these markets in order to win or retain a strong position on the market in the long term. There is a risk of the market not developing in line with Smart Eye's expectations, of the Company not managing to develop hardware and software in time to satisfy the market's needs, or of the competition developing in a manner that the Company has not anticipated.
- Smart Eye achieves Design Wins at an early stage from Original Equipment Manufacturers (OEMs) within the automotive sector ("**Vehicle Manufacturers**") and Tier 1 suppliers (direct suppliers to a Vehicle Manufacturer). The agreements rarely include commitments regarding purchasing volumes. The unpredictability in the customer segment means that Smart Eye cannot predict with any certainty what a Design Win will actually entail for the company in the form of future earnings, or how a Design Win will influence project planning, employment and/or ongoing costs in the Company.
- Smart Eye has acquired, and may in future acquire, companies with the aim of supplementing Smart Eye's existing products and offering or to gain access to new markets. There is a risk of expected benefits and synergies not being achieved, of integration difficulties arising and of the Company incurring unanticipated obligations for previously implemented and/or future acquisitions.
- The Company is dependent on certain key individuals, members of the executive management and persons with specialist expertise. A failure to retain key individuals risks entailing an increase in the Company's costs, as new personnel may be more expensive and require training.
- The Company saves data relating to its projects and products. For example, the source code for the software that the Company has developed is extremely important and sensitive data. Any breaches in the data protection or the premises where the Company operates risk, for example, causing data leakage to third parties, loss of data and significant costs for recovering data.
- In its annual report for the 2021 financial year, Smart Eye has presented intangible assets totalling approximately SEK 1,377 million and trade receivables of approximately SEK 43 million, which make up a significant proportion of the Company's balance sheet total, which amounted to approximately SEK 1,745 million. There is a risk that assets may need to be impaired.
- The board of directors judges that the existing working capital is not sufficient for Smart Eye's current requirements during the upcoming twelve-month period. The Company judges that the working capital requirement for the upcoming 12 months amounts to approximately SEK 200 million. In the event that the Rights Issue is not conducted or is not fully subscribed, or that the Company for some other reason requires additional working capital, there is a risk of such financing not being able to be procured at all or not on terms that are acceptable to the Company.
- The Company anticipates that a significant proportion of its future income will come from the Automotive Solutions business unit, which develops DMS and Interior Sensing for Vehicle Manufacturers and Tier 1 suppliers. The revenue from Design Wins is not adjusted for inflation, in line with market practice. The Company is therefore exposed to inflation or the salaries within the sector increasing more rapidly than the Company has anticipated.
- The Company's operational activities are conducted through subsidiaries in a number of jurisdictions, which is why the Company is liable to pay tax both in Sweden and in several other jurisdictions. If the tax legislation should be amended or if the Company has misinterpreted the tax legislation in one or more jurisdictions in which the Company conducts operations, the Company may be subject to the imposition of additional taxes, interest, fees or sanctions that affect the Company.

Material risk factors specific to the issuer, cont.

- The Company processes personal data relating to e.g. users, customers and employees. The Company has implemented measures to ensure that it processes personal data in accordance with applicable laws and regulations, but there is a risk that the measures the Company has implemented may prove to be insufficient.

Key information regarding the securities**The main features of the securities**

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|--|---|
| Securities offered | The Prospectus relates to the new issue of a maximum of 12,704,540 shares in the Company with preferential rights for the Company's existing shareholders. ISIN code: SE0009268279 The securities are denominated in SEK. The shares have a quota value of SEK 0.10. |
| Total number of shares in the Company | The shares are denominated in SEK. As of the date of this Prospectus, there are 22,232,951 shares in the Company. The share capital amounts to SEK 2,223,295.10. There is only one share type in the Company. All the shares have been paid for in full. |
| Rights associated with the securities | Each share in the Company entitles the holder to one vote at shareholders' meetings and each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the Company. If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a general rule, have preferential rights to subscribe for such securities proportionally to the number of shares held prior to the issue. The new shares carry the right to payment of dividend for the first time on the record date for distribution which falls immediately after the shares have been registered in the shareholders' register maintained by Euroclear Sweden AB (" Euroclear Sweden "). All shares give equal rights to dividends and to the Company's assets and possible surpluses in the event of liquidation. The rights associated with the shares issued by the Company, including those pursuant to the Articles of Association, can only be amended in accordance with the procedures set out in the Swedish Companies Act (2005:551). |
| Restrictions to free transferability | The shares in the Company are not subject to any transfer restrictions. |
| Dividend and dividend policy | The Company is in a development phase, with any surpluses planned for reinvestment in the Company's progress. The board of directors does not intend to propose dividends. |

Where will the securities be traded?

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|-----------------------------|--|
| Admission to trading | The shares in Smart Eye are traded on Nasdaq First North Growth Market, which is an alternative marketplace, qualified as a growth market for small and medium-sized companies, as well as a multilateral trading platform, which is regulated by a special set of regulations and does not have the same legal status as a regulated market. The shares that are issued through the Rights Issue will be admitted to trading on Nasdaq First North Growth Market. |
|-----------------------------|--|

What are the key risks that are specific to the securities?

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|---|---|
| Material risk factors specific to the securities | <p>The primary risks related to Smart Eye's shares are as follows:</p> <ul style="list-style-type: none"> • There is a risk that the share price may be volatile. The price of the shares is dependent on a number of factors and may result in investors failing to get back the capital they have invested. • There is a risk that trading in subscription rights and BTA may be limited, which might entail problems for holders when it comes to divesting their subscription rights and/or BTA, thereby resulting in the holder not being compensated for the financial dilution effect that the Rights Issue entails. • There is a risk of shareholders who do not participate in the Rights Issue being affected by dilution. • There is a risk of subscription and guarantee commitments not being incorporated as they are not secured through bank guarantees, blocked funds, the pledging of collateral or similar arrangements. • There is a risk of shareholders in certain jurisdictions encountering limitations as regards participation in future rights issues in the Company. |
|---|---|

Key information on the offer of securities to the public

Under which conditions and timetable can I invest in this security?

| | |
|---|---|
| General terms and conditions | <p>Preferential rights: Those registered as shareholders in the share register maintained by Euroclear Sweden for Smart Eye on the record date, 31 January 2023, have preferential rights to subscribe for new shares pro rata to the number of shares held on the record date. Those registered as shareholders in the Company on the record date, are entitled to one (1) subscription right for each share. Seven (7) subscription rights entitle the holder to subscribe for four (4) new shares.</p> <p>Subscription price: The new shares will be issued at a subscription price of SEK 25.50 per share. No commission will be charged.</p> <p>Record date: The record date at Euroclear Sweden for determining which parties are entitled to receive subscription rights under the Rights Issue is 31 January 2023. The Company's shares were traded including the right to receive subscription rights up to and including 27 January 2023. The Company's shares are traded excluding the right to receive subscription rights in the Rights Issue from 30 January 2023.</p> |
| Anticipated timetable for the Rights Issue | <p>Record date for participation in the Rights Issue 31 January 2023.</p> <p>Subscription period 2 February 2023 – 16 February 2023.</p> <p>Trading in subscription rights 2 February 2023 – 13 February 2023.</p> <p>Trading in BTA 2 February 2023 – 22 February 2023.</p> |
| Dilution as a result of the Rights Issue | <p>If fully subscribed, the Rights Issue will result in the number of shares in the Company increasing by 12,704,540, from 22,232,951 to 34,937,491, corresponding to an increase of approximately 57 per cent. Shareholders who are not participating in the Rights Issue will face a dilution effect corresponding to a maximum of approximately 36 per cent of the number of shares and votes. Shareholders who are not participating in the Rights Issue may have the potential to obtain financial compensation for the dilution effect by selling subscription rights.</p> |
| Costs for the Rights Issue | <p>The costs for the Rights Issue are estimated to amount to approximately SEK 35 million. No fees or other costs will be imposed on investors by Smart Eye in connection with the Rights Issue. Brokerage commission will not be charged.</p> |

Why is this prospectus being produced?

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|-------------------------------|---|
| Background and reasons | <p>The purpose of the Rights Issue is to strengthen the Company's financial position and finance the remaining capital requirement until the Company has a positive cash flow, which is expected to happen in the second half of 2024. In order to further strengthen Smart Eye's financial position, the Company has also decided to implement certain measures in order to adapt the Company's cost profile and development to the abovementioned market conditions and their effects on the Company's operations. With these measures, the Company intends to reduce its personnel costs by approximately 10 per cent annually, corresponding to approximately SEK 30 million per year. The measures that have been initiated are expected to be implemented in full by the end of the second quarter 2023, with the majority of the measures actually being conducted during the fourth quarter of 2022 and are not expected to entail any significant costs for the Company as they primarily relate to external consultants. The Rights Issue is expected to allow the Company to maintain its current strategy and rate of investment, for example within Smart Eye's existing and future Design Wins for software within DMS and Interior Sensing. The Rights Issue will also secure sufficient financial resources to enable Smart Eye to retain its position as a supplier of DMS and Interior Sensing. In addition to that set out above, the current review of certain measures designed to reduce the Company's overall cost profile in future is expected to provide the Company with additional financial scope.</p> |
|-------------------------------|---|

Issue proceeds and reason

In order to finance the Company's capital requirement until the Rights Issue has been completed, the Company has, in conjunction with the publication of the Rights Issue on 5 December 2022, entered into bridge loan agreement of approximately SEK 60 million at customary market terms. The Company is obliged to repay the bridge loan facility on or around the settlement date of the Rights Issue. The bridge loan financing has been used in accordance with the purposes and order of priority below.

Since the Rights Issue, in its entirety, is covered through a combination of subscription commitments, declarations of intent to subscribe for shares and guarantee commitments, the Company will receive no more than approximately SEK 324 million before deductions for issue costs, which are expected to amount to approximately SEK 35 million. Smart Eye intends to use the net proceeds of approximately SEK 289 million to repay the bridge loan facility (which has been used in accordance with below purposes, and order of priority) and then for the following purposes specified in order of priority:

- Approximately 45 per cent will be used for research and development in relation to the Company's DMS projects along with various Vehicle Manufacturers within Automotive Solutions, in order to ensure that the projects are completed in accordance with the existing plan.
- Approximately 25 per cent will be used for research and development within Interior Sensing, in order to secure Smart Eye's long-term competitiveness.
- Approximately 15 per cent will be used for development and commercialisation of the Company's aftermarket offering within Automotive, Applied AI Systems.
- Approximately 15 per cent will be used to finance the Company's ongoing operations and general business purposes in order to ensure sufficient working capital.

The board of directors judges that the existing working capital is not sufficient for Smart Eye's current capital requirements for the upcoming twelve-month period. This assessment has been made in light of the Company's current business and development plan. If the Rights Issue is fully subscribed, the board of directors judges that the Company will have sufficient working capital to run the business until the Company is able to conduct its operations with a positive cash flow, which is expected to take place during the second half of 2024. In this sense, the working capital requirement refers to cash and cash equivalents that are required in order for the Company to be able to fulfil its payment obligations as they fall due for payment. In the event the Rights Issue is not implemented or is not fully subscribed, the Company may revise its business and development plan, primarily by reducing the rate of investments within the Automotive business area and through continued development aimed at realising Design Wins and seeking alternative financing options, for example in the form of a new rights issue, a targeted rights issue or long-term loan financing from existing or new investors.

Subscription and guarantee commitments

The Rights Issue is covered by subscription commitments, declarations of intent and guarantee commitments, both from existing shareholders and other investors. Together, the subscription commitments, guarantee commitments and declarations of intent to subscribe for shares amount to 100 per cent of the Rights Issue. Neither subscription nor guarantee commitments are secured through bank guarantees, blocked funds, the pledging of collateral or similar arrangements. Standard guarantee compensation is payable to the issue guarantors, adapted according to the prevailing market situation, amount to six per cent of the guaranteed amount. No compensation is paid to parties that have provided subscription commitments.

Conflict of interests

Sole Global Coordinator and Bookrunner are providing financial advice and other services to the Company in connection with the Rights Issue, for which they will receive standard remuneration. From time to time, the Sole Global Coordinator and Bookrunner have provided in the ordinary course of business, and may in the future provide, various banking, financial, investment, commercial and other services to the Company.

Risk factors

*This section contains the risk factors and significant circumstances considered to be material to the Company's business and future development. The risk factors relate to the Company's business, industry and markets, and further include the following risk factor categories: business, industry and market-specific risks, financial risks, legal and regulatory risks, as well as risks related to the Company's shares and the Rights Issue. The assessment of the materiality of each risk factor is based on the probability of their occurrence and the expected magnitude of their negative impact. In accordance with the Regulation (EU) 2017/1129 of the European Parliament and the Council (the "**Prospectus Regulation**"), the risk factors mentioned below are limited to risks that are specific to the Company and/or to the securities and which are material for taking an informed investment decision.*

The description below is based on information available as of the date of the Prospectus. The risk factors that are currently considered to be the most material are presented first in each category, while the subsequent risk factors are presented in no particular order.

The risks and uncertainties described below could have a material adverse effect on the Company's operations, financial position and/or earnings. They could also cause the value of the Company's shares to decrease, which could entail that shareholders in the Company lose all or part of their invested capital.

Risks related to the Company's business, industry and markets

Smart Eye is exposed to risks related to investments in new markets and development

Smart Eye operates within two business areas. Automotive Solutions, which e.g. manufactures Driver Monitoring Systems (DMS) and Interior Sensing Systems (Interior Sensing) for the automotive sector, as well as Behavioral Research, which e.g. develops systems for measuring eye movements (Eye Tracking) for research organisations, analytical AI systems for the media sector and analysis solutions for research in the field of human behaviour. The markets that Smart Eye operates on and addresses are characterised by rapid technical change. Smart Eye is consequently dependent on being able to predict the markets of the future and, at an early stage, to invest in research and development in respect of these markets in order to win and/or retain market positions in the long term. Smart Eye is therefore continually investing in research and development, and during the period 1 January–30 September 2022, its costs amounted to SEK 178 million. For example, the Company invests in research and development of the DMS and Interior Sensing of the future for the automotive sector. The market for DMS is driven by political initiatives, future legal requirements imposed on DMS and increased demands from organisations that assess vehicles' road traffic safety. Smart Eye anticipates that the market will grow significantly in connection with the implementation of the above initiatives, which are expected to result in it becoming mandatory to install DMS in vehicles which are sold in Europe from 2026 and in the USA before 2030.

There is a risk of the market not developing in accordance with this time horizon or in line with Smart Eye's expectations, of the Company not managing to develop hardware and software in time to satisfy the market's needs, or of the competition developing in a manner that the Company has not anticipated. Examples of this might include a delay to legal requirements for DMS or the failure of the Interior Sensing market to develop at the anticipated rate. If one or more of these risks should materialise, this could result in the Company not being able to exploit the anticipated future benefits from its invested capital in research and development, and/or lead to the Company not achieving the future earnings that the Company is anticipating, which could have a significant negative impact on Smart Eye's financial position and results.

Smart Eyes revenue from Design Wins within the automotive sector is dependent on allocated vehicle models going into production

Smart Eye collaborates with both customers and other software and hardware suppliers. Customers can comprise e.g. Original Equipment Manufacturers (OEMs) within the automotive sector ("**Vehicle Manufacturers**") who manufacture vehicles, as well as Tier 1 suppliers who supply solutions to Vehicle Manufacturers, usually incorporating products from a subcontractor (so called Tier 2 supplier). Smart Eye is therefore able to act as a direct Tier 1 supplier to Vehicle Manufacturers or as a Tier 2 subcontractor. Smart Eyes customers currently consist primarily of Tier 1 suppliers. Smart Eye's long-term objective is to operate higher up in the value chain, by supplying products and services directly to Vehicle Manufacturers as a Tier 1 supplier.

Vehicle Manufacturers select suppliers by means of a procurement process, which normally lasts for between nine and twenty months. After this, the Vehicle Manufacturer decides which supplier is to be engaged, and thereby get a Design Win, to participate in the development and production of a vehicle model. These procurements can apply to one specific vehicle model at a time, or to all vehicle models on a given production platform. A Design Win is a framework agreement where the customer obtains the right to integrate Smart Eye's technology in the customer's vehicle model, while Smart Eye obtains the right to receive licence revenue from the time the vehicle model goes into production and throughout its product lifecycle. As per the day of the Prospectus, Smart Eye has achieved a total of 194 Design Wins from 18 Vehicle Manufacturers, including BMW and Polestar, of which seven have already commenced series production. The Company currently estimates the combined value over the product lifecycle for the existing Design Wins at more than SEK 3,835 million. The calculation of the value of the Company's Design Wins over the product lifecycle is based on the agreed price for the features that the Company supplies, the Vehicle Manufacturers' estimated total sales volumes for each vehicle model (i.e. the number of vehicles), as well as the Company's anticipated feature penetration for each vehicle (i.e. an average of the number of features that will be included in sold vehicles or ordered).

When Smart Eye achieves a Design Win, the customer is often at an early stage of its development, with a launch planned several years in the future. From securing a Design Win, it can take between one and three years before shipments for the intended vehicle model actually begin and licence revenue begins to be submitted. The agreements rarely include commitments regarding purchasing volumes. The unpredictability in the customer segment means that Smart Eye cannot predict with any certainty what a Design Win will entail in practice for the Company in the form of future earnings, or how a Design Win will influence project planning, employment and/or ongoing costs in the Company. There is a risk of the customers' projects, for various reasons outside of the Company's control, being postponed, extended, paused or even cancelled after the agreement has been entered into with the Company to use their solutions and products. There is also a risk that the Company's basic algorithm will not be suitable for a specific vehicle cabin or hardware that is to be used in a vehicle, which could entail increased development costs or result in the Company needing to cancel a project. If a project is cancelled at a late stage, the Company will not be able to receive compensation for costs it has already incurred. Furthermore, the Company's historical Design Wins do not necessarily mean that the Company will have the same success in new procurement processes in future. The above risks may have a significant impact on the Company's financial position and results. This could also result in the Company failing to achieve its financial goals or failing to live up to market expectations, which would have an adverse impact on the share price.

Risks related to implemented and future corporate acquisitions

Smart Eye's growth strategy includes both organic growth and growth through acquisitions. For example, Affectiva Inc and iMotions AS were acquired in 2021, see the section "*Legal Considerations and supplementary information*" – "*Material Agreements*". Smart Eye has acquired, and may in the future acquire, companies with the aim of supplementing Smart Eye's existing products and offering or to gain access to new markets. There is a risk that anticipated benefits and synergies will not be achieved for already implemented and/or future acquisitions. Furthermore, all acquisitions that Smart Eye conducts could lead to difficulties integrating operations and personnel from the acquired companies, as well as difficulties retaining and motivating key employees. Integration difficulties related to cultural aspects can arise in particular in the case of acquisitions in other countries or geographic areas. As a result, the actual growth and/or profitability may be lower than was assumed at the time of the relevant acquisition, resulting in Smart Eye failing to achieve its adopted goals. The acquisition and integration of operations can also have a negative impact on the Company's existing operations, entail the taking on of obligations and liabilities from acquired businesses and increase Smart Eye's costs. Risks that are not discovered during a legal examination of the potential target company, along with the above risks, can adversely effect anticipated revenue flows and profits as well as lead to an impairment of goodwill from the acquisitions.

The Company is dependent on certain key individuals and employees

The Company is dependent on key individuals, members of the executive management and persons with specialist expertise. For example, Smart Eye is dependent on the Company's CEO and founder, Martin Krantz, the Company's Deputy CEO and founder of Affectiva, Rana El Kaliouby, and the CEO and founder of iMotions, Peter Hartzbech. These key individuals have good relations with operators on the market, a good understanding of the Company's operations and a good grasp of the Company's development work. These key individuals are consequently central to the successful development of the Company's operations. If one or more of these key individuals should leave their employment with the Company, or significantly change or reduce their involvement in the Company, there is a risk that the Company will not be able, within a reasonable period of time, to replace these individuals or their services with others who can make an equivalent contribution to the Company's operations. Clauses prohibiting competing activities and non-solicitation clauses, which apply for a limited period of time after the employment has been terminated, are normally included in the Company's employment agreements in those countries in which such clauses are valid. However, the scope of competition clauses is often limited through binding legislation in those countries where the Company conducts operations. It cannot therefore be ruled out that key individuals may conduct competing activities, in any case for a certain period of time, after they have left the Company.

In addition, the Company's competitiveness on those markets where the Company operates is dependent on its ability to retain and motivate the existing workforce as well as to recruit individuals with relevant knowledge of the sector. The failure to retain key individuals or attract new talents could entail an increase in the Company's costs, as new personnel may be more expensive and require training.

In order to retain and attract new key individuals and other employees, the Company may need to incur costs for remuneration to these individuals in terms of salaries, bonuses and other incentives. There is also a risk that the work of identifying suitable successors will require a great deal of time and focus from the executive management. There is consequently a risk that a failure to retain and attract new key individuals could have an adverse impact on the Company's profits as a result of the increased costs.

Smart Eye is exposed to certain risks related to data breaches

The Company saves data relating to its projects and products. For example, the source code for the software that the Company has developed is extremely important and sensitive data. During collaborations with customers, Smart Eye may occasionally be granted access to sensitive and often strictly confidential information relating to future products and services. Information is stored on the Company's internal servers, as well as on servers supplied by external parties such as Amazon and IBM. Breaches of Smart Eye's own data protection or of systems provided by external suppliers can occur through attacks by third parties, for example by means of viruses, malware, ransomware and/or phishing. Any breaches of the data protection can occur with or without Smart Eye's knowledge, and furthermore breaches can also take place in the protection attributable to the Company's premises. Ransomware attacks also take place using sophisticated technology that prevents companies from accessing their data, and as such the Company and its external suppliers are exposed to risks attributable to such ransomware. Any breaches in the data protection or the premises where the Company operates can, for example, cause data leakage to third parties, loss of data and significant costs for recovering data.

Risks related to production in China

The Company has three subcontractors in China producing hardware (cameras, processors and control units) for the Applied AI Systems business area. China has a history of geopolitical uncertainty, such as when it was subject to and introduced import duties in 2018. There is consequently a risk that future trade barriers, lockdowns or similar may result in the Company experiencing longer delivery times for its products, having to change suppliers or having to move production to another country. This would entail start-up costs for launching production, increased production costs, delayed deliveries and delayed earnings during a transitional period, which could have a negative impact on the Company's margins, profit and financial position.

Financial risks

Risks related to the impairment of intangible assets and trade receivables

In its annual report for the 2021 financial year, Smart Eye has presented intangible assets totalling approximately SEK 1,377 million and trade receivables of approximately SEK 43 million, which make up a significant proportion of the Company's balance sheet total, which amounted to approximately SEK 1,745 million. The intangible assets include goodwill amounting to approximately SEK 760 million attributable to the acquisitions of Affectiva Inc and iMotions AS. Goodwill arises when the purchase price for a corporate acquisition exceeds the actual value of the company's net assets and is valued at cost less accumulated impairment. The intangible assets also include capitalised expenditure for development work amounting to approximately SEK 189 million. Capitalised expenditure comprises development costs that have been capitalised in the balance sheet against the background of the development work being assumed to be of significant value to the Company in the future.

There is a risk that intangible assets or trade receivables may need to be impaired. For example, if an acquired company with an attributed goodwill entry does not perform as intended, if the Company no longer considers that capitalised development work has any value for the Company, or if the Company's customers are unable to pay. The process for impairment testing of intangible assets and trade receivables includes a series of assessments, assumptions and estimates that are characterised by a certain amount of uncertainty. Against the background of this uncertainty, there is a risk that the assessment of the value of intangible assets will change in future years, and that Smart Eye's current intangible assets will then be valued at a much lower figure. This would have a significant negative impact on Smart Eye's financial position and results.

Risks associated with future capital requirements

The board of directors judges that the existing working capital is not sufficient for Smart Eye's current requirements during the upcoming twelve-month period. This assessment has been made in light of the Company's current business and development plan. The Company judges that the working capital requirement for the upcoming 12 months amounts to approximately SEK 200 million. In this sense, the working capital requirement refers to cash and cash equivalents that are required in order for the Company to be able to fulfil its payment obligations as they fall due for payment. Disregarding liquidity from the Rights Issue, the working capital is expected to last until February 2023, which means that the Company is dependent on external financing.

If the Rights Issue is fully subscribed, the Company will receive a maximum of approximately SEK 324 million before deductions for issue costs, which are estimated at approximately SEK 35 million. If the Rights Issue is fully subscribed, the board of directors considers that the Company will have sufficient

working capital to run the business for the next twelve months. The Company expects the capital to last until the Company becomes cash flow positive, which is expected to take place during the second half of 2024. The calculations are based on the Company's business and development plan and budgeted income and expenses. Deviations from these assumptions could result in the Company requiring additional working capital.

In the event the Rights Issue is not conducted or is not fully subscribed, for example as a result of the parties that have entered into subscription or guarantee commitments failing to fulfil their respective commitments, see also "*Risk factors – Risks related to the Company's shares and the Rights Issue – Unsecured subscription and guarantee commitments*", or if the Company for some other reason requires additional working capital, there is a risk that such financing cannot be procured at all or on terms that are acceptable to the Company. If the Company fails to procure the necessary working capital, the Company may need to revise its current business and development plan, which risks having a significant negative impact on Smart Eye's long-term revenues and future prospects.

Smart Eye is exposed to currency risks due to its global presence

Smart Eye conducts its operations on the international market. The Company has its head office in Sweden, but a large proportion of its operations are conducted through subsidiaries in the USA, Denmark, Japan, China and Germany. During the 2021 financial year, almost 100 per cent of net sales were related to sales targeted at foreign customers, and approximately 40 per cent of the expenditure was paid in SEK. As a majority of Smart Eye's customer are located outside of Sweden, the Company's products are priced primarily in EUR and USD and almost all revenues are received in EUR and USD. Due to the fact that the exchange rate can fluctuate, the Company is exposed to a transaction risk when entering into contracts with foreign customers. This is particularly the case when the Company has a large cost base in SEK. As Smart Eye does not implement any systematic measures aimed at hedging its transactions, there is a risk that the Company's financial position and margins will be negatively impacted by fluctuations in the exchange rate.

As a result of Smart Eye having SEK as its reporting currency while its revenues are received in other currencies, there is also a translation risk when the Company, when preparing its consolidated accounts, has to translate foreign currencies into SEK. There is consequently a risk that the Company's income statement, balance sheet and cash flows will be adversely affected by exchange rate fluctuations. A change in the exchange rate for the SEK in 2023 of ± 10 per cent in relation to the EUR and the USD based on the Company's budget would affect Smart Eye's costs by SEK ± 10 million. As illustrated, exchange rate fluctuations could have a negative impact on Smart Eye's profits and financial position.

Risks related to inflation and salary increases

The Company anticipates that a significant proportion of its future income will come from the Automotive Solutions business unit, which develops DMS and Interior Sensing for Vehicle Manufacturers and Tier 1 suppliers. The Company receive three different types of revenue from these projects: project-specific development compensation on securing a Design Win; licence fees for vehicles that go into series production; and project-based revenue from Proof-of-Concept studies, reference designs or the production of prototypes. This revenue is negotiated approximately 1–3 years before the relevant vehicle goes on sale. It is therefore difficult to predict exactly what costs the Company will incur for developing and supplying DMS and Interior Sensing. The revenue from Design Wins is not adjusted for inflation, in line with market practice. The Company is therefore exposed to inflation or the salaries within the sector increasing more rapidly than the Company has anticipated. A change in personnel expenses and inflation of ± 10 per cent in 2023 based on the Company's budget would affect the Company's costs by SEK ± 35 million. As has been illustrated, increased costs as a result of inflation or pay increases would have a negative impact on the Company's margins, profits and financial position.

Legal and regulatory risks

Risks related to changes in taxation or the interpretation and application of applicable tax legislation

The Company's operational activities are conducted through subsidiaries in a number of jurisdictions, which is why the Company is liable to pay tax both in Sweden and in several other jurisdictions. Tax for the year amounted to approximately SEK 152,000 in 2020 and approximately SEK 1,514,000 in 2021. The Company's tax status, in relation to previous, current and future years, may change as a result of decisions by local tax authorities or due to changes to laws and regulations (including applicable tax rates or established practice in those jurisdictions in which the Company conducts operations), which could result in higher future tax costs for the Company as well as costs for interpreting and adaptation in accordance with any changes in the tax legislation. For example, new tax legislation with a focus on digital services, which might become relevant in certain jurisdictions in which the Company conducts operations, could adversely affect the Company in the form of increased tax costs.

The Company conducts and reports its operations in accordance with internal rules and qualified advisers' interpretations of applicable tax laws, regulations, administrative proceedings and legal practice in the jurisdictions where the Company conducts operations. There is a risk that tax authorities, courts or other public bodies might deem the Company's interpretation and application of the tax regulations to be incorrect. When acquiring shares in companies from private individuals, there is, for example, a risk that the tax treatment that is assumed prior to the transaction when paying the purchase price or additional purchase costs may prove to be

incorrect, which could lead to the Company unexpectedly incurring social security costs or to the taxation for the private individual being unfavourable. Furthermore, the right of deduction for transaction costs may be limited in certain cases, which could result in increased tax costs for the Company. In addition, systematic errors that are made by the Company, such as in relation to VAT or internal pricing, could be accumulated over several years and then need to be corrected, leading to significant one-off costs for the Company.

If the tax legislation should be amended or if the Company has misinterpreted the tax legislation in one or more jurisdictions in which the Company conducts operations, the Company may be subject to the imposition of additional taxes, interest, fees or sanctions that adversely affect the Company's liquidity, financial position and operating profit.

Risks related to the right of deduction for tax deficits may be limited or fall away as a result of altered ownership conditions

As at 31 December 2021, the Company had a combined fiscal deficit in the Swedish parent company amounting to approximately SEK 466 million. The fiscal deficit is not capitalised in the balance sheet. Fiscal deficits may be limited or may fall away as a result of future changes in Swedish tax legislation or, according to current regulations, as a result of changes in ownership whereby one or more shareholders, according to a separate calculation, jointly hold shares that have been acquired over a certain period of time and that represent more than 50 per cent of the votes. In the event of such a change in ownership, historical deficits fall away to the extent they exceed 200 per cent of the expenditure for acquiring the controlling influence (according to a separate calculation where contributions and other transfers of value may reduce the expenditure in a certain way). If the Company's fiscal deficit falls away or is reduced, this could have a significant impact on the Company's tax burden.

Risks related to the Company's processing of personal data

The Company processes personal data relating to e.g. users, customers and employees. Smart Eye's Eye Tracking and Emotion AI gather information about users, in part by detecting eye movements, facial expressions and reactions, in order to gain an insight into a person's awareness and cognitive state. The Company is obliged to comply with applicable laws and regulations relating to data protection and the processing of personal data in those jurisdictions in which the Company operates, such as Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data. Smart Eye also has to comply with US regulations, including the California Consumer Privacy Act ("**CCPA**"), which imposes requirements regarding the way user information is collected, and the Biometric Information Privacy Act ("**BIPA**"), which requires that consent be obtained in order for companies to be able to use facial recognition technology on people. Failure

to comply with the GDPR and other regulations relating to the processing of personal data can result in significant charges for Smart Eye. Insufficient compliance with the GDPR could harm the Company's reputation and result in penalty payments of up to EUR 20 million or 4 per cent of the Company's global annual turnover, whichever is the higher. In the case of less serious transgressions, penalty payments can be up to EUR 10 million or 2 per cent of the Company's global annual turnover. There is a risk that the measures the Company has implemented to safeguard the processing of personal data may prove to be insufficient. There is consequently a risk of the Company processing personal data incorrectly. This could result in penalty payments, claims for damages from individuals and injunctions from supervisory authorities, which could have a significant adverse impact on the Company's financial position and profits.

Smart Eye is exposed to certain risks related to the development and use of IP rights

Smart Eye's operations and offering are linked to the Company's technical products and AI-based software. Smart Eye relies on a combination of patent and trademark laws, commercial secrets and contractual provisions that should protect the Company's intellectual property rights. The Company has 78 patents that have either been granted, published or reviewed in various territories around the world. The Company's patents are important for the Company's continued operations and future product development. There is a risk that Smart Eye will fail to protect its intellectual property rights or to develop products that are patentable, that patents will not be granted for current or future applications, that patents will not be of a sufficient scope to provide adequate protection against competitors with similar technology or products, or that intellectual property rights that are granted to the Company are successfully challenged by the Company's competitors in the courts. There is also a risk that, when researching and developing its own products, the Company infringes patents or other intellectual property rights belonging to competitors that are operating in the same sector.

Objections, appeals and challenges to the Company's intellectual property rights, or legal actions brought against the Company, can result in significant legal costs and lead to the Company being forced to devote time and financial resources to defending its intellectual property rights and its know-how. Infringements of the patents or other intellectual property rights of competitors can also result in the Company being forced to pay severe penalties and/or result in significant licence fees in the future. If Smart Eye fails to obtain patents for its technology, or if its patents are cancelled, third parties will be able to use the technology without paying compensation to the Company. In addition, if the combination of patents, commercial secrets and contractual provisions on which the Company relies to protect its intellectual property rights should prove to be insufficient, this will harm its ability to successfully commercialise its products, which could have a significant negative impact on Smart Eye's competitive position, financial situation and future prospects.

Risks related to the Company's shares and the Rights Issue

The share price may be volatile and the price trend is dependent on a number of uncertain factors

As an investment in shares can fall in value, there is a risk that investors may not get back the capital they have invested. Smart Eye's share is listed on Nasdaq First North Growth Market. The highest and lowest closing price at which Smart Eye's share has been traded during 2022, stand at SEK 206 (3 January 2022) and SEK 37.84 (7 December 2022) respectively per share. The share price has been volatile and may continue to be volatile in the future. The share price trend is dependent on a number of factors, of which some are company-specific while others are linked to the stock market as a whole. For example, the share price can be affected by supply and demand, variations in actual or anticipated results, inability to achieve the profit levels anticipated by analysts, failure to reach financial and operational targets, changes in general economic conditions, changes in regulatory conditions and other factors, such as the outbreak of the coronavirus pandemic, which has resulted in greater volatility on the world's stock markets and is not related to the Company's business development. In addition, Russia invaded Ukraine in February 2022. The war is associated with a high level of uncertainty, and the global market has been characterised by significant price volatility as a result. There is a risk that the price of Smart Eye's share will follow the general market volatility, irrespective of Smart Eye's profits and performance, and fall significantly in value. The price of Smart Eye's share is also affected in certain cases by the activities and position on the market of the Company's competitors. There is a risk that, at any given time, there may not be an active and liquid market for trading in Smart Eye's shares, which would affect investors' potential to get back the capital they have invested.

Trading in subscription rights and BTA may be limited

A person who is registered as a shareholder in Smart Eye on the record date receives subscription rights in relation to their existing shareholding. The subscription rights are expected to have a financial value that will only benefit the holder if he or she either exercises them to subscribe for new shares no later than 16 February 2023 or sells them no later than 13 February 2023. After 16 February 2023, unexercised subscription rights will be removed from the holder's securities account, without notification, whereupon the holder will lose the entire anticipated financial value of the subscription rights. Both subscription rights and BTA which, after payment has been made, are registered in securities accounts belonging to individuals who have subscribed for new shares, will be subject to trading on Nasdaq First North Growth Market for a limited period of time. The trade in these instruments may be limited, which might entail problems for individual holders when it comes to divesting their subscription rights and/or BTA, thereby resulting in the holder not being compensated for the financial dilution effect that the Rights Issue entails (see the section "*Shareholders who do not participate in the Rights Issue are affected by*

dilution" below). Such circumstances would constitute a significant risk to individual investors. Restricted liquidity may also amplify the fluctuations in the market price of subscription rights and/or BTA. The price of these instruments is consequently at risk of being incorrect or misleading.

Shareholders who do not participate in the Rights Issue are affected by dilution

If a shareholder chooses not to exercise or sell his or her subscription rights in the Rights Issue in accordance with the procedure described in this Prospectus, the subscription rights will expire and lose their value, with no right to compensation for the holder. As a result, such shareholders' proportional ownership and voting rights in Smart Eye will decrease. Shareholders who choose not to participate in the Rights Issue will have their ownership share diluted by up to 36 per cent as a result of a maximum of 12,704,540 new shares being issued (corresponding to an increase of a maximum of 57 per cent in the number of shares), for which such shareholders will not receive compensation. Their relative share of Smart Eye's equity will also decrease. If a shareholder chooses to sell their unexercised subscription rights, or if these subscription rights are sold on the shareholder's behalf, there is a risk that the payment the shareholder receives for the subscription rights on the market will not match the financial dilution in the shareholder's ownership of Smart Eye once the Rights Issue has been completed.

Unsecured subscription and guarantee commitments

Some existing shareholders, board members and senior executives, including the First AP Fund, Martin Bjuve, Anders Jöfält, Peter Hartzbech, Lars Olofsson, Cecilia Wachtmeister and Magnus Jonsson, have entered into subscription commitments to subscribe for shares in the Rights Issue. The subscription commitments amount to a total of approximately SEK 38 million, corresponding to approximately 12 per cent of the Rights Issue. Martin Bjuve's subscription commitment, in light of the fact that he is not a shareholder and consequently is not being allocated subscription rights in the Rights Issue, relates to a commitment to acquire subscription rights and subsequently to subscribe for shares by exercising such subscription rights. In addition, external guarantors have provided guarantee commitments with customary conditions regarding subscribing for shares amounting to a total of SEK 209 million, corresponding to approximately 65 per cent of the Rights Issue. Finally, certain existing shareholders, including Handelsbanken Fonder, Swedbank Robur, Consensus Asset Management, Vasastaden and Aktia Asset Management, have issued declarations of intent to subscribe for shares in the Rights Issue amounting to a total of approximately SEK 79 million, corresponding to approximately 24 per cent of the Rights Issue.

Together, the subscription commitments, guarantee commitments and declarations of intent to subscribe for shares amount to 100 per cent of the Rights Issue. However, neither the subscription commitments, the guarantee commitments nor the declarations of intent to subscribe for shares are

secured through bank guarantees, blocked funds, the pledging of collateral or similar arrangements. There is consequently a risk that one or more relevant parties may, wholly or in part, fail to fulfil their respective commitments. If the above subscription commitments, guarantee commitments and declarations of intent are not fulfilled, this could have a negative impact on Smart Eye's potential to carry out the Rights Issue successfully.

Limited distributable funds

Bearing in mind Smart Eye's financial position and history of negative operating profits, the Company has not paid any dividends to its shareholders to date. Furthermore, the Company's board of directors does not intend to propose the payment of any dividend over the next few years. As the Company is currently undergoing a research and development phase, the plan instead is for any surplus to be invested in the Company's development. The size of any future dividends from Smart Eye is dependent on a number of factors, such as the Company's future profits, financial position, cash flow, need for working capital, investments and other factors.

There is a risk that the Company will not have sufficient distributable funds to pay dividends at all or to the extent anticipated by shareholders in the future. For example, this may be the case if the market for DMS and Interior Sensing should fail to develop in line with the Company's expectations. There is also a risk that the Company or its major shareholders, for various reasons, will prevent or restrict future dividends. In the event no dividend is paid, an investor's potential return will be solely dependent on the future development of the share price.

Restrictions regarding participation in new share issues

If the Company issues new shares in a cash issue, shareholders shall, as a general rule, have preferential rights to subscribe for new shares proportionally to the number of shares held prior to the issue. Shareholders in other countries may, however, be subject to limitations that prevent them from participating in such rights issues, or that otherwise make participation difficult or limited. For example, shareholders in the United States may be unable to subscribe for

new shares unless a registration statement under the Securities Act is effective in respect of such subscription rights and shares or an exemption from the registration requirements under the Securities Act is available. Shareholders in other jurisdictions outside Sweden may be similarly affected if the subscription rights and the new shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdictions. Smart Eye is under no obligation to investigate whether there is a registration requirement under the Securities Act or corresponding legislation in other jurisdictions, and the Company is under no obligation to apply for the registration or sale of the Company's shares in accordance with such legislation outside Sweden and doing so in the future may be impractical and costly. Any restrictions for shareholders in countries outside of Sweden regarding participation in share issues may result in their ownership being diluted or falling in value.

Sales of shares by existing shareholders could cause the share price to decline

The price of the Company's shares may fall in the event of extensive selling of shares in the Company, particularly selling by the Company's board members, senior executives and major shareholders. All of the Company's board members and senior executives have, with certain standard exceptions, undertaken not to sell their securities in the Company for a certain period of time, known as a lock-up arrangement. This arrangement ceases to apply 180 days after the settlement date in the Rights Issue. See also the section "*Share capital and ownership structure – Lock-up*". In addition, certain external guarantors have provided guarantee commitments with customary conditions regarding subscribing for shares amounting to a total of SEK 209 million, corresponding to approximately 65 per cent of the Rights Issue. Through the guarantee commitments, they also undertook not to sell their shares or other securities in the Company during the period up until 1 March 2023. See also the section "*Share capital and ownership structure – Lock-up*". After the expiry of the relevant lock-up period, the shareholders subject to the lock-up period will be free to sell their shares in Smart Eye. Any sales of substantial amounts of Smart Eye's shares by existing shareholders after the expiry of lock-up periods, or the perception that such sales might occur, could cause Smart Eye's share price to decline.

Invitation to subscribe for shares in Smart Eye

The shareholders in Smart Eye are hereby invited, with preferential rights, to subscribe for new shares in Smart Eye, in accordance with the terms and conditions in this Prospectus.

On 23 January 2023, Smart Eye's board of directors, with the support of the authorisation granted at the extraordinary general meeting on 30 December 2022, resolved on the issue of new shares with preferential rights for the Company's shareholders. The purpose of the Rights Issue is to strengthen the Company's financial position and finance the remaining capital requirement until the Company has a positive cash flow.

The Rights Issue will increase the Company's share capital by a maximum of SEK 1,270,454 by issuing a maximum of 12,704,540 new shares. Smart Eye's existing shareholders have preferential rights to subscribe for new shares pro rata to the number of shares the holder already owns. The record date for determining which shareholders are entitled to subscribe for shares with preferential rights is 31 January 2023. If shares are not subscribed for with preferential rights, such shares shall be offered to shareholders and other investors in accordance with that set out in the section "Terms and conditions" in this Prospectus. Subscribing for the new shares with the support of subscription rights must take place through payment during the period from and including 2 February 2023 up to and including 16 February 2023, in accordance with that set out in the section "Terms and conditions".

The issue decision means that individuals who, on the record date, are registered as shareholders in the Company, receive one (1) subscription right for each share held. Seven (7) subscription rights entitle the holder to subscribe for four (4) new shares in the Company. The subscription price per share amounts to SEK 25.50. Smart Eye will receive approximately SEK 324 million before deduction of issue costs through the Rights Issue, assuming full subscription.

Shareholders who choose not to participate in the Rights Issue will have their ownership share diluted by approximately 36 per cent. The shareholders have the option of selling their subscription rights, which means that a shareholder who chooses not to participate in the Rights Issue can receive financial compensation for the dilution effect. The potential to sell subscription rights is set out in the section "Terms and conditions".

The new shares that are being issued in the Rights Issue will have the same rights as the existing shares in Smart Eye.

Subscription and guarantee commitments¹⁾

The Rights Issue is covered by subscription commitments, declarations of intent and guarantee commitments, both from existing shareholders and other investors. Together, the subscription commitments, guarantee commitments and declarations of intent to subscribe for shares amount to 100 per cent of the Rights Issue. Neither subscription nor guarantee commitments are secured through bank guarantees, blocked funds, the pledging of collateral or similar arrangements. Standard guarantee compensation is payable to the issue guarantors, adapted according to the prevailing market situation, amount to six per cent of the guaranteed amount. No compensation is paid to parties that have provided subscription commitments.

Gothenburg, 30 January 2023
Smart Eye Aktiebolag (publ)
The board of directors

1) See also "Legal considerations and supplementary information – Subscription and guarantee commitments in respect of the Rights Issue".

Background and reasons

Smart Eye is facing an exciting future primarily driven by the global automotive industry's ongoing implementation of software-based monitoring systems for increased road and passenger safety. Within the Automotive business area where Smart Eye has a leading market position, the Company has a total of 194 Design Wins in software for driver monitoring systems with a total of 18 of the largest global Vehicle Manufacturers, including BMW and Polestar, of which seven have already begun series production. The total estimated lifetime value of Smart Eye's announced Design Wins within the Automotive business area amounts to approximately SEK 3.8 billion. The implementation of DMS in new vehicle models is expected to see strong growth during the coming years, driven by regulatory safety requirements to be implemented within the European Union, and high focus on safety within the global automotive industry. In parallel, the Company's other business area, Behavioral Research, which offers high-end products and services within Human Insight AI for research and commercial purposes, continues to show solid growth.

However, the coronavirus pandemic and its consequent effects have indirectly and directly resulted in several challenges for the Company lately, primarily within the Automotive business area. Among other things, this includes shortages of components and travel restrictions, which have affected the global automotive industry negatively in the broader context. Vehicle Manufacturers have experienced declining sales as a result of the delayed start of production of new vehicle models and in some cases also temporarily closed automotive factories. The consequence for Smart Eye has thus been that the implementation of the Company's software for DMS and Interior Sensing, as well as licensing revenues from existing Design Wins have been postponed. Hence, commercialisation of Design Wins is expected to be realised later than originally estimated. In addition, component shortages and disruptions in global supply chains, in the wake of the pandemic, as well as the overall geopolitical situation have contributed negatively. For example, there have been longer lead times for component deliveries and general delays in production and production development.

In spite of the challenges currently present, demand for DMS and Interior Sensing is expected to be strong over the coming years, and Smart Eye also sees a high potential for its aftermarket product, Applied AI Systems, offering DMS for existing vehicle fleets and smaller Vehicle Manufacturers. In order to capture these growth opportunities, the Company will need to continue to invest in research and development as well as commercialisation of its products. The purpose of the Rights Issue is to strengthen the Company's financial position and finance the remaining capital requirement until the Company becomes cash flow positive, which is expected to occur during the second half of 2024. In order to further strengthen Smart Eye's financial position, the Company has also decided on certain measures to adapt the Company's cost profile and development to the aforementioned market conditions and its effects on the Company's operations. With these measures, the Company expect to reduce personnel expenses with approximately ten per cent on an annual basis, which corresponds to approximately SEK 30 million per annum. The measures are expected to be fully implemented by the end of the second quarter 2023, out of which the majority of the measures will be completed already during the fourth quarter 2022 and is not expected to entail any significant costs for the Company as they primarily refer to external consultants. The Rights Issue is expected to enable the Company to maintain the current strategy and rate of investment within, among other things, Smart Eye's existing and future Design Wins for software within DMS and Interior Sensing. The Rights Issue will also provide adequate financial resources for Smart Eye to maintain its position as supplier of DMS and Interior Sensing. In addition to the aforementioned, the ongoing review of certain measures to reduce the Company's overall cost profile going forward, is expected to provide the Company with further financial headroom.

Use of proceeds

In order to finance the Company's capital requirement until the Rights Issue has been completed, the Company has, in conjunction with the publication of the Rights Issue on 5 December 2022, entered into bridge loan agreement of approximately SEK 60 million at customary market terms. The Company is obliged to repay the bridge loan facility on or around the settlement date of the Rights Issue. The bridge loan financing has been used in accordance with below purposes and order of priority.

Since the Rights Issue, in its entirety, is covered through a combination of subscription commitments, declarations of intent to subscribe for shares, and guarantee commitments, the Company will receive no more than approximately SEK 324 million before deductions for issue costs, which are estimated to amount to approximately SEK 35 million. Smart Eye intends to use the net proceeds of approximately SEK 289 million to repay the bridge loan facility (which has been used in accordance with below purposes and order of priority) and then for the following purposes listed in order of priority:

- Approximately 45 per cent will be used to finance research and development in relation to the Company's DMS projects with various Vehicle Manufacturers within Automotive Solutions to ensure that the projects are completed in accordance with the existing plan.
- Approximately 25 per cent will be used for research and development within Interior Sensing, in order to secure Smart Eye's long-term competitiveness.
- Approximately 15 per cent will be used for development and commercialisation of the Company's aftermarket offering within Automotive, Applied AI Systems.
- Approximately 15 per cent will be used to finance the Company's ongoing operations and general business purposes in order to ensure sufficient working capital.

The board of directors judges that the existing working capital is not sufficient for Smart Eye's current capital requirements for the upcoming twelve-month period. This assessment has been made in light of the Company's current business and development plan. If the Rights Issue is fully subscribed, the board of directors judges that the Company will have sufficient working capital to run the business until the Company is able to conduct its operations with a positive cash flow, which is expected to take place during the second half of 2024. In this sense, the working capital requirement refers to cash and cash equivalents that are required in order for the Company to be able to fulfil its payment obligations as they fall due for payment. In the event the Rights Issue is not implemented or is not fully subscribed, the Company may revise its business and development plan, primarily by reducing the rate of investments within the Automotive business area and through continued development aimed at realising Design Wins and seeking alternative financing options, for example in the form of a new rights issue, a targeted rights issue or long-term loan financing from existing or new investors.

Smart Eye's board of directors is responsible for the contents of this Prospectus. To the board of directors' knowledge, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omissions likely to affect its import.

Gothenburg, 30 January 2023

Smart Eye Aktiebolag (publ)

The board of directors

Terms and conditions

Preferential rights and subscription rights

Those registered as shareholders in the share register maintained by Euroclear Sweden for Smart Eye on the record date, 31 January 2023, have preferential rights to subscribe for new shares pro rata to the number of shares held on the record date.

Those registered as shareholders in the Company on the record date, are entitled to one (1) subscription right for each share. Seven (7) subscription rights entitle the holder to subscribe for four (4) new shares.

The holdings of shareholders who choose not to participate in the Rights Issue by subscribing for shares will become diluted by 36 per cent in relation to the number of shares outstanding¹⁾.

Subscription price

The new shares will be issued at a subscription price of SEK 25.50 per share. No commission will be charged.

Record date

The record date at Euroclear Sweden for determining which parties are entitled to receive subscription rights under the Rights Issue is 31 January 2023. The Company's shares were traded including the right to receive subscription rights up to and including 27 January 2023. The Company's shares are traded excluding the right to receive subscription rights in the Rights Issue from 30 January 2023.

Subscription period

Subscription for new shares under the subscription rights is carried out through payment during the period from 2 February 2023 until 16 February 2023. During this period, it is also possible to subscribe for shares without subscription rights. The board of directors of the Company reserves the right to extend the subscription period, which if it becomes relevant will be announced by the Company in a press release on 16 February 2023 at the latest. The press release will be available on Smart Eye's website, www.smarteye.se.

Issue statement

Directly registered shareholders

A pre-printed issue statement with an attached payment form will be sent to shareholders, or representatives of shareholders, in the Company who, on the record date 31 January 2023, are registered as shareholders in the Company. The pre-printed issue statement sets forth, inter alia, the number of subscription rights received and the full number of shares that may be subscribed for. No separate notification will be sent regarding the registration of subscription rights in shareholders' securities accounts. Those parties included in the separate list of pledge holders and trustees maintained in connection with the share register will not receive any issue statement and will be informed separately.

Nominee registered holdings

Shareholders whose holding of shares in the Company are nominee-registered at a bank or other nominee will not receive any issue statement from Euroclear Sweden. Instead, application for subscription and payment should be carried out in accordance with the instructions from the respective nominee.

Shareholders resident in certain unauthorised jurisdictions

Allotment of subscription rights and the issue of new shares through the exercise of subscription rights to persons resident outside of Sweden may be affected by securities legislation in such countries; please see section "*Important information to investors*". Consequently, subject to certain exemptions, shareholders whose existing shares are directly registered in a securities accounts and whose registered address is in Australia, Hong Kong, Japan, Canada, New Zealand, Singapore, South Africa, USA or any other jurisdiction where participation would require additional prospectus, registration or action other than those arising from Swedish law, will not receive any subscription rights to their respective securities accounts or be allowed to subscribe for new shares. Subscription rights that would have been registered to such shareholders will be sold and the sales proceeds, less a deduction for costs, will be paid to such shareholders, however, amounts less than SEK 100 will not be paid out.

1) Calculated on the basis of the maximum number of shares that could come in to existence through the Rights Issue in relation to the maximum number of outstanding shares in the Company after the Rights Issue.

Trading in subscription rights

Subscription rights will be traded on Nasdaq First North Growth Market during the period from 2 February 2023 until 13 February 2023. Carnegie and other securities institutions with the requisite licenses will provide brokerage services in connection with the purchase and sale of subscription rights. The ISIN code for the subscription rights is SE0019762253.

Subscription for new shares with the subscription rights

Subscription for new shares with the subscription rights is carried out through payment during the period from 2 February 2023 until 16 February 2023. Upon expiry of the subscription period, unexercised subscription rights will lapse and become worthless. After 16 February 2023, unexercised subscription rights will be deleted from holders' securities accounts, without notice from Euroclear Sweden.

To ensure that the value of the subscription rights to subscribe for new shares is not lost, the holder must either:

- exercise the subscription rights to subscribe for new shares no later than 16 February 2023, or according to instructions received from the respective trustee; or
- sell the subscription rights that are not intended to be exercised no later than 13 February 2023.

A subscription of new shares with the subscription rights is irrevocable and the subscriber cannot withdraw or change such subscription of new shares.

Directly registered shareholders resident in Sweden

Subscription for new shares with subscription rights is carried out through cash payment, either by use of the pre-printed payment form or a separate application form, with concurrent payment in accordance with one of the following options:

The payment form is to be used if all subscription rights in the issue statement from Euroclear Sweden are to be exercised. No additions or changes may be made to the payment form.

The application form named "*Subscription of shares with subscription rights*" is to be used if subscription rights have been purchased, sold or transferred from another securities account, or if, for some other reason, the number of subscription rights to be exercised for subscription of new shares differs from the number on the pre-printed issue statement. Payment for the subscribed shares must be made concurrent to submitting the completed application form, which can be carried out in the same way as for other bank giro payments, for example through an internet bank, by giro transfer or at a bank branch office. The number of the securities account that holds the subscription rights must be stated together with the payment.

Application forms in accordance with the above may be ordered from Carnegie during office hours by telephone: +46 (0)8-5886 8510 or downloaded from Carnegie's website www.carnegie.se. Application forms and payments must be received by Carnegie no later than 3:00 p.m. on 16 February 2023. Please note that payment for subscription of new shares with subscription rights that are not received by Carnegie no later than 3:00 p.m. on 16 February 2023, will be left without regard why payment must be made well in advance.

Directly registered shareholders not resident in Sweden who are eligible to subscribe for new shares with subscription rights

Directly registered shareholders who are eligible to subscribe for new shares with subscription rights and who are not resident in Sweden, and who are not subject to the restrictions described above under "*Shareholders resident in certain unauthorised jurisdictions*" and who cannot use the pre-printed payment form, can pay in SEK through a foreign bank in accordance with the instructions below:

Carnegie Investment Bank AB (publ)
Transaction Support
SE-103 38 Stockholm, Sverige
SWIFT address: ESSESESS
IBAN: SE385000000052211000363
Bank account number: 5221 10 003 63

Upon payment, the subscriber's name, address, securities account number and the reference number on the issue statement must be stated. The final day for payment to be received is 16 February 2023.

If the subscription pertains to another number of shares than stated in the issue statement, the following form should be used instead: "*Application form for subscription of shares with subscription rights*", which can be ordered from Carnegie during office hours by telephone: +46 (0)8-5886 8510 or downloaded from Carnegie's website www.carnegie.se. Payment is to be made in accordance with the instructions above with the number of the securities account that holds the subscription rights as reference. Application forms (in accordance with the above address) and payments must be received by Carnegie no later than 3:00 p.m. on 16 February 2023.

Nominee-registered shareholders

Nominee-registered shareholders who wish to subscribe for new shares with subscription rights must apply to subscribe for shares in accordance with the instructions from their respective nominee or nominees.

Paid subscribed shares (BTA)

After subscription and payment, Euroclear Sweden will distribute a settlement note confirming the registration of the BTAs in the securities account.

New shares will be registered as BTAs in the securities account until such time as the Rights Issue has been registered with the Swedish Companies Registration Office. Registration of new shares subscribed for with subscription rights is expected to take place at the Swedish Companies Registration Office around 22 February 2023. Thereafter, BTAs will be converted to shares, which is expected to take place around 28 February 2023 without special notification from Euroclear Sweden. Holders of nominee-registered depository accounts will receive BTAs and information in accordance with the procedures of the respective nominee. BTA will be admitted for trading on Nasdaq First North Growth Market from 2 February 2023 until 22 February 2023. Carnegie and other securities institutions with the requisite licenses will provide brokerage services in connection with the purchase and sale of BTAs. The ISIN code for BTA for shares is SE0019762261.

Subscription for new shares without subscription rights

The new shares may also be subscribed for without subscription rights.

Directly registered shareholders and others

Application for subscription for new shares without subscription rights must be made on the special application form "*Subscription without subscription rights*". More than one application may be submitted; however, only the most recently dated application will be considered.

If the application concerns another person than the signatory, a special form "*Guardians and authorised agents*" must also be filled in and sent together with the application form "*Subscription without subscription rights*".

Application forms and other forms may be obtained from any of Carnegie's offices in Sweden or downloaded from Carnegie's website www.carnegie.se as well as from Smart Eyes's website www.smarteye.se. The application form may either be sent by post to Carnegie Investment Bank AB, Transaction Support, SE-103 38 Stockholm or be handed in at one of Carnegie's branch offices in Sweden or sent by email to transactionsupport@carnegie.se. The application form must be received by Carnegie no later than 3:00 p.m. on 16 February 2023.

Legal Entity Identifier (LEI-code) & National Client Identifier (NCI-number)

Legal Entity Identifier (LEI) is a global identification code for legal entities that is mandatory when making securities transactions. Keep in mind to apply for a registration of a LEI-code in time since the code needs to be submitted on the application form. More information regarding the requirements of the LEI can be found on the SFSAs website www.fi.se. In order to participate in the Rights Issue and be allotted new shares subscribed for without subscription rights, legal entities must hold and state their LEI-number.

National ID or National Client Identifier (NCI-number) is a global identification code for individuals that is mandatory when making securities transactions. If you only have a Swedish citizenship your NCI-number will consist of "SE" followed by your personal number. If you have more or other than a Swedish citizenship your NID-number may consist of another type of number. For more information about how NCI-numbers are acquired please contact your bank office. Keep in mind to find out your NCI-number in time since the number has to be submitted on the acceptance form.

Nominee-registered shareholders

Holders of depository accounts that wish to subscribe for new shares without subscription rights must apply to subscribe in accordance with the instructions from their nominee or nominees, who will also process allotment notifications and other questions.

Allotment of new shares subscribed for without subscription rights

If all of the new shares are not subscribed for with subscription rights, the board of directors will, within the limit of the maximum amount of the Rights Issue, decide on allotment of new shares subscribed for without subscription rights as follows:

firstly, those who subscribed for new shares with subscription rights shall receive allocation, regardless of whether the subscriber was a shareholder on the record date or not, and in the case of oversubscription, pro rata to the number of shares subscribed for with subscription rights;

secondly, if all shares are not allotted as described above, allotment shall be made to those who subscribed for new shares without subscription rights, and in the case of oversubscription, pro rata to the new number of shares subscribed for in the application, and to the extent that this is not possible, by drawing lots; and

thirdly and last, allotment of shares subscribed for without subscription rights shall be made to those who have provided guarantee commitments in their capacity as guarantors. In the event allotment to those cannot be made in full, allotment shall be made pro rata in accordance with the amount that each guarantor has committed to subscribe for and, to the extent this is not possible, allocation will be made by drawing lots.

Around 20 February 2023, a settlement note will be sent to the subscriber as confirmation of the allotment of new shares subscribed for without subscription rights. Shareholders whose holdings are nominee-registered will receive confirmation of the allotment in accordance with the procedure of the respective nominee. No confirmation will be sent to subscribers who received no allotment. Payment for subscribed for and New Shares is to be made in cash in accordance with the instructions on the settlement note sent to the subscriber.

After payment of subscribed and allotted new shares has been made and the new shares have been registered with the Swedish Companies Registration Office, Euroclear Sweden will send a notice as confirmation that the new shares have been registered to the securities account. The subscriber receives new shares directly and no BTAs will be posted to the subscriber's securities account. Registration of the new shares subscribed for without subscription rights is expected to be made with the Swedish Companies Registration Office around 27 February 2023. The registration of new shares on securities accounts is expected to take place around 28 February 2023.

Trading new shares

The Company's issued shares are traded on Nasdaq First North Growth Market. After the Swedish Companies Registration Office has registered the Rights Issue, the new shares will be admitted for trading on Nasdaq First North Growth Market. Trading in new shares subscribed for with subscription rights is expected to take place around 28 February 2023. Trading in new shares that have been subscribed for without subscription rights is expected to commence around 28 February 2023.

Right to dividend on shares

Dividends are paid following a resolution by the shareholders' meeting. Payment of dividends will be administered by Euroclear Sweden or, for nominee-registered shareholdings, in accordance with the procedures of the respective nominee. Entitlement to receive a dividend is limited to shareholders registered in the share register maintained by Euroclear Sweden on the record date. The new shares carry the right to participate in the distribution of dividends for the first time on the dividend record date that occurs immediately following the registration of the new shares with the Swedish Companies Registration Office.

Irrevocable subscription

The Company is not entitled to revoke the Rights Issue. Subscription of new shares, with or without subscription rights, is irrevocable and the subscriber may not withdraw or change a subscription for new shares, unless otherwise stated in this Prospectus or applicable law.

Announcement of the outcome of the Rights Issue

The outcome of the Rights Issue will be announced around 20 February 2023 through a press release from the Company.

Information about the processing of personal data

Parties who subscribe for, or apply to subscribe for, new shares will submit personal data to Carnegie. Personal data that is submitted to Carnegie, for example contact information and personal identification number, or which is otherwise registered in connection with the preparation or administration of the offer, is processed by Carnegie, as controller of the personal data, for the administration and execution of the offer. Processing of personal data also takes place to enable Carnegie to comply with its statutory duties.

Personal data may for a defined purpose, in observance of bank secrecy rules, occasionally be disclosed to other companies within the Carnegie Group or to undertakings which co-operate with Carnegie, within and outside the EU/EEA in accordance with EU's approved and appropriate protective measures. In certain cases, Carnegie is also under a statutory duty to provide information, e.g. to the SFSA and the Swedish Tax Agency (*Sw. Skatteverket*).

Similarly to the Securities Market Act, the Banking and Financing Business Act contains confidentiality provisions according to which all of Carnegie's employees are bound by a duty of confidentiality with regard to clients of Carnegie and other parties to whom services are provided. The duty of confidentiality also applies between and within the various companies in the Carnegie Group.

Information regarding what personal data is processed by Carnegie, and your rights such as deletion of personal data, limitation on the processing of personal data, data portability or the rectification of personal data can be requested from Carnegie's data protection officer (*Sw. dataskyddsbud*). It is also possible to contact the data protection officer to obtain further information about how Carnegie processes personal data. In case a complaint regarding Carnegie's processing of personal data is to be lodged, the Swedish Authority for Privacy Protection (*Sw. Integritetsskyddsmyndigheten*), in its capacity as supervisory authority, may be contacted.

Personal data shall be deleted if it is no longer needed for the purposes for which it was originally collected or otherwise processed, provided that Carnegie has no legal obligation to preserve the personal data. The normal storage time for personal data is 11 years.

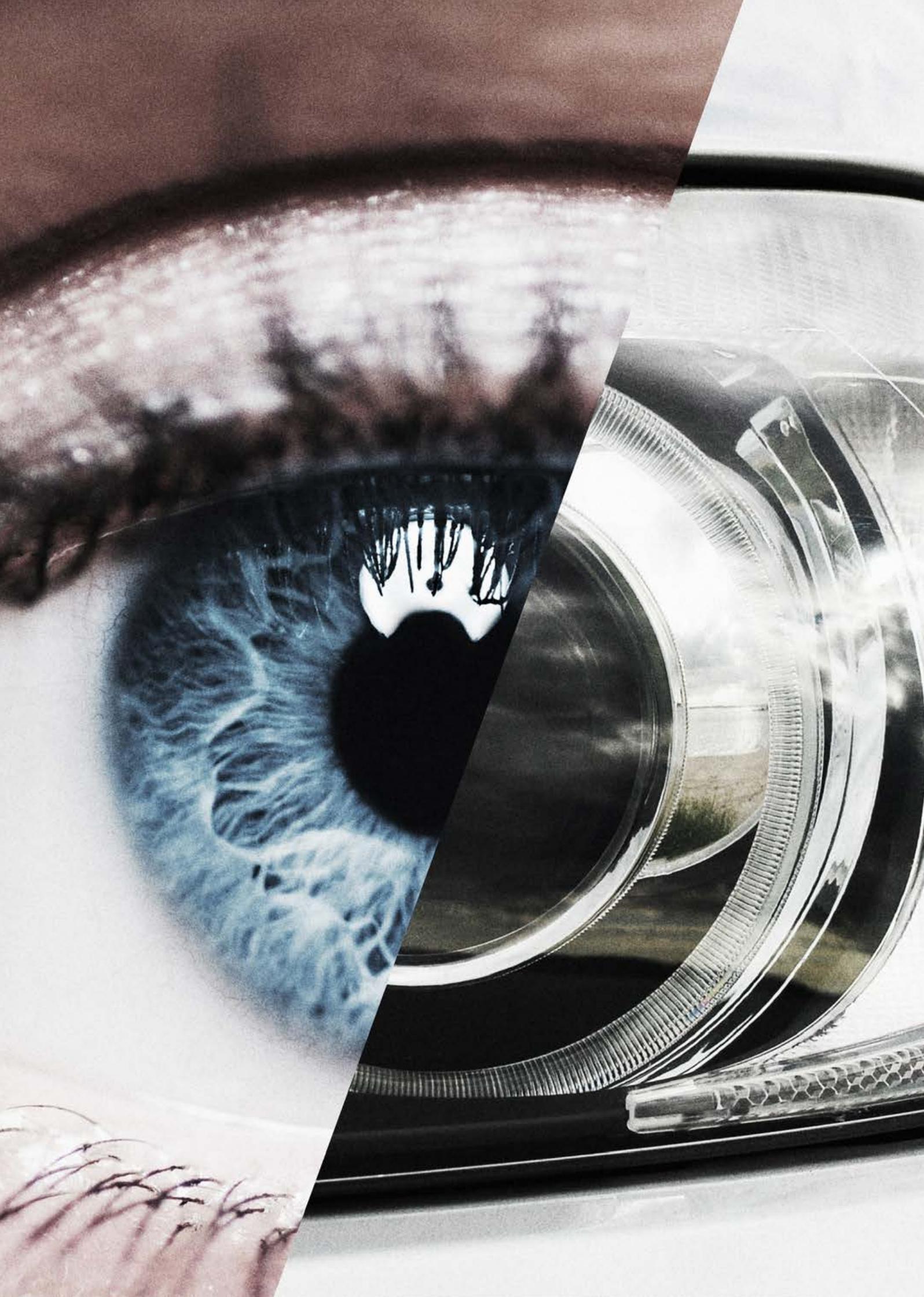
Address to Carnegie's data protection officer:
dpo@carnegie.se

Other information

Carnegie is the issuing institution in connection with the Rights Issue. The fact that Carnegie is the issuing institution does not imply that Carnegie views any party that applies to subscribe under the Rights Issue as a customer of Carnegie. In the event that a larger amount than necessary has been paid by a subscriber for new shares, Carnegie will arrange for the excess amount to be refunded. No interest will be paid on excess amounts. Incomplete or incorrectly completed application forms may be disregarded. If the subscription payment is made late, is insufficient or is paid incorrectly, the subscription application may be disregarded entirely, or allotment may be for a lower amount, in which case, any excess amount will be refunded. No interest will be paid on any such excess amount. Amounts less than SEK 100 will not be refunded.

Taxation

For information pertaining to taxation, please refer to the section "*Important information on taxation*".



Operations and Market overview

The information regarding market conditions, market development, growth figures, market trends and competition in the regions where Smart Eye operates presented in this Prospectus is based on data, statistics and reports from third parties and/or is established by the Company based on internal information and information in such third-party reports. Unless otherwise indicated, the information contained in this section related to markets, market shares, market positions and market sizes are the views of the Company, informed by multiple sources, including IHS Markit. Smart Eye has strived to use the latest available information from relevant sources. The information has been accurately reproduced and, as far as the Company is aware and able to ascertain through comparisons with other information published by these third parties, no details have been omitted in a way that would render the reproduced information inaccurate or misleading. Although Smart Eye considers these sources to be reliable, no independent verification of the information has been carried out, and hence, the accuracy and completeness thereof cannot be guaranteed.

Introduction

Smart Eye develops and sells systems in Human Insight AI, technology that understands, supports and predicts human behaviour in complex environments. The Company offers:

- DMS and Interior Sensing for the next generation of vehicles.
- Technology for research within inter alia the automotive and aerospace industries, assistive technology, media and marketing as well as psychology.
- Emotion AI, which connects machine learning with human empathy to gain an understanding of how consumers engage with e.g. media content, products and services, in automotive, media, entertainment and market research.
- A software platform for analysis of biosensors, which synchronises data streams in real time from multiple sensors.

Smart Eye was founded in 1999 and is headquartered in Sweden, with additional offices in the USA, the UK, Germany, Denmark, Egypt, Singapore, China and Japan. A publicly traded company since 2016, the Company's customers include NASA, Nissan, Boeing, Honeywell, Volvo, Polestar, GM, BMW, Geely, Harvard University, over 1,300 research organisations globally, approximately 2/3 of the world's largest advertisers and approximately 1/3 of the Fortune Global 500 companies.

Business areas

The Company's business operations are structured in two areas, Automotive and Behavioral Research, with five business units.

Automotive consists of two business units:

Automotive Solutions

The business unit develops, sells and supplies integrated solutions for DMS and Interior Sensing to Vehicle Manufacturers and Tier 1 suppliers for newly produced vehicles.

Applied AI Systems

The business unit develops, manufactures and sells complete, non-integrated DMS (hardware and software) to the aftermarket and to small and medium-sized Vehicle Manufacturers.

Behavioral Research consists of three business units:

Affectiva Media Analytics

The business unit develops and supplies an advanced, cloud-based Emotion AI offering designed for advertising, TV/film and the testing of user experiences.

Research Instruments

The business unit develops and supplies Eye Tracking for advanced research and training applications, in both the academic and the commercial sectors, for example within the automotive and aviation industries as well as the assistive technology sector and behavioural science.

iMotions

The business unit develops and supplies a multimodal software platform for behavioural research, which brings together and analyses information from various sensors, including data regarding visual attention (Eye Tracking), emotions (facial expression analysis), tension and intensity (galvanic skin response), motivation and memory (EEG), muscle response (EMG) and heart rate (ECG). iMotions' behavioural research platform is used by both academic and commercial customers.

Synergies

Smart Eye's operations within the Company's two business areas, Automotive and Behavioral Research, provide positive synergies by means of the Company's technology, which is used within research, giving rise to solutions that can be applied in new areas of application. This enables Smart Eye to expand its operations into new business verticals. At the same time, contact is established at an early stage with customers who, in the future, might also apply the technology commer-

cially. For example, the use of Smart Eye's technology within automotive research has contributed to the Company being able to develop Interior Sensing which, with the aid of multiple sensors, measures human behaviour throughout the entire vehicle cabin.

The aviation industry is one area in which Smart Eye's technology is currently being used primarily within research, but where the technology's area of application will probably be expanded in the future. Psychology and medicine are two further research areas in which Smart Eye's technology might be used beyond research.

Smart Eye's goal and core values

Smart Eye's goal and vision is to be a leader in the field of Human Insight AI – technology that understands, interprets and predicts human behaviour – with the aim of saving lives in traffic while at the same time contributing to research that can benefit everyone. Smart Eye's strategy for achieving this goal is based on three core values: Innovate, Execute and Deliver.

Innovate

Innovation is the heart of Smart Eye and the key to the Company consolidating its market position. Smart Eye's preeminent researchers are tasked with exploring cutting edge technologies and using multiple sensors to collect data regarding human behaviour to achieve improved accuracy

and safer applications. They are developing new opportunities that are driving the future of AI-focused behavioural analysis and interactions between human and machines in complex environments. Smart Eye's development department has built a vast ecosystem of research partners and collaborators across both industry and academia.

Execute

Through the Company's product strategy, Smart Eye is well positioned in the field of Human Insight AI. In close collaboration with partners and customers, the Company is constantly assessing emerging needs and developing new algorithms. The Company has a product development organisation that is made up of experienced machine learning and data scientists, as well as seasoned software engineers with deep expertise.

Deliver

Smart Eye always endeavours to deliver in accordance with the customer's wishes. In the automotive industry, Smart Eye is in production with a total of seven Vehicle Manufacturers on three continents, and the top priority is for the Company's solutions to be present in vehicles in order to save lives. Smart Eye's experienced team optimises the technology to exact production requirements, meeting both client needs and quality requirements. With production engineering processes designed to meet the highest safety standards, dedicated engineering services are provided to ensure the highest quality solution is delivered on time and as agreed.

Important concepts

Eye Tracking

Eye Tracking is a technology for measuring gaze and eye movement. Sensors enable the eye to be detected, the gaze is calculated, and eye movements tracked – offering insight into a person's awareness and mental state. Eye Tracking is now an established technology that can be applied in an array of segments. In vehicle interior environments, it is used for functions linked to the driver. In research and neuroscience, Eye Tracking is used for applications including diagnosing Alzheimer's and Parkinson's diseases. The aviation and aerospace industries use Eye Tracking for research and development and training. Eye Tracking can also replace the computer mouse and be used in computer interaction and gaming to enhance the user experience.

Emotion AI

Emotion AI (artificial emotional intelligence) analyses facial expressions, reactions, as well as head and body movements to detect nuanced human emotions, complex cognitive states, activities, interactions and objects people use. Affectiva created the new category of Emotion AI. Affectiva's technology is based on deep learning, computer vision and massive amounts of real-world data.

Driver Monitoring System (DMS)

Driver Monitoring Systems ("DMS") are vehicle safety systems that are used to assess the physical and mental state of the driver, detect distraction, fatigue or just general inattentiveness. When linked to other vehicle functions, the system can generate impulses to alert the driver's attention or even take control of the vehicle to slow it down – reducing the risk of car accidents and improving road safety.

Automotive Interior Sensing

Automotive Interior Sensing combines driver monitoring (DMS) with cabin monitoring to gain a deep, human-centric understanding of how humans react inside vehicles. Just like DMS, Interior Sensing is based on computer vision and AI algorithms, based on deep learning and massive amounts of real-world automotive data. But while DMS is focused on the driver, Interior Sensing extends the intelligence to the entire cabin, using cameras to scan the entirety of the vehicle interior.

Vehicle Manufacturers and Tier 1 suppliers

OEMs (Original Equipment Manufacturers) within the automotive industry (“**Vehicle Manufacturers**”) procure components through major subcontractors, known as Tier 1 suppliers. The Tier 1 suppliers offer the Vehicle Manufacturers components based on products such as the Company’s Eye Tracking, which means that the Company is a Tier 2 supplier. Smart Eye’s long-term objective is to operate higher up in the value chain, by supplying products and services directly to Vehicle Manufacturers as a Tier 1 supplier.

Design Wins

In some cases, Vehicle Manufacturers may specify that Tier 1 suppliers should provide components that contain a specific subcontractor’s (Tier 2 supplier’s) products. In other cases, the Tier 1 suppliers may themselves select which subcontractors they want to collaborate with. In this case, a Vehicle Manufacturer selects a supplier for a functional component through a procurement process, where a selected Tier 1 supplier in turn contracts a Tier 2 supplier.

A procurement process may relate to one specific vehicle model, or all vehicles and models on a given production platform. The procurement process normally lasts for up to 24 months before an agreement is entered into. An agreement for a vehicle model is known as a Design Win.

Vehicle model product lifecycles

From the time an agreement is entered into, it takes one to three years before the vehicle model is delivered to customers. Vehicle models are often in the escalation and production phase for around seven years, before then being scaled down. A vehicle model is normally in production for up to a total of 14 years, which is referred to as the vehicle model’s product lifecycle.

Strategic partnerships

In Smart Eye’s opinion, the Company’s collaborative partners include the industry’s leading producers of image sensors, optics, light sources, semi-conductors and processor platforms. The collaborations often cover joint demonstration products, prototypes and/or marketing. Smart Eye is also part of the Euro NCAP Occupant Status Monitoring Group, which defines effective methods for testing DMS in new vehicles.

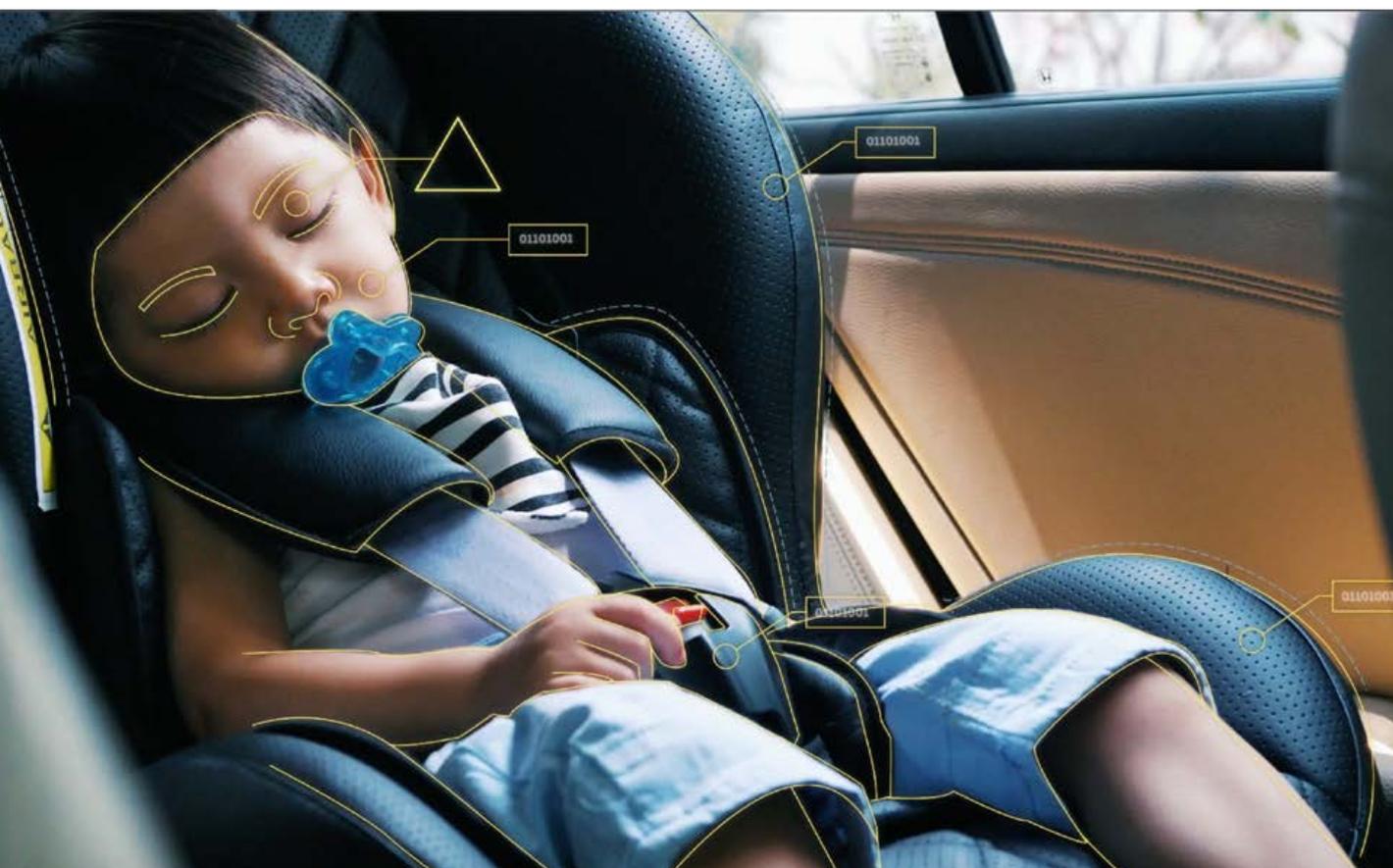
Smart Eye’s collaborative partners include:

- Ambarella
- AMS OSRAM
- Nvidia
- NXP Semiconductors
- Omnivision
- Onsemi
- Renesas Electronics Corporation
- STMicroelectronics
- Texas Instruments

Research based on customer collaboration

Smart Eye’s research is largely based on close collaboration and dialogue with customers. Smart Eye focuses its resources on the basis of its customers’ feedback and needs and strives to support Smart Eye’s customers from an early stage. These collaborations not only help to promote innovation, but also provide Smart Eye with a strategic advantage by positioning the Company so that it may be selected to deliver technology to customers higher up in the value chain.





Automotive Solutions

Introduction

According to the WHO's report on global traffic safety, somebody dies in traffic every 24 seconds.¹⁾ The majority of these accidents are caused by human error, for example as a result of driver distraction or fatigue. This is something that the Company believes can be prevented with DMS. As a supplier of DMS and Interior Sensing, Smart Eye's Automotive Solutions use sensors, computer vision and artificial intelligence to gain a deeper, human-centric insight into how humans react inside a vehicle.

Smart Eye has been supplying its proven DMS software to premium car manufacturers for a number of years. Following the acquisition of Affectiva in 2021, Smart Eye is driving the development of Interior Sensing – extending the intelligence throughout the entire vehicle cabin. By combining Smart Eye's deep technical expertise and Affectiva's Emotion AI with massive amounts of real-world data, Smart Eye offers customers one of the most advanced DMS and Interior Sensing solutions on the market.

Offering

Smart Eye's Automotive Solutions business division develops embedded multimodal Human Insight AI software for automotive applications and provides integration and testing of the software in the customer's target vehicles. The business division offers two complete solutions: software for DMS and software for Interior Sensing in vehicles.

1) <https://www.who.int/news-room/fact-sheets/detail/road-traffic-injuries>

Driver Monitoring System

Smart Eye has been supplying software for DMS to the automotive industry for more than 20 years. Saab Automobile was the Company's first customer way back in 2001, and the software has been found in mass-produced cars since 2018. Smart Eye has currently entered into contracts to supply DMS to 18 global Vehicle Manufacturers.

Over time, this technology has evolved from being centred around eye, gaze and head tracking to providing many additional features and functions that identify complex human states, activities and objects people use. For example, the Company's AI-based DMS can identify drowsiness, distraction, eating, drinking, speaking, mobile phone use, hands off the wheel, key body points and objects, to the analysis of facial expressions, reactions, mood and emotions.

DMS makes it possible for the vehicle to identify the driver's state in its context, enabling advanced safety functions and personalised convenience features.

DMS typically detects:

- Distraction based on eye gaze and head movements
- Drowsiness based on eye and facial behaviours
- Microsleep and sleep detection
- Activities such as eating, drinking, smoking and using a mobile phone
- Sudden illness

Interior Sensing

Smart Eye's Automotive Interior Sensing combines driver monitoring (DMS) with cabin monitoring for a deeper insight into how humans react. Smart Eye has a long experience of supplying software to the automotive industry and is able to offer advanced Interior Sensing. Smart Eye's complete offering within Interior Sensing extends the safety and convenience functions in the Company's DMS for all passengers.

Typical Interior Sensing can detect:

- Children left unsupervised
- Reverse car safety seat in front passenger seat
- Car safety seat in the rear seat
- Increased distraction from other occupants
- Driver not holding the steering wheel
- Mood and emotions of all occupants
- Voice control
- Phone/object usage
- Sudden illness and out-of-position detection
- Seat belt usage
- Empty seats and out-of-seating position
- Body position
- HMI interactions

Production development strategy

Core algorithms

Smart Eye's solutions, including software for DMS and Interior Sensing, are based on the same core algorithms that the Company has been continuously developing and improving for more than 20 years. New data that is fed into the core algorithms enhances the algorithms permanently and adapts the algorithms to various customer requirements, automatically improving all of Smart Eye's products.

AI-based software relies on very large quantities of data for developing and validating the algorithms. Through Affectiva's extensive database containing more than 12 million facial videos from more than 90 countries and over 40,000 hours of driving data from more than 6,000 unique individuals, the Company judges that they have amassed the largest and most unique Human Insight AI data repository of its kind.

Innovation

In order to satisfy the performance, availability and precision standards of the global automotive industry, Smart Eye's technology is developed according to Automotive SPICE processes. Part of the software that is delivered to customers is of ASIL (Automotive Safety Integrity Level) quality, ensuring its qualification for automotive safety systems. Smart Eye considers that this provides the Company with a competitive advantage in relation to those software suppliers on the market that are unable to live up to these quality standards.

Smart Eye's solutions are developed in close collaboration with the automotive industry. In-depth partnerships with

Vehicle Manufacturers and Tier 1 suppliers, as well as with relevant processor and image sensor suppliers on the market, ensure that Smart Eye's products evolve according to the needs of the industry. Meanwhile, Smart Eye is involved in several parallel research projects with multiple Vehicle Manufacturers and Tier 1 suppliers in order to define future plans and product requirements.

Customers

Automotive Solutions' target market comprises of Vehicle Manufacturers and Tier 1 suppliers. Smart Eye works with most of the Tier 1 suppliers that the Company judges to be leaders in their field in Asia, Europe and North America. These Tier 1 suppliers in turn supply systems to Vehicle Manufacturers that produce large volumes of passenger cars and commercial vehicles globally. Smart Eye's customers currently consist primarily of Tier 1 suppliers. Smart Eye's long-term objective is to operate higher up in the value chain, by supplying products and services directly to Vehicle Manufacturers as a Tier 1 supplier.

As per the day of the Prospectus, Smart Eye has achieved a total of 194 Design Wins from 18 Vehicle Manufacturers, including BMW and Polestar, of which seven have already commenced series production. The Company currently estimates the combined value over the product lifecycle for the existing Design Wins at more than SEK 3,835 million. Estimated value over the product lifecycle from possible additional design wins with existing car manufacturers on existing platforms is SEK 4,075 million.

Market drivers

The market for DMS has shifted from being an option for premium cars in the 2010s to constituting a mandatory safety system within the EU as from 2026. The car industry is currently making preparations for the upcoming regulatory requirements that will be gradually implemented up until 2026. As a development project for a new vehicle model typically takes around three years, the preparatory work has already begun. According to the renowned analysis company IHS Markit, the EU market will comprise 18 million cars in 2026,¹⁾ while DMS will be in use on many more geographical markets. By way of comparison, the Company estimates that the market for DMS in 2022 is in the order of 1 million cars²⁾.

Legislation and regulation

The USA, the EU and China are all in different stages of implementing regulations that will make DMS mandatory in all new passenger vehicles. The EU has introduced legislation that requires that all car models that are granted type approval, meaning that the vehicle meets the current technical requirements that apply within the EU for the type of vehicle in question, shall be equipped with DMS. Vehicles that are type approved after mid-2024, or sold after mid-2026, within the EU, must be equipped with DMS. Meanwhile, Euro NCAP, the most influential new car assessment programme in the world,

1) IHS Markit GLVSS Report Nov 2022.

2) The Company's own estimate based on its knowledge of the market.

has announced it will award points for DMS in the 2023 update to its assessment protocol. These initiatives have increased the demand for DMS within the automotive industry.

The legislation regarding DMS is driving the growth in the market for Interior Sensing. Since the installation of DMS requires a base investment, many vehicle manufacturers are looking to further increase the value of the system by adding cost-effective features through Interior Sensing. Certain features present in Interior Sensing are expected to become mandatory in the long term, in the same way as DMS. In some countries, certain features of Interior Sensing are already mandatory in new vehicles, such as features that urge the driver to check that no children are left behind in parked passenger cars.

Smart Eye is making this development possible by developing and supplying DMS that is compatible with global legislation in respect of DMS and Euro NCAP's new test protocol.

DMS for Interior Sensing

The Company has noted an appreciable increase in the number of Vehicle Manufacturers that are opting to include full Interior Sensing in their vehicles in recent years. Through Interior Sensing, Vehicle Manufacturers are continuing to prioritise safety highly on their agenda, for example by extending safety functions to the entire vehicle cabin, while also offering convenience features that improve the driving experience.

Differentiation

AI-based Interior Sensing provides Vehicle Manufacturers with new opportunities to adapt their vehicle models. At the same time, the number of Vehicle Manufacturers is constantly growing. Put together, this has made differentiation increasingly important within the automotive industry. Vehicle Manufacturers are striving towards establishing a strong and unique brand through the intelligent features and capabilities they implement in their vehicle models. Smart Eye's Human Insight AI helps drive this market trend by offering a vast number of functions for safety, comfort, wellness, entertainment and personalisation. This allows Smart Eye's automotive customers to create unique user experiences that set them apart from other Vehicle Manufacturers on the market.

Market dynamics

As a result of the coronavirus pandemic, the automotive industry has above all been affected by the shortage of semi-conductors, shortages in supply chains, lockdowns, etc., which have resulted in reduced production of new vehicles. This has also given rise to postponements in putting new vehicle models containing DMS into production.

Expansion of the automotive market

As the automotive market expands, driven by legislation, the number of vehicle models being procured is also increasing. Thanks to Smart Eye's position on the automotive market, the Automotive Solutions business area is experiencing a rapid increase in production projects and customer enquiries.

Smart Eye has developed a software platform for DMS for a scalable and efficient delivery of DMS. This technology can be used by various customers with only minor adaptations.

Extensive, versatile database

Smart Eye's automotive customers distribute their vehicle models globally. This requires any technology put into those vehicle models to take cultural differences into account, including nuanced differences in behaviour and variations in human appearance. Thanks to an extensive and diverse database, with data from over 90 countries, Smart Eye is able to develop and validate software to ensure impartiality and highlight differences in human behaviour across different cultures.

Flexible software with low CPU load

Smart Eye's software is easy to integrate in multiple processor families. Smart Eye considers that this provides the Company with a competitive advantage, as the Company's software can be applied in most vehicles. This also requires that the Company's software supports different camera positions requested by customers and a wide variety of hardware available on the market today.

In order to satisfy customer demands, the Company ensures not only that its software meets the highest technical standards, but also that the Company is consistently improving and reinforcing its technology. The results are DMS and Interior Sensing that offer high performance in real time with a low CPU load that can easily be adapted to the customer's needs.

Organisation

Since July 2021, Automotive Solutions has been led by Detlef Wilke. Detlef Wilke was previously employed at Aptiv (formerly Delphi) for 23 years where, in a number of different roles, he successfully built up and structured the operations and technology in the fields of DMS and Interior Sensing.

Acquisition of Affectiva

Automotive Solutions has a global presence with personnel close to the customers on Smart Eye's most important markets. The geographic expansion of Automotive Solutions has largely been based on proximity to automotive customers but has also been furthered by Smart Eye's acquisition of Affectiva in June 2021.

Smart Eye has merged Automotive Solutions with Affectiva's automotive teams in Boston and Cairo. This has given the Company access to Affectiva's deep expertise in machine learning, data science, data acquisition and annotation, its extensive datasets and its well-established presence in the field of artificial intelligence (AI). By combining robust technologies with two highly skilled and complementary teams, an AI constellation is being established with the aim of launching automotive-grade Interior Sensing as quickly as possible.

Business model and revenue recognition

By developing and delivering software to the automotive industry, Automotive Solutions receives three different types of revenue:

- Project-specific development compensation on securing a Design Win.
- Licence fees for vehicles that go into series production.
- Project-based revenue from Proof of Concept studies, reference designs or prototyping.

When Smart Eye is allocated one or more vehicle models from a Vehicle Manufacturer through Design Wins, the company receives partial compensation for its development work in the form of non-recurring engineering (NRE) revenues. Once the vehicle model(s) goes into production, Smart Eye also receives a high-margin licence revenue per produced vehicle throughout the vehicle model's entire product lifecycle.

In addition to revenue from Design Wins, Smart Eye also earns project fees for prototyping and for the conceptual studies and reference designs the company executes for Tier 1 suppliers and Vehicle Manufacturers.

The calculation of the value of the Company's Design Wins over the product lifecycle is based on the agreed price for the functions that the Company supplies, the Vehicle Manufacturers' estimated total sales volumes for each vehicle model (i.e. the number of vehicles), as well as the Company's anticipated function penetration for each vehicle (i.e. an average of the number of functions that will be included in vehicles sold or be ordered).



Applied AI Systems

Introduction

DMS has become an increasingly important safety feature – not just in new passenger cars, but also for trucks, buses and the millions of passenger cars already on the road. After all, drowsiness and distraction occur in all drivers, in every type of vehicle.

Applied AI Systems develops end-to-end DMS for new vehicles as well as for the aftermarket. By combining purpose-built proprietary hardware integrated with Smart Eye's proven software for DMS, the Company has developed a stand-alone product based on over 20 years of experience.

Offering

The market for Applied AI Systems was established in conjunction with several Vehicle Manufacturers in the premium segment starting to implement DMS in their car models. The demand for end-to-end DMS, including both hardware and software, has been steadily increasing over the last few years, mainly for implementation in commercial vehicles and on the aftermarket.

To target this new market, the Company launched the Applied AI Systems business area in 2019. The Company offers stand-alone DMS with integrated hardware and software, which is a high-performance, cost-effective option for new vehicles in small production series as well as for retrofitting of existing commercial vehicle fleets, for example within taxi and haulage businesses.

Quality and flexibility

DMS from Applied AI Systems comprises an electronic control unit (ECU), a camera and Smart Eye's software for DMS, and can be installed in most vehicles, either as a stand-alone solution or integrated in the vehicle. It is a complete, self-calibrating product that has been developed for smooth and easy installation. The system may be installed and used in most types of vehicles.

The system is based on Smart Eye's software for DMS, which is used by several premium car manufacturers globally. After years of thorough testing by some of the automotive industry's most demanding customers, Smart Eye's core tracking software can be relied on for precision and performance in any vehicle. By packaging the Company's technology in proprietary hardware, it is possible to offer a complete DMS at a competitive price.





Product development strategy

Thanks to Smart Eye's close collaboration with partners and customers within the automotive industry, the Company gains a clear picture of the market, both now and in the future. The Company's product development strategy is based on the Company developing products alongside customers to meet the customers' future functional requirements regarding DMS.

Customer focus

Applied AI Systems also places great importance on customer feedback for future product updates. Early on in the development phase, field tests were conducted with potential customers to ensure that the system complies with needs and requests. Customer feedback is and will remain an important part of Smart Eye's product development strategy.

Tried and tested software

DMS from Applied AI Systems is based on Smart Eye's core algorithms for eye, head and facial tracking, which have been developed and continuously enhanced over the course of more than 20 years. This means any updates made to the core algorithms will also benefit previously installed DMS and be made available to both fleet and aftermarket customers.

The underlying software in DMS from Applied AI Systems uses technology that can be found in all of Smart Eye's DMS – including those that are sold to several of the world's largest Vehicle Manufacturers. In order to qualify Smart Eye's solutions for implementation in vehicle safety systems, the software is developed in accordance with rigorous safety standards. On the target markets for DMS, there are only a few other suppliers that can make the same claim.

DMS app

In addition to software for DMS, Smart Eye has developed a smartphone app for controlling DMS. The app provides support during the installation of DMS, calibrating of the camera and enables the adjustment of personal settings.

Customers

DMS from Applied AI Systems targets three distinct market segments:

- Vehicle fleets, such as busses, trucks or taxis.
- Aftermarket retrofitting.
- Vehicle Manufacturers with small production volumes.

In all these segments, there is increasing demand for cost-effective, standardised DMS. For many customers, DMS offered by established Tier 1 suppliers are not a profitable option. With DMS from Applied AI Systems, small Vehicle Manufacturers and operators of vehicle fleets avoid charges for large-scale development projects and may instead enjoy access to all the functions in a modern DMS at a competitive price.

Requirements

DMS started out as a feature in newly produced premium cars, but awareness of the driver's mental and physical state is just as important in all types of vehicles. In commercial vehicles, especially those transporting hazardous goods, driver distraction and drowsiness may have grave consequences for humans and the environment alike.

Installing DMS in commercial vehicles is an easy and effective way to improve traffic safety. For fleet owners, DMS offers many additional benefits. By gaining an insight into what is happening in their vehicles, they can monitor the driving time and identify when the driver needs to take a break. The data can also be used to improve driver behaviour in the long-term, proving adherence to regulatory requirements or to help explain the causes of an accident.

Market drivers

There is considerable demand for complete DMS among Vehicle Manufacturers with small production volumes. With a rapid increase in implementation, DMS has become a key feature for any Vehicle Manufacturer aiming to stay competitive and on top of the development.

Legislation sets the standard for commercial vehicles

In every automotive customer segment, legislation is an important driver for market growth. Several countries, such as China, the USA and across the EU, have already mandated the use of DMS in commercial vehicles through legislation. More legislation is also on the way, which will make the increasing implementation of DMS on the aftermarket likely.

Avoiding accidents

Avoiding accidents is an important incentive for implementing DMS for many potential customers, especially for fleet owners and insurance companies. By preventing accidents, DMS not only helps save lives and avoid injuries, but also reduces the economic loss caused by accidents. For transporters of hazardous goods, an accident could lead to contamination or other severe damage to the environment.



Vehicle Manufacturers in the premium segment drive other market segments

Automotive market trends are typically first adopted by Vehicle Manufacturers in the premium segment, but often reach other market segments within a couple of years. This also applies to the target markets of Applied AI Systems.

One example is the evolution of DMS into Interior Sensing, with safety and convenience functions being expanded to the entire cabin. In line with this development, aftermarket customers are now requesting systems with broader functionality. Through Smart Eye's close collaboration with partners and customers within the automotive industry, Applied AI Systems is well poised to deliver these features to vehicle fleets and the aftermarket.

Market dynamics

During 2020, the global spread of the coronavirus pandemic caused production of the Company's Applied AI Systems to be shut down. By 2021, the continued impact of the pandemic had bled into the supply chain, resulting in a global semiconductor shortage that has affected the entire automotive industry. This has made it difficult for Smart Eye to secure the components necessary for large-scale production of Applied AI Systems. To compensate in part for the shortage, Smart Eye has acquired some components on the spot market. Despite the fact that the shortage of semi-conductors continued to affect production, Smart Eye was able to begin deliveries of Applied AI Systems to customers during the third quarter of 2022.

Organisation

The Applied AI Systems business areas comprises a team in Gothenburg with responsibility for development and sales. As of 1 April 2022, Applied AI Systems has been led by Magnus Brunzell, who joined Smart Eye in January 2019.

Business model and revenue recognition

Applied AI Systems brings their products to the market through direct sales, as well as receiving requests and orders from customers globally.

Earnings come from the sale of hardware. Customers will also be able to purchase cloud services and software updates for their systems, which will contribute additional revenue. Development projects for integration in specific vehicles are another source of income. This results in non-recurring engineering (NRE) project revenue for Applied AI Systems.



Research Instruments

Introduction

Smart Eye's Research Instruments business area develops sophisticated Eye Tracking that is used by several prominent research organisations looking to gain insight into human behaviour, intentions and interaction.

Using a camera and illumination modules, combined with advanced computation and analysis software, Research Instruments is redefining the possibilities of human-machine interaction. Globally, several research, training and skills development groups within different organisations, companies, institutes and universities use Smart Eye's systems to achieve new insights within human behavioural research.

Offering

Smart Eye's Research Instruments develops advanced Eye Tracking for analysis of human behaviour and the impact of human factors. For more than 20 years, Smart Eye has been working in close collaboration with the automotive industry – an industry that demands technology of the highest standard.

High precision under challenging conditions

Eye Tracking offered by Research Instruments is used in complex research environments, in a wide variety of lighting conditions – from strong sunlight to almost complete darkness. This requires the systems to collect high-quality data under variable lighting conditions, while remaining unobtrusive for research participants. By means of a high level of flexibility and accuracy, Smart Eye's systems allow for research conditions to stay true to real-world conditions.

An Eye Tracker for every situation

Research Instruments offers five different products within Eye Tracking:

- Aurora
- Smart Eye XO
- Smart Eye AI-X
- Smart Eye Pro
- Smart Eye Pro dx

These products consist of proprietary hardware, standard industry components and proprietary software. Research Instruments also offers installation and training services, as well as technical integration services and evaluation consultation for different organisations.

Research Instruments' advanced Eye Tracking offers an effective combination of head box, field of view and gaze accuracy. This versatility, combined with high performance in different conditions, is why the products are effective in complex environments – including vehicle and flight simulators, vehicle studies, multi-screen or control room environments and long-range tracking.

Customers

Research Instruments' main customer categories are Automotive, Aviation & Aerospace Research and Assistive Technologies. In addition, training and skills development focused on the aviation and rail industries are also provided. Research Instruments' solutions are used globally by more than 800 partners and customers, including NASA, BMW, Audi, Boeing, Airbus, Volvo Cars, GM, SmartBox, Toyo, Universal Studios Media Lab, Johns Hopkins University and Harvard University.

Automotive

In Automotive, vehicle development is a complex process, and safety is one of the critical areas that must be addressed. Eye Tracking is a central part when it comes to developing a good driving experience and improving traffic safety. Research Instruments' solutions in the field of Eye Tracking deliver significant value to research institutes, Vehicle Manufacturers and Tier 1 suppliers by providing objective and data-oriented feedback. They also help researchers obtain insight in different phases, such as design, purchase, test and driving processes, by offering information on driver gaze and visual attention.

Aviation and Aerospace

For the aviation and aerospace industries, Research Instruments' technology is used in training simulators. The data that is obtained can be used to optimise the design of the cockpit, optimise the in-flight experience for the pilots, assess the

pilots' performance and assist with decision-making processes for flight instructors. In the next few years, aviation is expected to follow the automotive industry – Eye Tracking will probably be installed in cockpits to track pilots' attention and drowsiness levels. Within the aerospace industry, NASA has installed Smart Eye's Eye Tracker in their "*Flight Deck Simulator*" as well as their "*Research Flight Deck*" to monitor the pilot's general state and behaviour.

UX, psychology and neuroscience

Research Instruments also delivers Eye Tracking to customers within UX, psychology and neuroscience research. By providing quick human insights, Smart Eye's products can help understand how users engage with products and determine what influences consumer behaviour. Within neuroscience and psychological research, Eye Tracking is a key component in the multimodal approach to gaining a deeper understanding of human interaction and experience.

Products

Aurora

Aurora is Research Instruments' most user-friendly Eye Tracker. It was launched in 2015 as a "*bar tracker*" and is installed by the customer. Despite its user-friendliness, Aurora offers high performance and the capability of delivering accurate data, often being the entry point when a customer's need for Eye Tracking first arises. Aurora was launched with a 120 Hz sampling rate in 2020, and with a 250 Hz sampling rate in 2022.

Smart Eye XO

Smart Eye XO is a slightly more advanced Eye Tracker that was launched in 2018. By combining Aurora's hardware with Smart Eye Pro's software, Smart Eye XO can be used with multiple screens at the same time.

Smart Eye AI-X

Smart Eye AI-X was launched in 2020, specially developed for screen-based research within the fields of marketing, UX and media. Smart Eye AI-X is an advanced yet flexible system that is well tailored to research studies involving a large number of participants.

Smart Eye Pro and Smart Eye Pro dx

Smart Eye Pro and Smart Eye Pro dx are the most sophisticated systems offered by Research Instruments. With capacity for up to eight cameras, both systems are customised, complete solutions that generate the majority of Research Instruments' turnover.

Smart Eye Pro dx was launched in 2018 as a more advanced version of Smart Eye Pro as an excellent upgrade for many of the customers that had previously used Smart Eye Pro. Thanks to its smaller size, Smart Eye Pro dx is also ideal for customers who need to save space in complex environments.

Smart Eye Pro 10.0 has acquired the ability to deliver accurate measurement results, even when a person's face is largely obscured. This has been particularly important for Research Instruments' customers in connection with the coronavirus pandemic, which has made the use of face masks necessary in many studies. Research Instruments has also developed a version of Smart Eye Pro with improved capacity to measure eye movements.

Product Integration

In addition to Eye Tracking, Research Instruments offers product integration into all sorts of devices from various industries – often resulting in new products equipped with technology for Head and Eye Tracking. One example of this is the way the technology has been integrated into the communication aid Lumin-i, developed by Smartbox, to help people with disabilities communicate with the aid of eye movements. Smart Eye also offers technical support to facilitate such integration.

Collaborative partners

Smart Eye's collaborations with component suppliers, tech partners and distributors are critical for the development of sophisticated Eye Tracking from Research Instruments.

Research Instruments' customers are located globally. Our partners and distributors enable Smart Eye to reach major markets, especially in Asia. In China, Smart Eye collaborates with a number of distribution partners. The Company has an agent in Guangzhou that is responsible for the Company's relations with distribution partners in China, which has resulted in Smart Eye advancing its position on the Chinese market.

Collaboration with SmartBox

In 2021, Smart Eye announced a collaboration with assistive technology provider SmartBox. By deploying Eye Tracking in the Augmentative and Alternative Communication (AAC) device Lumin-i from SmartBox, Smart Eye and SmartBox are giving people with disabilities a tool to communicate without barriers and experience a more independent life.

Acquisition of iMotions

iMotions' multimodal research platform uses Eye Tracking from Research Instruments, in combination with other sensors for physiological signals, to gain deeper insight into human behaviour. This is a collaboration between Research Instruments and iMotions.

Market drivers

Researchers are always looking to invest in new technologies to uncover insights in human behaviour – which creates market opportunities for Research Instruments.

Integration of Eye Tracking in existing customer solutions

During 2021, Smart Eye has noted increased commercial interest in integrating Eye Trackers into other solutions. This trend is expected to continue, creating many interesting opportunities for Smart Eye going forward.

Remote data collection

Many of Research Instruments' customers have long relied on in-person data collection for their research. But during the global coronavirus pandemic, the need for remote data collection has increased – shifting the focus from laboratory or classroom studies to collecting data from people's homes. These circumstances have made highly accurate, webcam-based Eye Tracking more important than ever before. In the future, even beyond the pandemic, remote data collection is expected to remain prevalent.

New opportunities for multimodal research

The acquisitions of Affectiva and iMotions in 2021 have intensified Smart Eye's multimodal approach to research, unlocking new areas of use and markets. Smart Eye will continue to meet customer's needs by developing premium multimodal solutions. In order to strengthen Smart Eye's position within Human Insight AI, greater emphasis is being placed on business development, sales and marketing in order to meet new customers.

Market dynamics

The coronavirus pandemic caused a component shortage across many different markets and regions. This has impacted research customers in Europe, the USA and especially the Asia-Pacific countries ("APAC"). These challenges drove Smart Eye to adapt its operation to working virtually, offering online support and training to its customers.

Organisation

Research Instruments has been led by Solmaz Shahmehri since 2016. Solmaz has been with Smart Eye since 2009 and is responsible for delivering a sustainable and profitable business model. The team at Research Instruments is primarily based in Gothenburg and Detroit. Working from these two locations, work is conducted globally and covers Europe, APAC and North America.

Over the past year, the presence in APAC has been strengthened through increased work with resellers and collaborative partners in China, South Korea and Japan. Additionally, with the acquisitions of Affectiva and iMotions, Smart Eye's global presence is being expanded, strengthening the Company's multimodal product range for customers in the research market.

Business model and revenue recognition

Research Instruments generates revenue from sales in Eye Tracking. In addition, annual subscription agreements generate a minor revenue stream.

For companies and technology providers that are aiming to integrate Smart Eye's technology in their solutions, a technology evaluation package is offered that contains product and engineering consultancy services. This not only generates recurring revenue, but also long-term collaborations.



Affectiva Media Analytics

Introduction

With the acquisition of the Emotion AI pioneer Affectiva in 2021, Smart Eye gained a new business unit: Affectiva Media Analytics. For over a decade, Affectiva Media Analytics' solutions have helped brands to optimise media content and expenditure by measuring consumers' nuanced emotional and cognitive response to videos, ads, movies, TV shows, etc. – unobtrusively and at scale.

Affectiva Media Analytics' offering within Emotion AI is used by approximately 2/3 of the world's largest advertisers and approximately 1/3 of the Fortune Global 500 companies, such as Disney, Coca Cola, The New York Times, Google, Forbes, Fortune, The Wallstreet Journal and Unilever. Affectiva's solution is particularly relevant for businesses that sell consumer products, services and experiences, and for the entertainment sector that creates and markets entertainment content.

The above businesses evaluate their advertising, experiences and content both before and after creation, to optimise its utility for consumers. Understanding how consumers feel about the content is critical to this effort – which is where Affectiva Media Analytics comes in.

Offering

Marketers recognise the importance of understanding consumer and viewer emotions, as emotions influence our behaviour and the way companies make decisions. It's hard to quantify emotional reactions. Marketers usually don't measure this, and when they do, they use very weak methods.

Affectiva Media Analytics' Emotion AI solution provides an objective and nuanced approach to understanding how people feel, and what triggers those emotional responses – all based on the analysis of subtle behavioural signals.

This allows for much finer-grained optimisation of content, ads and experiences than traditional methods such as surveys or individual interviews can offer.

Affectiva Media Analytics' Emotion AI is, in the Company's assessment, market-leading in many ways:

- With 6 billion images from more than 12 million faces across 90 countries, Smart Eye has a very extensive emotion data set. This allows Smart Eye to provide stronger context for interpretation and to utilise more diverse data than other providers, thereby ensuring accuracy and minimising unintentional bias in Smart Eye's algorithms.
- As a result, Affectiva Media Analytics' core algorithms are highly accurate and nuanced – with a wider set of facial expressions analysed compared to other systems, including unique calculations such as sentimentality and confusion.
- Affectiva Media Analytics performs data quality checks, which yields real-world results and insightful data.
- The technology may seamlessly and efficiently be integrated into research systems. Once integrated, customers may essentially operate the technology themselves, which enhances speed and ease of use.

Products

Affectiva Media Analytics' Emotion AI offering measures emotional responses as shown by a person's face, captured by market-leading deep learning algorithms. Smart Eye primarily offers cloud-based systems, but also provides a *Software Development Kit (SDK)* that can run in the cloud or on client-managed servers. The algorithms are robust enough to work wherever customers want to undertake research – from the comfort of your home on a webcam or a mobile device, to a dark cinema. Media Analytics' offerings are sold as three products:

- The core product is a research platform that allows businesses and their research departments to integrate Media Analytics' technology seamlessly into their research projects. The participants are recorded, with their consent, while they watch the content, and the system analyses their responses to those videos. The data is anonymously aggregated and made available to researchers via an online dashboard. The process is designed to be autonomous and automated, making the product low-cost and globally scalable.
- An "Emotion SDK", which allows businesses to connect Media Analytics' algorithms directly to their own products and services.
- An API-led video analysis service, which allows for fast, scalable video processing of emotional signals – often used by the qualitative research industry, or media businesses seeking to index their content for emotion.

Product development strategy

Affectiva Media Analytics' product development team will continue to develop the offering, capitalising on the market growth opportunities available. The science team regularly updates the algorithms based on the latest AI and emotion science, and the data strategy is to continually enhance the offering by drawing on Affectiva's uniquely diverse dataset.

Meanwhile, the product engineering team is working on the platform to enhance the client and user experience based on feedback from the market and the need for new possibilities.

Customers and Collaborative Partners

The Affectiva Media Analytics business area sells both directly to end users, such as consumer goods manufacturers, as well as to research providers. The relationships with the research providers are deep and long-term, ensuring the delivery of maximum value while minimising distribution challenges. Affectiva's technology is used more than any other technology on the market today – our customers include around 2/3 of the world's largest advertisers and around 1/3 of the Fortune Global 500 companies, such as Disney, Coca Cola, The New York Times, Google, Forbes, Fortune, The Wallstreet Journal and Unilever.

Market drivers

The market for content

Globally, the sheer amount of advertising and entertainment content has grown dramatically as a result of an expanding range of formats and channels. This growth within digital advertising and media, and continued proliferation of marketing channels, will continue to produce upward pressure on the amount of content businesses produce – and the market for audience response and optimisation will continue to grow.

Meanwhile, traditional research methods have become too slow and limited, causing businesses to look for methods that give greater insight and that are more aligned with the modern understanding of the role of emotions in decision-making. This, in combination with a growing demand for scalable, lower-cost research methods, offers significant growth opportunities for Affectiva Media Analytics in the future.

Online research methods

The coronavirus pandemic has challenged the whole marketing and research industry, entailing marketing budget cuts and limiting face-to-face research. But since Media Analytics' methods are optimised for virtual, or online, research, these circumstances have opened up new opportunities for business.

Smart Eye has benefited from this switch to online research approaches, especially in markets that have previously hesitated to apply virtual research methods. Even though the market research industry can sometimes be conservative, the Company has witnessed continued and renewed interest in Smart Eye's technology, despite the pandemic. Affectiva Media Analytics provides a better solution for emotional measurement than traditional tools.

Market dynamics

Privacy and personal data

The more people live their lives online, the more emphasis is put on online privacy. This will probably lead to further legislation aimed at protecting personal privacy.

Affectiva Media Analytics' products and policies already have strong privacy protection, based on consent, which will continue to be emphasised both in marketing and in contracts. Media Analytics will continue to work with and adapt its processes to ensure the protection of personal information, in line with applicable local legislation.

Research on DIY platforms

Among media clients, the use of DIY research platforms is a growing trend. However, thanks to Media Analytics' seamless integration, the Company is well positioned to take advantage of this development and is already integrated into the DIY research tools offered by key research clients.

Organisation

The Global Marketing Director of the Affectiva Media Analytics business unit is Graham Page. Graham is a media and research industry veteran with more than 25 years' experience of the implementation of biometric methods in the marketing industry. The Affectiva Media Analytics business area is structured as a standalone unit, with its own sales, client support, analytics, software engineering and science teams. There are definite synergies between Research Instruments and Affectiva Media Analytics. With the acquisition of iMotions – already a long-time user of Affectiva's Emotion AI – active explorations are taking place around how these three business areas can work together to deliver a holistic, multimodal offering for the research industry.

The Affectiva Media Analytics business unit is globally distributed, with team members in the USA, Canada, the UK and Egypt. Media Analytics' cloud-based, scalable technology allows the Company to work in over 90 countries around the world, without the need for local offices.

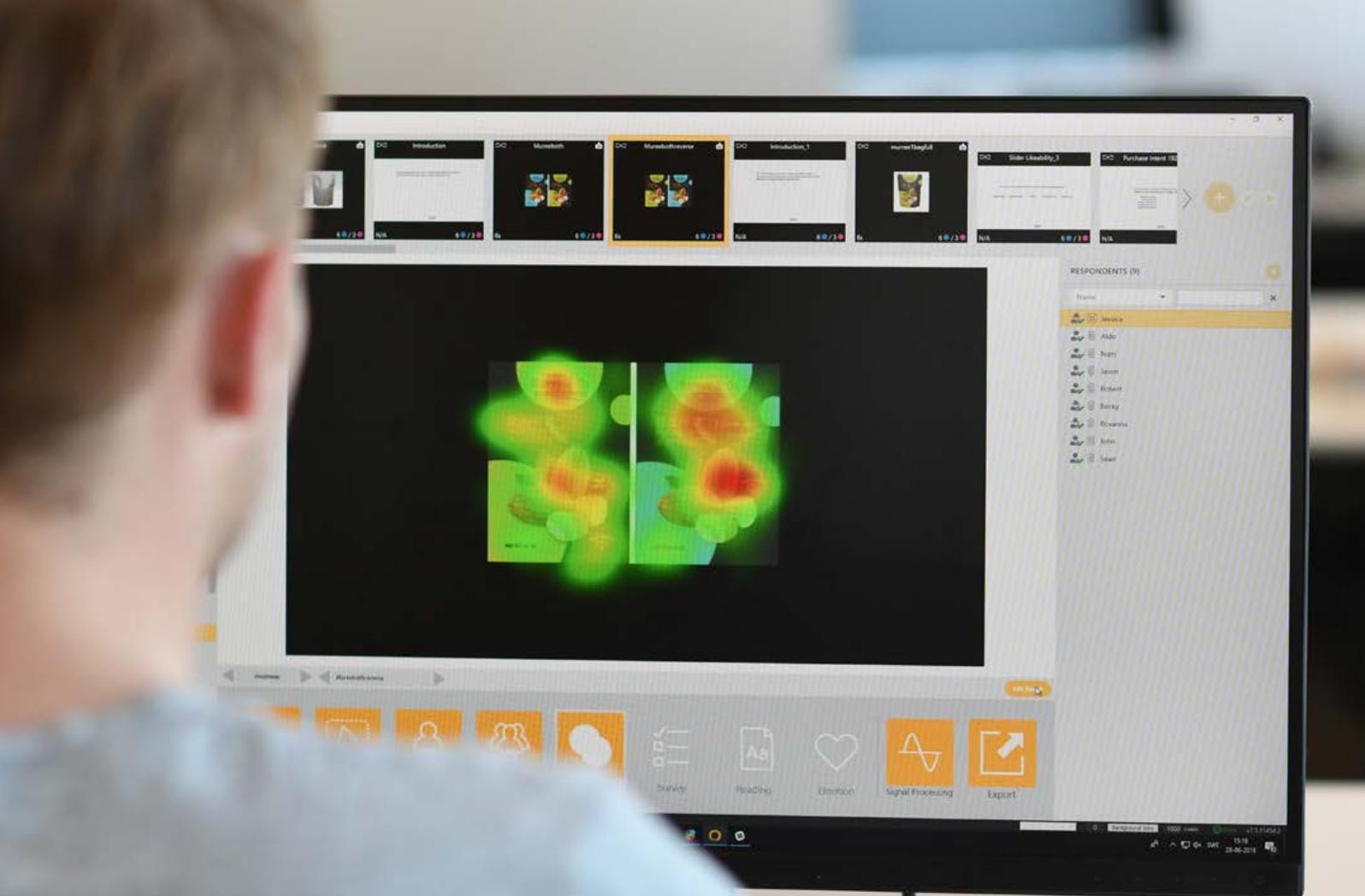
Business model and revenue recognition

Affectiva Media Analytics generates revenues via three routes:

- Provision of cloud-based analytical services – usually analysis of emotional responses from test audiences, sold to marketing agencies, advertisers and entertainment businesses. The services are typically integrated into research projects conducted by market research agencies.
- Licensing of a proprietary SDK that enables businesses to add sensing capabilities to their own software products. Revenues are typically generated on a per-seat basis, or from royalties on software sales that incorporate the SDK.
- Software-as-a-service (“**SaaS**”) provision of access to Media Analytics' algorithms via an *Application Programming Interface (API)*, typically for bulk processing of video for emotional responses – which is normally used by video analysis software providers or academic researchers.

In addition, the Media Analytics division generates some service revenue from ad hoc research projects, usually undertaken as a proof of concept project for a new use case.





iMotions

Introduction

Many of the decisions people make are based on an emotion – not rational thought and measured consideration. If non-conscious bias is also taken into account, it's clear that research based on traditional survey methods alone paints an incomplete picture.

For researchers seeking to gain true insight into human behaviour – whether a marketer seeking to reach consumers, an academic developing definitive findings or an organisation evaluating a trainee – it's critical to understand what someone truly is experiencing and feeling.

For more than a decade, iMotions has continued to develop and successfully deliver a platform that allows researchers to access emotional, cognitive and behavioural data in a synthesised form in order to tap into human experiences in real time. By uncovering behavioural insights that cannot be gained through conscious responses alone, this has helped academics to progress their research and businesses to become better attuned to customers.

Offering

iMotions has developed a suite of analytics solutions for any kind of human behavioural research, designed to meet the wants, needs and desires of modern researchers. iMotions measures human non-conscious reaction to all kinds of stimuli, integrating analysis, tracking and aggregation of data from more than 50 hardware sensors that each detect biometric responses. These include visual attention (Eye Tracking), emotions (Facial Expression Analysis), excitement and intensity (Galvanic Skin Response), motivation and memory (EEG), muscle response (EMG), and heart rate (ECG).

This multimodal solution generates confidence with iMotions' customers, knowing that they will have the right technology to provide the right insights to their questions, challenges and hypotheses. No single sensor has a monopoly on the truth, but every single one of them reveals something unique and important about human behaviour.

Products

iMotions Lab

iMotions' core platform is a complete, laboratory-based platform that allows for multimodal human behavioural research. Researchers can design studies, present types of stimuli, carry out surveys, record from a webcam, create graphic visualisations and collect, mark, annotate and export data. The platform is hardware agnostic and is integrated with more than 50 sensors from more than 20 partners.

iMotions Online

iMotions Online uses a browser's interface and the participant's own webcam to collect data from Facial Expression Analysis and Eye Tracking, along with digitally integrated surveying. This puts a world of insight at a researcher's fingertips, with the ability to conduct testing in remote locations that would otherwise be cost-prohibitive. It's a quick, cost-effective and powerful tool that is connected to the iMotions platform so that data can be processed and analysed, maintaining integrity without compromising flexible functionality.

iMotions Mobile

Catering to users seeking to access previously gathered data, iMotions Mobile is a remote, feature-rich modular platform, centred on using flexible, wearable sensors to track participants' physiological and behavioural data, which may be integrated with self-reporting surveys that can be delivered through smart devices. Data can be captured in natural environments and over long periods of time.

Each of these solutions delivers:

- Integration and synchronisation for more affordable, reliable and better research.
- Seamless integration of sensors and stimuli – which allows researchers to focus more on research.
- Sophisticated and reliable analysis and visualisation of multimodal biometric data.
- A combined software platform for effective research offering cost and time efficiency.
- An ecosystem of supported hardware that is constantly being expanded based on iMotions' quality selection criteria.

Product development strategy

Human behavioural research

iMotions has contributed to the development of the multimodal research market through the Company's own research within the field of Eye Tracking. iMotions is a global SaaS company in the early-stage niche market for multimodal software for human behavioural research and has, as part of Smart Eye, an organisation with in-depth neuroscience expertise.

All of iMotions solutions are based on more than 15 years of development and have resulted in a platform that integrates tools and technologies that can provide a rapidly changing understanding of human behaviour and decision making. iMotions has expanded to include more than 50 sensors, from more than 20 partners, as well as explicit tools like surveys and questionnaires, to deliver a robust picture of the emotions and feelings that drive human behaviour.

Remote data collection

iMotions is accelerating product innovation, particularly in the areas of remote online and mobile data collection and analysis in order to help customers gain even greater insight by studying the complexity of human behaviour in challenging real-world environments. There are three core components to this:

- Enabling behavioural data collection outside of the laboratory environment by using widely available sensor technologies, such as webcams and other sensors provided by mobile and portable devices.
- Enabling cross-modality analysis through an online and cloud-based platform that provides universal access to collected data.
- Strengthening the core, offline, laboratory-based product line in terms of improved ease-of-use and performance, along with seamless connectivity to online and mobile platforms.

iMotions solutions are developed in close collaboration with iMotions' customers, ensuring that solutions are developed to meet the customers' current and anticipated needs. This led, in part, to the 2021 launch of a Customer Success Programme. Intended to be a mutually beneficial initiative, it addresses customers' needs (from setup to optimisation) while also creating a community for them to connect with each other around research, collaboration and best practices.

Managed by the Customer Success Management team, the programme provides iMotions with important feedback, while also helping to increase customer retention and drive recurring revenue through stimulation and support. New customers are automatically enrolled in the programme and just a few months after its unveiling, nearly 3/4 of the largest customers are participating in the programme.

Customers

iMotions target customers are those that benefit from access to emotional, cognitive and behavioural data in a synthesised form to tap into human experiences in real time. More than 1,300 organisations globally use iMotions, including academic institutions, global brands, marketing and advertising agencies, healthcare organisations, governmental authorities and armed forces. iMotions' platform helps them to create and develop, market and sell, refine and publish. Within commercial organisations, end users range throughout the product lifecycle – from research and development through to sales and marketing.

Market drivers

Human behavioural change has accelerated rapidly over the past two years, with the coronavirus pandemic upending norms, beliefs, assumptions and long-held acceptance of the way things have previously been done. It has forced adaptation, rewiring the human brain and forming new habits around everything from food and entertainment to shopping and travel.

While some of these behaviours may be temporary, lasting only as long as the impact of the pandemic, others have become deep-rooted or will at least have become the building blocks for a new normality. This once-in-a-generation disordering could fuel an interest in gaining an understanding of events that cannot be gained through more traditional means of research. This overarching, global theme will drive researchers to seek the latest insights, one of several ways in which the market will move forward.

Limited laboratory access

The impact of the coronavirus pandemic has forced researchers to look for other ways to carry out their work when laboratory access has been impeded. This has proved to be an accelerant for the adoption of online and mobile solutions. It builds on the increased demand for quick, remote and scalable solutions within human behavioural research. This demand will be met with the extension of iMotions' product portfolio via remote access, sensor wearables and cloud-based research tools with the market introduction of iMotions Online and iMotions Mobile.

Technology

Technological advances are making research easier, faster and more cost-effective. In particular, as sensors get smaller and more powerful, Smart Eye can facilitate the continuous monitoring and collection of data – which allows for deeper studies in real-world environments, thus yielding even more powerful insights.

Increased interest

As the market continues to mature, there is greater willingness to invest in new technology and research, inter alia in the APAC region. There is increasing interest in how multimodal biosensor technology can uncover underlying feelings, thoughts and behaviours that underpin economic decision-making, human interactions, learning ability, safety and well-being.

- There are a growing number of human behavioural research laboratories within academia as well as in commercial organisations, as more people are recognising the need to understand, adapt to and capitalise on behavioural, market and industry trends.
- The share of laboratories using sensors is increasing as a result of technological advances creating sensors that are smaller, less expensive, more flexible and more powerful.
- The share of sensor laboratories using multimodal systems is growing, enabled by deeper insights.

Biometric technologies

There's a generational shift among researchers who have grown up with deeper data collection and who recognise the inherent weakness in tools that can only measure conscious responses. This is further accelerating the addition of biometric technologies in addition to the traditional methods, and on to remote and cloud-based research tools.



Market dynamics

The coronavirus pandemic

The coronavirus pandemic significantly impacted iMotions' customers, most notably in the interruptions it created as a result of limited access to laboratories and study participants. However, it also opened up an opportunity to accelerate the development of iMotions Online and iMotions Mobile, allowing the research to continue.

At the same time, the pandemic's impact on the global supply chain has caused a semi-conductor shortage that has increased delivery times for hardware. While this does not affect iMotions' core product, it is increasing the time it takes to deliver new hardware sensors and onboard new clients.

Organisation

Since it was established in 2005, iMotions has been led by founder and CEO Peter Hartzbech. Additional members of the organisation's management team include Thorsten Larsen-Seul, COO and CFO; Nadia Haagen Pedersen, EVP, Marketing Communication & Strategy; Holger Lunden, EVP Global Client Solutions; and Jacob Ulmert, VP Engineering.

Acquisition of iMotions

Smart Eye completed the acquisition of iMotions in November 2021, coupling Smart Eye's advanced Eye Tracking and Emotion AI with iMotions' innovative, multiple-sensor data collection and analytics software to create the first unique constellation within human behavioural research and analysis. This provides a complete, multimodal method to analysing complex human behaviours and delivering holistic human insights.

iMotions remains a wholly-owned subsidiary of Smart Eye Group and continues to be run as an independent business area within Automotive Solutions. iMotions has its headquarters in Denmark, with offices in the USA, Germany and Singapore.

The acquisition of iMotions significantly expanded Smart Eye's global presence, as iMotions has more than 1,300 worldwide customers across academia and various industries, including 55 of the World's 100 highest ranked universities (according to QS World University Rankings).

Business model and revenue recognition

iMotions is an SaaS company with a market share estimated at 50% of the early-stage software market for multimodal behavioural research. iMotions is a knowledge-intensive organisation, sourcing its behavioural research expertise from a global organisation including persons with PhDs in neuroscience.

iMotions obtains revenue through a combination of an annual licence model for academia (recurring renewals) and a subscription-based model (SaaS) for commercial customers. The company is undergoing a transition from a purely licence-based business model into primarily a subscription-based model (SaaS).

iMotions primarily brings its solutions to market directly, although a reseller strategy is planned for 2023. iMotions currently operates with resellers in Poland and Japan. iMotions' software is also sold through recommendations from the partner ecosystem.



Capitalisation, indebtedness and other financial information

The tables in this section describe the Company's capitalisation and indebtedness at Group level as of 30 November 2022. The figures have been taken from the Company's internal accounts and have not been reviewed by the Company's auditor. See the section "Share capital and ownership structure" for further information about the Company's share capital and shares. As per the date of the Prospectus, the Company has no indirect liabilities or contingent liabilities.

Capitalisation

| MSEK | As per 30 November 2022 |
|---|-------------------------|
| Current liabilities | |
| Guaranteed | - |
| Secured ¹⁾ | 1 |
| Unguaranteed/unsecured | 137 |
| Total current liabilities | 138 |
| Non-current liabilities | |
| Guaranteed | - |
| Secured ²⁾ | 2 |
| Unguaranteed/unsecured | - |
| Total non-current liabilities (excluding the current liabilities as part of the non-current liabilities) | 2 |
| Shareholders' equity | |
| Share capital | 2 |
| Reserve(s) | - |
| Other reserves ³⁾ | 1,655 |
| Total | 1,657 |

1) Security relates to loans taken out by iMotions for which Smart Eye Aktiebolag has provided a guarantee.

2) Security relates to overdraft facilities issued to iMotions for which previous shareholders of iMotions have provided a guarantee.

3) Excluding comprehensive income for the period 1 January–30 November 2022.

Net indebtedness

Smart Eye's net indebtedness as per 30 November 2022 is presented in the table below. The table only covers interest-bearing liabilities.

| MSEK | As per 30 November 2022 |
|--|-------------------------|
| (A) Cash | 24 |
| (B) Cash equivalents | - |
| (C) Other financial assets | - |
| (D) Liquidity (A)+(B)+(C) | 24 |
| (E) Current financial liabilities (including debt instruments, but excluding current portion of non-current financial liabilities) | 137 |
| (F) Current portion of non-current financial liabilities | 1 |
| (G) Current financial indebtedness (E)+(F) | 138 |
| (H) Net current financial indebtedness (G)-(D) | 113 |
| (I) Non-current financial liabilities (excluding current portion and debt instruments) | 2 |
| (J) Debt instruments | - |
| (K) Non-current trade and other payables | - |
| (L) Non-current financial indebtedness (I)+(J)+(K) | 2 |
| (M) Total financial indebtedness (H)+(L) | 115 |

Working capital statement

The Board of Directors judges that the existing working capital is not sufficient for Smart Eye's current capital requirements for the upcoming twelve-month period. This assessment is based on the Company's current business and development plan. The Company judges that the working capital requirement for the upcoming twelve months amounts to approximately SEK 200 million. In this sense, the working capital requirement refers to cash and cash equivalents that are required in order for the Company to be able to fulfil its payment obligations as they fall due for payment. Disregarding liquidity from the Rights Issue, the working capital is expected to last until February 2023 taking into account the obtained bridge loan financing.

If the Rights Issue is fully subscribed, the Company will receive approximately SEK 324 million before deductions for issue costs, which are estimated at approximately SEK 35 million. If the Rights Issue is fully subscribed, the board of directors considers that the Company will have sufficient working capital to run the business for the next twelve months. The Company expects the capital to be sufficient until the Company has a positive cash flow, which is expected to happen in the second half of 2024. These calculations are based on the Company's business and development plan as well as the budgeted income and expenses.

In the event the Rights Issue is not conducted or is not fully subscribed, the Company can revise its business and development plan, primarily by reducing the rate of investments within the Automotive business area and through continued development aimed at realising Design Wins and seeking alternative financing options, such as a new rights issue, a targeted rights issue or long-term financing in the form of loans from existing or new investors.

Investments since 31 December 2021

The Company has invested continually in product development during the year, and during the period 1 January – 30 November 2022 accumulated capitalised development costs totalling SEK 82.5 million.

Ongoing investments and assumptions regarding future investments

The Company has commitments in relation to product development and will continue to capitalise its development costs in future. The Company estimates that capitalised development costs for 2023 will amount to SEK 81.5 million.

The Company will be moving into new premises during 2023 and will be investing in adapting the premises and supplementing the equipment. The planned investment is estimated to amount to approximately SEK 5–6 million.

The above investments will be financed by the Rights Issue.

Latest developments and current trends

The situation within Automotive is characterised by the European Parliament's decision in 2019 to introduce a law, stipulating that all cars that have to be type-approved in Europe have to have DMS as standard from 2024. From 2026, all cars sold in Europe have to be equipped with DMS under the same law. The market is characterised by procurements relating both to new car platforms and to introducing the technology on existing platforms. The European market is being bought up ahead of 2026 with a high level of activity. The North American market is somewhat behind the European market with procurements primarily taking place on new car platforms. The same applies on most Asiatic markets, where premium cars are expected to have DMS on new platforms followed by the mid-market segment on new platforms.

Within Behavioral Research, there is an underlying trend of researchers moving from qualitative research methods towards quantitative methods, where Eye Tracking, Emotion AI, multimodality, etc., are important pieces of the puzzle. Due to the coronavirus pandemic, operations at many laboratories have been limited for a period, although things are now opening up and returning to a normal situation.

Significant changes since 30 September 2022

There have been no significant changes to the Company's financial position or financial results between 30 September 2022 and the date of this Prospectus.

Anticipated earnings

Smart Eye's net sales during the fourth quarter of 2022 preliminarily amounted to approximately SEK 56 million (SEK 44 million corresponding period last year), of which the Automotive business area accounted for approximately SEK 15 million (SEK 14 million) and the Behavioral Research business area accounted for approximately SEK 41 million (SEK 30 million). Net sales for the group increased preliminarily by approximately 29 percent, of which organic growth amounted to approximately 19 percent, compared to the corresponding period last year. Underlying invoicing was approximately SEK 9 million higher during the quarter, but as a result of changed accounting principles introduced during the year, these revenues were accrued during the contract period.

Smart Eye's EBITDA preliminarily amounted to approximately SEK -61 million (SEK -21 million) during the quarter. During the quarter, the Company reduced the number of employees and consultants in order to adjust its cost profile, which resulted in adjustment costs during the quarter. This is in part of the Company's previously announced intention to reduce personnel expenses of around ten per cent on a yearly basis, which corresponds to approximately SEK 30 million per annum. The measures are initiated and are expected to be fully implemented by the end of the second quarter 2023. In addition, the Company has had one-off costs linked to securing the Company's financing. In total, the one-off costs amount to approximately SEK 9 million during the quarter.

The Company's cash flow amounted to approximately SEK -20 million (SEK -48 million) during the quarter. In connection with the publication of the plans to carry out the Rights Issue, a bridge loan of SEK 60 million was communicated. The cash flow excluding the bridge loan amounted to approximately -80 million SEK and includes one-off costs of approximately 2 million SEK linked to the dismissal of employees.

Smart Eye has during Q4 received up to 100 design wins, representing an estimated lifetime value of SEK 1,450 million and been nominated for four new OEMs. In total, Smart Eye has now received a total of up to 194 design wins from 18 OEMs. The combined estimated lifetime value from current design wins is now larger than SEK 3,835 million. Estimated value over the product lifecycle from possible additional design wins with existing car manufacturers on existing platforms is SEK 4,075 million. The production ramp up of the above car models is expected to contribute to Smart Eye's goal of becoming cash flow positive during the second half of 2024.

The financial information above is based on the Company's internal accounting system and preliminary group consolidation. A smaller part of the revenues within Automotive is estimated based on previous periods' sales volumes, due to the fact that they are in nature reported late. The preliminary result has been compiled and prepared on a basis that is comparable to the Company's historical financial information and is consistent with the accounting principles that the Company applies. The preliminary result has not been reviewed by the Company's auditor.

Alternative key figures not defined according to IFRS

| Key figures | Definition | Reason for using the key figure |
|-------------|---|--|
| EBITDA | Operating profit before depreciation and tax. | The key figure is specified to assess the Company's operational activities. EBITDA is a complement to operating profit, which indicates the Company's operating profit on a cash basis |

Board of directors, executive management and auditor

Board of directors

Smart Eye's board of directors consists of six ordinary members, including the chairman of the board, with no alternate board members, all of whom are elected for the period up until the end of the 2023 annual shareholders' meeting. The table below shows the members of the board of directors, when they were first elected and whether they are considered to be independent of the Company and/or the major shareholders.

| Name | Function | Member since | Independent of | |
|----------------------|--------------|--------------|--------------------------------------|------------------------|
| | | | The Company and executive management | The major shareholders |
| Anders Jöfelt | Chairman | 2012 | Yes | No |
| Mats Krantz | Board member | 1999 | No | No |
| Lars Olofsson | Board member | 2017 | Yes | Yes |
| Magnus Jonsson | Board member | 2014 | Yes | Yes |
| Eva Elmstedt | Board member | 2019 | Yes | Yes |
| Cecilia Wachtmeister | Board member | 2019 | Yes | Yes |



From the left: Magnus Jonsson, Eva Elmstedt, Anders Jöfelt, Cecilia Wachtmeister, Lars Olofsson and Mats Krantz.

ANDERS JÖFELT

Born 1975. Chairman of the Board since 2017.

Education: M.Sc., LTH Faculty of Engineering.

Other current positions: Chairman of the board of Blåhall AB. Deputy board member of Dughult Design Sweden AB.

Previous positions (last five years): –

Shareholding in the Company: Anders Jöfelt holds 863,433 shares in his own name and 1,900 shares via related parties in the Company.

MATS KRANTZ

Born 1947. Board member since 1999.

Education: Master Brewer qualification at the Scandinavian School of Brewing in Copenhagen.

Other current positions: Chairman of the board of Letter Cube Digital AB. Board member of M. Irwin & Krantz AB.

Previous positions (last five years): Board member of Ostkustens FartygsAssistans AB.

Shareholding in the Company: Mats Krantz holds 984,384 shares in his own name and 180,800 shares via related parties in the Company.

LARS OLOFSSON

Born 1951. Board member since 2017.

Education: Bachelor of Economics, Lund University.

Other current positions: Senior Advisor at Zytara Inc. Founder and chairman of the board of LO Advise Sàrl.

Previous positions (last five years):

Chairman of the board of TCC Global N.V. Board member of Compass Limited/Bata shoes, Axfood AB and Axel Johnson AB.

Shareholding in the Company: Lars Olofsson holds 45,000 shares and 10,000 warrants in the Company.

MAGNUS JONSSON

Born 1956. Board member since 2014.

Education: M.Sc., Chalmers University of Technology

Other current positions: Chairman of the boards of Powercell Sweden AB (publ), Powercell Warrants One AB, Asta Zero AB, Mobility Sweden Association AB and Gapwaves AB. Board member of Insplorion AB. Owner of AB Magnus Jonsson and Magnus Jonsson Consulting AB.

Previous positions (last five years): Board member of Nilsson Special Vehicles AB (publ), Sensair AB and Leading Light AB.

Shareholding in the Company: Magnus Jonsson holds 3,000 warrants in the Company.

EVA ELMSTEDT

Born 1960. Board member since 2019.

Education: Bachelor's degree in Economics and Computer Science from Indiana University of Pennsylvania, USA and Stockholm School of Economics.

Other current positions: Chair of the boards of Arelion AB, Omegapoint and Serline. Board member of Elanders AB, AddLife AB, Arjo AB (publ) and Syntavia AB. Executive Advisor FSN Capital Partners AB.

Previous positions (last five years):

Chair of the boards of Proact IT Group AB and Semcon Aktiebolag. Board member of Addtech AB, Axiell Group AB, Knowit Aktiebolag (publ), Gunnebo Aktiebolag and Thule Group AB.

Shareholding in the Company:

Eva Elmstedt holds 5,500 shares and 10,000 warrants in the Company.

CECILIA WACHTMEISTER

Born 1966. Board member since 2019.

Education: M.Sc. in Industrial Economics, Institute of Technology, Linköping University.

Other current positions: Board member and owner of CWAC AB. Board member of HMS Networks AB, I.A.R. Systems Group AB and Dirac Research AB. Deputy Board member of Kambi Sweden AB and Abios Gaming AB. CCO of Kambi Group plc.

Previous positions (last five years): –

Shareholding in the Company: Cecilia Wachtmeister holds 5,500 shares and 10,000 warrants in the Company.

Executive management



MARTIN KRANTZ

Born 1971. CEO since 1999.

Education: Master of Science, Engineering Physics, Chalmers University of Technology.

Other current positions: Board member of 1928 Diagnostics AB and JN Data i Göteborg AB.

Previous positions (last five years): Board member of Neoeeye AB.

Shareholding in the Company: Martin Krantz holds 881,300 shares and 27,500 warrants in the Company.



RANA EL KALIOUBY

Born 1978. Founder of Affectiva and Deputy CEO of Smart Eye. Involved in the Company since 2009.

Education: Post Doctorate, MIT. PhD, Cambridge University. Master of Science, Computer Science, American University in Cairo. Bachelor of Science, Computer Science, American University in Cairo.

Other current positions: General Partner of AI Operators Fund.

Previous positions (last five years): –

Shareholding in the Company: Rana el Kaliouby holds 141,022 shares and 7,500 warrants in the Company.



MARTIN BJUVE

Born 1974. CFO since 2022.

Education: Masters Degree in Business Administration, Karlstad University.

Other current positions: –

Previous positions (last five years): President of Volvo Penta of the Americas Inc. CFO of AB Volvo Penta.

Shareholding in the Company: Martin Bjuve has no shares in the Company.



PETER HARTZBECH

Born 1976. Founder and CEO of iMotions. Involved in the Company since 2005.

Education: Bachelor of Business Administration, Copenhagen Business School. MIT Advanced Management Program in Boston, MA.

Other current positions: CEO of True Born Global Investment I Aps and True Born Global Investment II Aps.

Previous positions (last five years): –

Shareholding in the Company: Peter Hartzbech holds 367,096 shares in the Company through his holding company True Born Global Investment II Aps.

Other information about the board of directors and executive management

Other than the fact that board member Mats Krantz is the father of the Company's CEO, Martin Krantz, there are no family ties between any board members or senior executives.

There are no conflicts of interest or potential conflicts of interest between the obligations of members of the board of directors and executive management in relation to the Company and their private interests and/or other undertakings.

No separate agreement has been reached between the Company and major shareholders, customers, suppliers or other parties, according to which a board member or senior executive has been appointed to his or her current position.

In 2021, Martin Krantz was required to pay a late fee to the Swedish Tax Agency due to the delayed submission of a tax return. In addition to that stated above, over the last five years, none of the members of the board of directors or the members of the executive management have (i) been sentenced for fraud-related offences, (ii) represented a company which has been declared bankrupt or filed for liquidation, or been placed in receivership, (iii) been the subject of accusations and/or sanctions by any agency authorised by law or regulation (including recognised professional organisations), or (iv) been prohibited by a court of law from being a member of any company's administrative, management or supervisory body or from holding a senior or overarching position of any company.

All members of the board of directors and the members of the executive management can be contacted via the Company's main office at Första Långgatan 28 B Vån 7, SE-413 27 Gothenburg, Sweden.

Auditor

Deloitte AB has been the Company's auditor since 2020 and was, at the 2022 annual shareholders' meeting, re-elected until the end of the 2023 annual shareholders' meeting. Harald Jagner (born 1971) is the auditor in charge. Harald Jagner is an authorised public accountant and a member of FAR (professional institute for authorised public accountants). Deloitte's office address is Kyrkogatan 48, SE-411 08 Gothenburg, Sweden. Deloitte has been auditor throughout the entire period covered by the historic financial information in this Prospectus.

Share capital and ownership structure

General information

Pursuant to the Company's Articles of Association, the Company's share capital may not be less than SEK 1,500,000 and not more than SEK 6,000,000, and the number of shares may not be less than 15,000,000 and not more than 60,000,000. Smart Eye's registered share capital amounts to SEK 2,223,295.10 on the date of the Prospectus, divided between 22,232,951 shares¹⁾. The shares are denominated in SEK and the quota value of each share is SEK 0.10.

The shares in the Company have been issued pursuant to Swedish law. All issued shares have been fully paid and are freely transferrable. With exception of the undertakings not to transfer shares in the Company during a certain period of time, which among others, members of the board of directors and senior executives have entered into, the shares in the Company are freely transferable in accordance with applicable law. See also the section "*Share capital and ownership structure – Lock-up*".

To the best of the board of directors' knowledge, there are no shareholder agreements or other agreements between the Company's shareholders aimed at achieving joint influence over the Company. To the best of the board of directors' knowledge, there are also no other agreements or equivalent that could result in a change to the control of the Company.

Certain rights associated with the shares

The Company only has one share type. The rights associated with the shares issued by the Company, including those pursuant to the Articles of Association, can only be amended in accordance with the procedures set out in the Swedish Companies Act (2005:551).

Voting rights

Each share in the Company entitles the holder to one vote at shareholders' meetings and each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the Company.

Preferential rights to new shares etc.

If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a general rule, have preferential rights to subscribe for such securities in proportion to the number of shares held prior to the issue.

Rights to dividends and balances in case of liquidation

The shares carry the right to payment of dividend for the first time on the record date for distribution which falls immediately after the shares have been registered in the shareholders' register maintained by Euroclear Sweden. All shares give equal rights to dividends and to the Company's assets and possible surpluses in the event of liquidation.

Resolutions regarding dividends are passed by shareholders' meetings. All shareholders registered as shareholders in the share register maintained by Euroclear Sweden on the record date adopted by the shareholders' meeting shall be entitled to receive dividends. Dividends are normally distributed to shareholders as a cash payment per share through Euroclear Sweden, although it may also be paid out in a manner other than cash (in-kind dividend). If shareholders cannot be reached through Euroclear Sweden, such shareholders still retain their claim on the Company regarding the dividend amount, subject to a statutory limitation of ten years. Upon the expiry of the period of limitations, the dividend amount shall pass to the Company.

Neither the Swedish Companies Act nor Smart Eye's Articles of Association contain any restrictions regarding the right to pay dividends to shareholders outside of Sweden. Over and above any restrictions related to the banking or clearing systems in the jurisdictions in question, payment to such shareholders is made in the same way as to shareholders in Sweden.

The tax legislation both in Sweden and in the shareholder's home country can affect earnings from any dividend that is paid out. See also the section "*Legal considerations and supplementary information*" – "*Important information on taxation*".

Information about takeover offers and the redemption of minority shares

According to the Swedish Corporate Governance Authority Takeover Rules for certain trading platforms, anyone who does not hold any shares or holds shares that represent less than three-tenths of the voting rights for all shares in a Swedish limited company, for which shares are traded on Nasdaq First North Growth Market ("**Target Company**") and, through the acquisition of shares in the Target Company, alone or together with an affiliated party, achieves a shareholding that represents at least three-tenths of the voting rights for all shares in the Target Company, must immediately publish the size of his or her shareholding in the Target Company, and within four weeks thereafter submit a public takeover offer with regard to the remaining shares in the Target Company (mandatory offering).

1) The Company has registered 184,506 shares that have not yet been booked out in Euroclear Sweden's system.

A shareholder who, individually or through a subsidiary, owns more than 90 per cent of the shares in a Swedish limited liability company (the “**Majority Shareholder**”) has the right to redeem the remaining shares in the Target Company. Shareholders of the remaining shares (the “**Minority Shareholders**”) have an equivalent right to have their shares redeemed by the Majority Shareholder. The procedure for the redemption of the shares of Minority Shareholders is regulated in more detail in the Swedish Companies Act (2005:551).

The shares in Smart Eye are not subject to a mandatory offering, redemption rights or sell-out obligation. No public takeover offer has been submitted regarding the offered shares during the current or the previous financial year.

Dividend policy

The Company is in a development phase, with any surpluses planned for reinvestment in the Company's progress. The board of directors does not intend to propose dividends.

Central securities depository register

The Company's shares are registered in a CSD register in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479). This register is managed by Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden. No share certificates have been issued for the Company's shares. The ISIN code for the shares is SE0009268279.

The Rights Issue

The Company's board of directors decided on the Rights Issue on 23 January 2023, with the support of the issue authorisation from the extraordinary shareholders' meeting, which was held on 30 December 2022. Individuals who, on the record date, are registered as shareholders in the Company, receive one (1) subscription right for each share held. Seven (7) subscription rights entitle the holder to subscribe for four (4) new shares. Through the Rights Issue, the Company will distribute a maximum of 12,704,540 new shares and the Company's share capital will increase by a maximum of SEK 1,270,454. The subscription price in the Rights Issue is SEK 25.50 per new share. At full subscription, the Company will receive issue proceeds of approximately SEK 324 million (before deductions for issue costs of approximately SEK 35 million).

Dilution

If fully subscribed, the Rights Issue will result in the number of shares in the Company increasing with 12,704,540 from 22,232,951 to 34,937,491 corresponding to an increase of approximately 57 per cent. Shareholders who are not participating in the Rights Issue will face a dilution effect attributable to the new shares corresponding to a maximum of approximately 36 per cent of the number of shares and votes.

Net asset value

The table below shows the net asset value per share before and after the Rights Issue, based on shareholders' equity as of 30 September 2022 and the maximum number of shares that may be issued in the Rights Issue.

| | Before the Rights Issue (as of 30 September 2022) | After the issue of new shares within the framework of the Rights Issue¹⁾ |
|--------------------------------|--|--|
| Shareholders' equity, TSEK | 1,480,453 | 1,804,419 ²⁾ |
| Number of shares | 22,232,951 | 34,937,491 |
| Net asset value per share, SEK | 66.59 | 51.65 |

1) Assumes that the Rights Issue is fully subscribed.

2) Refers to the Group's equity as of 30 September 2022, increased by the issue proceeds before deduction of issue costs.

Convertibles, warrants, incentive programmes, etc.

LTIP 2020:1

At the annual shareholders' meeting on 8 May 2020, the shareholders decided to introduce a long-term incentive programme aimed at employees within the Smart Eye Group, based on warrants. The warrants were offered at market price in accordance with Black & Scholes' valuation model. In total, 100,000 warrants are outstanding and can be used to subscribe for shares in the Company during the period from 1 June 2023 up to and including 30 June 2023. Each warrant entitles the holder to subscribe for one new share in the Company. The subscription price of shares subscribed for with the support of warrants is SEK 116 per share. On full exercise of the warrants, the number of shares in the Company will increase by 100,000 and the share capital by a maximum of SEK 10,000. The warrants are subject to customary translation conditions.

LTIP 2020:2

At the annual shareholders' meeting on 8 May 2020, the shareholders decided to introduce a long-term incentive programme aimed at certain Board members (who are not major shareholders in the Company), based on warrants. The warrants were offered at market price in accordance with Black & Scholes' valuation model. In total, 40,000 warrants are outstanding and can be used to subscribe for shares in the Company during the period from 1 June 2024 up to and including 30 June 2024. Each warrant entitles the holder to subscribe for one new share in the Company. The subscription price of shares subscribed for with the support of warrants is SEK 133.90 per share. On full exercise of the warrants, the number of shares in the Company will increase by 40,000 and the share capital by a maximum of SEK 4,000. The warrants are subject to customary translation conditions.

LTIP 2021:1

At the annual shareholders' meeting on 14 April 2021, the shareholders decided to introduce a long-term incentive programme aimed at employees within the Smart Eye Group, based on contractual options ("**Share Options**") that are secured through warrants. The Share Options were offered free of charge. In total, 150,000 Share Options are outstanding and can be used to acquire shares in the Company during the period from 1 June 2024 up to and including 30 June 2024. Each Share Option entitles the holder to acquire one new share in the Company, assuming the performance conditions set out below are satisfied. The price of shares acquired with the support of Share Options is SEK 218.75 per share.

In order for the Share Options to entitle the participant to acquire a share, (i) the participant must have been employed by Smart Eye up until the publication of the Company's interim report for the first quarter of 2024 or, if such a report is not published, 1 June 2024, and (ii) the total return to the shareholders in the form of share price increase and reinvestment of any dividends must amount to at least 30 per cent, calculated on the volume weighted average price 10 trading days before the annual shareholders' meeting and the volume weighted average price 10 trading days before the publication of the Company's interim report for the first quarter of 2024 or, if such a report is not published, 1 June 2024, as applicable.

In order to secure the supply of shares, 200,000 warrants were issued (50,000 warrants to cover costs for any social security contributions) on corresponding terms. On full exercise of the warrants, the number of shares in the Company will increase by 200,000 and the share capital by a maximum of SEK 20,000. The warrants are subject to customary translation conditions.

LTIP 2021:2

At the extraordinary shareholders' meeting on 8 October 2021, the shareholders decided to introduce a long-term incentive programme aimed at employees within the Smart Eye Group, based on contractual options ("**Share Options**") that are secured through warrants. The Share Options were offered free of charge. In total, 137,500 Share Options are outstanding and can be used to acquire shares in the Company during the period from 15 November 2024 up to and including 15 December 2024. Each Share Option entitles the holder to acquire one new share in the Company, assuming the performance conditions set out below are satisfied. The price of shares acquired with the support of Share Options is SEK 218.75 per share.

In order for the Share Options to entitle the participant to acquire a share, (i) the participant must have been employed by Smart Eye up until the publication of the Company's interim report for the third quarter of 2024 or, if such a report is not published, 1 November 2024, and (ii) the total return to the shareholders in the form of share price increase and reinvestment of any dividends must amount to at least 30 per cent, calculated on the volume weighted average price 10 trading days before the shareholders' meeting and the volume

weighted average price 10 trading days before the publication of the Company's interim report for the third quarter of 2024 or, if such a report is not published, 1 November 2024, as applicable.

In order to secure the supply of shares, 137,500 warrants were issued on corresponding terms. On full exercise of the warrants, the number of shares in the Company will increase by 137,500 and the share capital by a maximum of SEK 13,750. The warrants are subject to customary translation conditions.

Share rights programme 2022

At the extraordinary shareholders' meeting on 29 June 2022, the shareholders decided to introduce a long-term incentive programme aimed at employees within the Smart Eye Group, based on share rights ("**Share Rights**") that are secured through warrants. A total of 378,500 Share Rights can be earned, a third of which per year. Each Share Rights entitles the holder to receive one new share in the Company free of charge after 15 July 2025, assuming that the performance conditions set out below are satisfied.

In order for the Share Rights to entitle the participant to acquire a share, the share price for Smart Eye's shares must amount to SEK 77.55 at the time when the shares are allocated.

In order to secure the supply of shares, 440,000 warrants were issued (61,500 warrants to cover costs for any social security contributions) on corresponding terms. On full exercise of the warrants, the number of shares in the Company will increase by 440,000 and the share capital by a maximum of SEK 44,000. The warrants are subject to customary translation conditions.

Other than what is specified above, there are no other warrants, convertibles or other share-related financial instruments outstanding in the Company as at the date of this Prospectus.

Issue authorisation

The extraordinary shareholders' meeting decided on 30 December 2022 to authorise the board of directors, for the period until the end of the next annual shareholders' meeting, to make resolutions on new share issues with preferential rights for existing shareholders. This authorisation may only be used for share issues in association with the intended Rights Issue. The issue price will be determined on market terms.

The extraordinary shareholders' meeting on 28 April 2022 decided to authorise the board of directors, for the period until the end of the next annual shareholders' meeting, on one or more occasions and with or without deviation from the shareholders' preferential rights, to decide on new share issues. This authorisation may be utilised for share issues that can be carried out with payment in cash, in-kind or through

set-off, corresponding to a maximum of 10 per cent of the registered share capital in the Company at the time of the issue decision. The issue price will be determined on market terms. Deviations from the shareholders' preferential rights are possible in connection with future investments in the form of the acquisition of businesses, companies, participations in companies or otherwise for the Company's continued expansion.

If the board of directors decides on a share issue with deviations from the shareholders' preferential rights, the reason must be for the board of directors to be able to issue shares in the Company to be used as a means of payment in-kind or through set-off, or rapidly and cost-effectively to procure capital to be used as a means of payment or to continually adapt the Company's capital structure.

Ownership structure

The Company's largest shareholders as at 31 December 2022, including subsequent changes that are known to the Company up until the date of the Prospectus, are set out in the table below. To the best of the Company's knowledge, there is no direct or indirect ownership that could lead to a change in the control of the Company. To the best of the Company's knowledge, the Company is not directly or indirectly controlled by an individual person.

| Shareholder | Number of shares | Percentage of capital and votes, % |
|---------------------------------|--------------------------------|------------------------------------|
| First AP Fund | 1,816,271 | 8.17 |
| Handelsbanken Fonder | 1,568,042 | 7.05 |
| Mats Krantz and related parties | 1,165,184 | 5.24 |
| Total shareholders | 4,549,497 | 20.46 |
| Other shareholders | 17,683,454 ¹⁾ | 79.54 |
| Total | 22,232,951¹⁾ | 100 |

1) Includes 184,506 shares that have been registered by the Swedish Companies Registration Office but not booked out in Euroclear's system yet.

Lock-up

All of the Board members and senior executives have, in relation to Carnegie, and with certain customary exceptions, undertaken not to sell, transfer or otherwise dispose of their securities in the Company for a certain period of time, known as a lock-up arrangement. This arrangement ceases to apply 180 days after the settlement date for the Rights Issue (the "Lock-up arrangement"). Exemptions from this arrangement apply e.g. for: (i) acceptance of, or commitment to accept, a public takeover offer that is made to shareholders in the Company; (ii) allocations of securities in connection with an offering by the Company to buy back securities that is made on identical terms to all shareholders in the Company; (iii) transactions that are required due to laws or regulations, official decisions or court rulings; (iv) transfers to the holders' holding company or the holding company's shareholders that have entered into a lock-up arrangement with primarily corresponding content; (v) exercising of held warrants or purchase options, provided exercising takes place in accordance with the conditions for such warrants or purchase options and the subscribed shares are subject to the Lock-up arrangement; (vi) exercising of subscriptions rights to subscribe for new shares; (vii) divestment of subscription rights, provided such divestment takes place in consultation with Carnegie and the remuneration from said transfer is used to subscribe for new shares; or (viii) transfers of securities to a capital insurance account or investment savings accounts belonging to the holder of said securities, or where the holder of securities is the beneficiary, provided that if such a transfer or deposit

results in a change of ownership of the securities, the new owner must have entered into a lock-up arrangement with primarily the same content as the Lock-up arrangement prior to the transfer.

The Company has also undertaken in relation to Carnegie, with customary exemptions and for a period of 180 days after the settlement date for the Rights Issue, not to offer its shareholders or publicly announce any proposal for the raising of capital that would make it possible for the Company to, or otherwise implement any measure in order to, directly or indirectly (i) issue, offer, pledge, sell, enter into an agreement to sell, or otherwise transfer or dispose of shares or other securities that essentially correspond to the Company's shares, including securities that can be converted to or can be exercised or exchanged for such shares or securities that essentially correspond to the Company's shares, and (ii) enter into a swap, option or other agreement which, wholly or in part, means that the financial risk associated with ownership of such shares is transferred to another party. Exemptions from the Company's Lock-up arrangement apply to the implementation of incentive programmes that have been adopted by a shareholders' meeting and issues of securities according to pre-existing incentive programmes.

Carnegie may make exceptions from these undertakings. Any exception from the lock-up arrangements will be considered on a case-by-case basis and may be provided for both personal and commercial reasons.

Articles of Association

*The Articles of Association of Smart Eye Aktiebolag (publ) Reg. No. 556575-8371
was adopted by the annual general meeting held on 14 April 2021.*

Articles of Association

Smart Eye Aktiebolag (publ)
Reg. No. 556575-8371

§ 1 Company name

The company's name is Smart Eye Aktiebolag (publ).

§ 2 Registered office

The company's registered office is Gothenburg municipality.

§ 3 Objects of the company

Software production (innovation of hardware and software as well as consultancy services).

§ 4 Share capital

The share capital shall be not less than SEK 1,500,000 and not more than SEK 6,000,000.

§ 5 Number of shares

The number of shares shall be not less than 15,000,000 and not more than 60,000,000.

§ 6 Board of Directors

The board of directors shall consist of not less than three and not more than ten members with no alternate members.

§ 7 Auditors

The company shall have one auditor with or without an alternate auditor.

§ 8 Notice convening general meetings

Notice convening general meetings shall be given by announcement in the Swedish Official Gazette and on the company's website. Announcement to the effect that notice convening a general meeting has been issued, shall be published in Dagens Industri.

§ 9 Notice to attend general meetings

Shareholders wishing to attend a general meeting shall give the company notice of attendance not later than the day stated in the notice convening the general meeting. Such day may not be a Sunday, any other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not occur earlier than the fifth business day prior to the general meeting. Should a shareholder wish to bring advisors to the general meeting, the number of advisors (not more than two) must be stated in the notice of attendance.

§ 10 General meeting

The annual general meeting shall be held each year within six months of the end of the financial year. At the annual general meeting, below matters shall be addressed.

1. Election of a chairperson of the meeting.
2. Preparation and approval of the voting register.
3. Approval of the agenda.
4. Election of one or two persons to attest the minutes.
5. Determination of whether the general meeting was duly convened.
6. Presentation of the annual report and auditor's report and, where applicable, the consolidated financial statements and auditor's report for the group.
7. Resolutions regarding
 - a. adoption of the income statement and balance sheet and, where applicable, the consolidated income statement and consolidated balance sheet,
 - b. allocation of the company's profit or loss according to the adopted balance sheet, and
 - c. discharge from liability for board members and the managing director.
8. Determination of fees for the board of directors and the auditors.
9. Election of the board of directors and alternate members of the board of directors as well as auditors and alternate auditors, where applicable.
10. Any other business incumbent on the meeting according to the Swedish Companies Act (1975:1385) or the Articles of Association.

§ 11 Financial year

The company's financial year shall comprise of the period 0101 – 1231.

§ 12 Collection of proxy forms

The company may collect proxy forms in accordance with the stipulation in Chapter 7, Section 4, Paragraph 2 of the Companies Act (2005:551).

The board of directors may, prior to a general meeting, resolve that shareholders may exercise their voting rights by advance voting prior to the general meeting.

§ 13 Securities registration depository clause

The company's shares shall be registered in a central securities depository register in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479).

Legal considerations and supplementary information

Approval from the Swedish Financial Supervisory Authority (SFSA)

The Prospectus has been approved by the SFSA as a competent authority under Regulation (EU) 2017/1129 of the European Parliament and the Council. The SFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the issuer or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

The Prospectus has been prepared as part of a simplified prospectus in accordance with Article 14 of Regulation (EU) 2017/1129 of the European Parliament and the Council.

The Prospectus was approved by the Swedish Financial Supervisory Authority (SFSA) on 30 January 2023. The Prospectus is valid for up to twelve months following approval of the Prospectus, provided that it is supplemented with any additional information as required according to Article 23 of the Prospectus Regulation. Any additions will be published on the Company's website. The obligation to supplement the Prospectus in the event of significant new circumstances, factual errors or material inaccuracies does not apply when the Prospectus is no longer valid.

Legal Group structure

The Company's registered company name and commercial designation is Smart Eye Aktiebolag (publ) (registration number 556575-8371). The Company is a Swedish public limited liability company, which was founded on 27 August 1999 and registered with the Swedish Companies Registration Office on 15 September 1999. The Company's business is

conducted in accordance with the Swedish Companies Act. The Company's shares are traded on Nasdaq First North Growth Market under the ticker SEYE. The Company's registered office is situated in Gothenburg Municipality, Västra Götaland County, and it conducts its operations in accordance with Swedish law. The Company's LEI code is 549300BUD7ZP-FPKM6856. The Company's address is Första Långgatan 28 B, vån 7, SE-413 27 Gothenburg, Sweden, its telephone number is +46 (0)70-1825761 and its website is www.smarteye.se. The information on the Company's website does not form part of the Prospectus unless such information is incorporated by reference into the Prospectus.

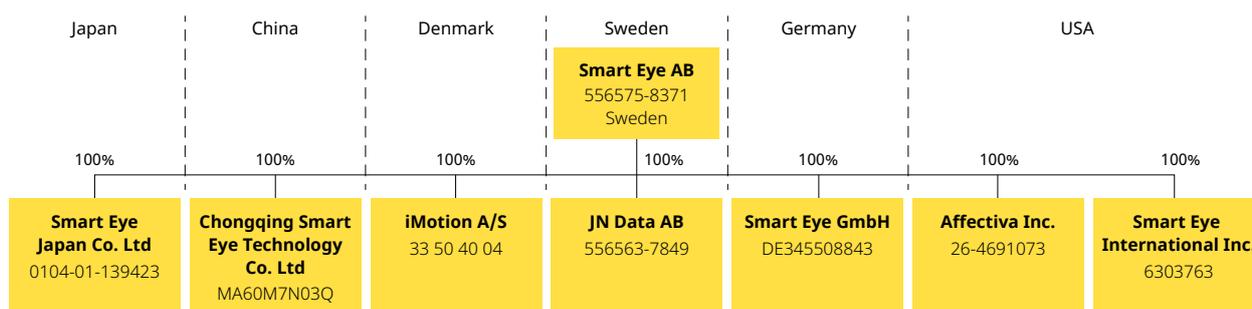
The Company is currently the parent company of 11 subsidiaries, operating for example in the USA, Japan, the Peoples Republic of China, Germany and Denmark. The current Group structure is shown in the chart below.

Material agreements

Below is a compilation of the significant agreements (with the exception of agreements entered into in the ordinary course of business) that either Smart Eye or its subsidiaries have entered into in the two years preceding the publication of the Prospectus, as well as a compilation of other agreements (which have not been entered into in the ordinary course of business) that either Smart Eye or its subsidiaries have entered into, which contain obligations or entitlements that, at the time of publication of the Prospectus, are of material significance to the Company.

Acquisition of Affectiva

On 25 May 2021, Smart Eye entered into an agreement regarding the acquisition of all the shares in Affectiva Inc ("Affectiva"). Affectiva was launched as a result of the research projects carried out at the Massachusetts Institute of Technology (MIT) to help individuals on the autistic



spectrum. The work resulted in Affectiva developing software that is able to recognise and interpret people's facial expressions, for example. Affectiva's products are now used within areas such as advertising and marketing, as well as in the automotive industry as part of today's advanced Driver Monitoring Systems (DMS). The acquisition agreement includes standard warranties and commitments from the sellers, which are supported by representation and warranty insurance policies on the part of the purchasers for a period of 24 months after the agreement is entered into. The total purchase price for the acquisition of Affectiva amounted to approximately USD 74.3 million (excluding transaction costs), to be paid both in cash and through the issue of 2,354,668 new shares in Smart Eye. The cash portion of the purchase price, amounting to approximately USD 5.9 million, was paid in conjunction with the acquisition. As per the date of the Prospectus, Smart Eye has issued 2,099,927 shares to the sellers of Affectiva, with the remaining 254,741 shares to be issued June 2023. As previously published, the acquisition was completed on 17 June 2021.

Acquisition of iMotions

On 26 October 2021, Smart Eye entered into an agreement regarding the acquisition of all the shares in iMotions A/S ("iMotions"). iMotions has developed a multimodal software platform that makes it possible to integrate a range of different biosensors in one and the same system. iMotions' software is included, for example, in the Driver Monitoring Systems (DMS) that Smart Eye offers to the automotive industry as well as in Affectiva's products. The acquisition agreement includes standard warranties and commitments from the sellers, which are supported by representation and warranty insurance policies on the part of the purchasers for a period of 24 months after the agreement is entered into. The purchase price for the acquisition of iMotions amounted to approximately SEK 417.8 million (excluding transaction costs), of which SEK 202.4 million was paid in cash and the remainder was paid through the issue of 1,019,493 new shares in the Company. An earn-out of a maximum of SEK 50 million is to be paid in cash in 2023. The earn-out shall be calculated based on predetermined gross profit and EBITDA targets before activation of development costs for 2021 (25 per cent) and 2022 (75 per cent). At the time of the conclusion of the agreement, it was estimated that the earn-out will amount to SEK 11.6 million. As previously announced, the acquisition was completed on 25 November 2021.

Bridge loan facility

On 7 December 2022, Smart Eye entered into a loan agreement for SEK 60 million with Wilhelm Risberg and Fredrik Lundgren in order to finance the Company's capital requirements up until the completion of the Rights Issue, known as a bridge loan agreement. For the bridge loan, customary compensation is paid, adapted to the prevailing market situation, of 0.5 per cent per month in interest and a set-up fee of 1.75 per cent of the loan amount. The Company is obliged to repay the bridging loan at the latest three working days after the settlement date, although not later than 24 February 2023.

Disputes

The Company has not been a party to any official proceedings, legal proceedings or arbitration proceedings (including matters that have not yet been decided or those that the Company is aware might arise) over the last twelve months, which have had, or could have, a significant impact on the Company's financial position or profitability.

Insurance

Smart Eye has taken out insurance policies that are standard for the business, including liability insurance in respect of the CEO and senior executives, product liability insurance, health insurance and property insurance, as well as transport insurance. The insurance cover is subject to continual monitoring, and it is the opinion of the Company that the current insurance cover is sufficient for the risks that the Company's operations are normally associated with. However, there are no guarantees that Smart Eye will not be affected by losses that are not covered by the insurance policies.

As per the date of this Prospectus, there are no insurance claims that are of significance to Smart Eye.

Subscription and guarantee commitments in respect of the Rights Issue

Subscription commitments

Some existing shareholders, board members and senior executives, including the First AP Fund, Martin Bjuve, Eva Elmstedt, Anders Jöfelt, Peter Hartzbech, Lars Olofsson, Cecilia Wachtmeister and Magnus Jonsson, have entered into subscription commitments to subscribe for shares in the Rights Issue. The subscription commitments amount to a total of approximately SEK 38 million, corresponding to approximately 12 per cent of the Rights Issue. Martin Bjuve's subscription commitment, in light of the fact that he is not a shareholder and consequently is not being allocated subscription rights in the Rights Issue, relates to a commitment to acquire subscription rights and subsequently to subscribe for shares by exercising such subscription rights. The subscription commitments were entered into in December 2022.

No compensation is payable for the issued subscription commitments.

Guarantee commitments

External guarantors have provided guarantee commitments with customary conditions regarding subscribing for shares amounting to a total of SEK 209 million, corresponding to approximately 65 per cent of the Rights Issue. Guarantee compensation is payable for the issue guarantees, adapted to the prevailing market situation, at six per cent of the guaranteed figure as a cash payment amounting to approximately SEK 12.5 million.

The allocation of shares that are subscribed for according to the guarantee commitment is performed in accordance with the principles described in the section "*Terms and Conditions – Allotment of new shares subscribed for without subscription rights*". The guarantee commitments are conditional on the subscription period for the Rights Issue ending prior to 31 March 2023. The guarantee commitments were entered into with the guarantors in December 2022.

Declarations of intent to subscribe for shares

Certain existing shareholders, including Handelsbanken Fonder, Swedbank Robur, Consensus Asset Management, Vasastaden and Aktia Asset Management, have issued declarations of intent to subscribe for shares in the Rights Issue amounting to a total of approximately SEK 79 million, corresponding to approximately 24 per cent of the Rights Issue. The declarations of intent were entered into in December 2022.

No compensation is payable for the issued declarations of intent.

Total commitments¹⁾

Together, the subscription commitments, guarantee commitments and declarations of intent to subscribe for shares amount to 100 per cent of the Rights Issue.

| Name | Existing holding | Subscription commitment Share of the Rights Issue | Declaration of intent Share of the Rights Issue | Guarantee commitment SEK | Guarantee commitment Share of the Rights Issue | Total commitment Share of the Rights Issue |
|---|------------------|---|---|--------------------------|--|--|
| Aktia Asset Management | 394,000 | | 3.32% | | | 3.32% |
| Alencia AB ¹⁾ | – | | | 10,000,000 | 3.09% | 3.09% |
| Anavio Equity Capital Markets Master Fund Limited ²⁾ | – | | | 5,000,000 | 1.54% | 1.54% |
| Anders Jöfelt | 863,433 | 1.54% | | | | 1.54% |
| Buntel AB ³⁾ | 48,000 | 0.22% | | 51,000,000 | 15.74% | 15.96% |
| Cecilia Wachtmeister | 5,500 | 0.10% | | | | 0.10% |
| Consensus Asset Management | 1,023,000 | | 5.53% | | | 5.53% |
| CVI Investments Inc ⁴⁾ | – | | | 10,000,000 | 3.09% | 3.09% |
| Dariusz Hosseinian ⁵⁾ | – | | | 5,000,000 | 1.54% | 1.54% |
| Eva Elmstedt | 5,500 | 0.10% | | | | 0.10% |
| Formue Nord Markeds-neutral A/S ⁶⁾ | – | | | 7,000,000 | 2.16% | 2.16% |
| Fredrik Lundgren ⁷⁾ | – | | | 40,000,000 | 12.35% | 12.35% |
| First AP Fund | 1,816,271 | 8.17% | | | | 8.17% |
| Handelsbanken Asset Management | 1,536,409 | | 6.91% | | | 6.91% |
| Håkan Roos | 355,401 | | 1.60% | | | 1.60% |
| Jakob Ryer ⁸⁾ | – | | | 5,000,000 | 1.54% | 1.54% |
| John Bäck ⁹⁾ | – | | | 7,000,000 | 2.16% | 2.16% |
| Lars Olofsson | 45,000 | 0.20% | | | | 0.20% |
| Lovisa Hamrin (Herenco) | 30,000 | | 0.13% | | | 0.13% |
| Magnus Jonsson | 3,000 | 0.01% | | | | 0.01% |
| Martin Bjuve | – | 0.31% | | | | 0.31% |
| Maven Investment Partners Ltd – Hong Kong Branch ¹⁰⁾ | – | | | 5,000,000 | 1.54% | 1.54% |
| Myacom Investment AB ¹¹⁾ | – | | | 5,000,000 | 1.54% | 1.54% |
| Patrik Bergström ¹²⁾ | – | | | 7,000,000 | 2.16% | 2.16% |
| Peter Hartzbech | 367,096 | 0.93% | | | | 0.93% |
| Selandia Alpha Invest A/S ¹³⁾ | – | | | 7,000,000 | 2.16% | 2.16% |
| Shaps Capital AB ¹⁴⁾ | – | | | 5,000,000 | 1.54% | 1.54% |
| Swedbank Robur | 1,321,000 | | 5.94% | | | 5.94% |
| Vasastaden | 219,267 | | 0.99% | | | 0.99% |
| Wilhelm Risberg ¹⁵⁾ | – | | | 40,000,000 | 12.35% | 12.35% |
| Total | 8,032,877 | 11.58% | 24.42% | 209,000,000 | 64.50% | 100.50% |

1) c/o Emendorevision Hb, Västerlånggatan 75, SE-111 29 Stockholm, Sweden

2) 11a Regents Street, London, SW1Y 4LR, United Kingdom

3) Ingmar Bergmans gata 2, SE-114 34 Stockholm, Sweden

4) c/o Heights Capital Management Inc, 101 California Street, Suite 3250, San Francisco, CA 94111, USA

5) Karlslundsvägen 14 lgh 1204, SE-177 44 Järfälla, Sweden

6) Østre Alle 102, 9000 Copenhagen, Denmark

7) Torgerdsvägen 4, SE-182 67 Djursholm, Sweden

8) Heimdalsvägen 1, SE-182 63 Djursholm, Sweden

9) Sturegatan 48, SE-114 36 Stockholm, Sweden

10) Level 7, 155 Bishopsgate, London EC2M 3TQ, United Kingdom

11) Torstenssonsgatan 3, SE-114 56 Stockholm, Sweden

12) Sollerövägen 38, SE-167 75 Bromma, Sweden

13) c/o Republikken, Vesterbrogade 26, 1620 Copenhagen, Denmark

14) Box 642, SE-114 11 Stockholm, Sweden

15) Narvavägen 21, SE-114 60 Stockholm, Sweden

1) The figures presented in the table below have been rounded off in certain cases, which is why the table does not necessarily add up.

In addition to the abovementioned declarations of intent, subscription and guarantee commitments, Anders Jöfält, Martin Kranz and Peter Hartzbech have undertaken to subscribe for shares in the Rights Issue at least equivalent to the proceeds they receive from the sale of subscription rights which corresponds to up to 7 per cent of the total number of shares in the Company. As the price per sold subscription right is not known, their respective commitments cannot be quantified and are consequently not specified in the above table.

Unsecured subscription and guarantee commitments

The above subscription commitments, guarantee commitments and declarations of intent are not secured, which means that there is no secured capital to fulfil the commitments that have been made. There is consequently a risk that the commitments cannot be fulfilled. See also the section "*Risk factors – Risks related to the Company's shares and the Rights Issue – Unsecured subscription and guarantee commitments*".

Related party transactions

Over and above remuneration as a result of employment, no related party transactions have taken place that are of significance to Smart Eye, either individually or jointly, after 31 December 2021 up until the date of the Prospectus.

For more information about transactions with related parties, see Note 21 in the Company's consolidated financial statements for the 2021 financial year.

Summary of information that has been made public according to MAR

Below is a summary of the information that Smart Eye has made public in accordance with the Market Abuse Regulation (596/2014) ("**MAR**") over the past twelve months.

Financial reports

- 23/02/2022 – Interim report January–December 2021
- 11/04/2022 – Smart Eye publishes its Annual report for 2021
- 11/04/2022 – Correction: Smart Eye publishes its Annual report 2021
- 28/04/2022 – Smart Eye interim report January–March 2022
- 26/08/2022 – Smart Eye interim report January–June 2022
- 20/10/2022 – Smart Eye Interim January–September 2022

Commercial agreements

- 07/02/2022 – Smart Eye announces one driver monitoring system Design Win with major new OEM customer
- 19/04/2022 – Smart Eye achieves three additional driver monitoring system design wins with Korean car manufacturer
- 13/07/2022 – Smart Eye receives one additional driver monitoring system Design Win with North American car manufacturer
- 19/10/2022 – Smart Eye receives six additional driver monitoring system Design Wins with Korean car manufacturer
- 21/10/2022 – Smart Eye announces one driver monitoring system Design Win with new OEM customer
- 23/11/2022 – Smart Eye announces new driver monitoring system Design Win with premium European car manufacturer
- 23/11/2022 – Correction: Smart Eye announces new driver monitoring system Design Win with premium European car manufacturer
- 05/12/2022 – European luxury sports car manufacturer sources Smart Eye's hardware and software driver monitoring system
- 08/12/2022 – Smart Eye announces four new Design Wins from two global Japanese OEMs
- 09/12/2022 – Smart Eye wins largest driver monitoring system (DMS) deal to date
- 15/12/2022 – Smart Eye wins 800 MSEK DMS deal with large North American OEM – up to 53 Design Wins

Miscellaneous

- 05/12/2022 – The Board of Directors in Smart Eye intends to resolve on a fully covered rights issue of approximately SEK 325 million
- 23/01/2023 – Smart Eye has resolved on the fully secured rights issue and announces terms

Advisors

Sole Global Coordinator and Bookrunner is providing financial advice and other services to the Company in connection with the Rights Issue, for which it will receive standard remuneration. Sole Global Coordinator and Bookrunner has, from time to time in the ordinary course of business, provided, and may in future provide, various banking, financial, investment, commercial and other services to the Company.

Advokatfirman Vinge KB has been legal counsel in connection with the Rights Issue and may provide additional legal advice to the Company.

Costs for the Rights Issue

Smart Eye's costs attributable to the Rights Issue are estimated to amount to approximately SEK 35 million. Such costs are primarily associated with costs for guarantee commitments, auditors, financial and legal advisors, interest and set-up fee for bridge loan and the preparation of the Prospectus.

Documents available for inspection

The following documents may be inspected free of charge during the period of validity of the Prospectus at the Company's head office, Första Långgatan 28 B Vån 7, SE-413 27 Gothenburg, Sweden, or on the Company's website www.smarteye.se.

- The Company's Articles of Association and certificate of registration.
- All documents that are incorporated by reference into the Prospectus (i.e. the annual report for the 2021 financial year and the interim report for the quarter ending on 30 September 2022).

Important information on taxation

The tax legislation in the investor's home country and in Sweden may affect any income received from shares in Smart Eye.

The taxation of any dividend, as well as capital gains taxation and rules concerning capital losses in connection with disposal of securities, depend on each individual shareholder's particular circumstances. Special tax rules apply to certain categories of tax payer and certain type of investment forms. Each holder of shares should therefore consult a tax advisor for information on the specific implications that may arise in an individual case, including the application and effect of foreign tax rules and tax treaties.

Documents incorporated by reference

The following information is incorporated by reference into the Prospectus, and therefore constitutes part of the Prospectus and must be read as a part thereof. The parts of the following documents that are not referred to are either not relevant for an investor or are presented elsewhere in the Prospectus. The documents that are incorporated by reference are available during the period of validity of the Prospectus on Smart Eye's website www.smarteye.se. The information on the Company's website does not form part of the Prospectus unless such information is incorporated by reference into the Prospectus.

| Information | Document and page reference |
|---|--|
| Information regarding the Group for the 2021 financial year | The Group's annual report for the 2021 financial year, with reference to page 60 (Income statement), pages 61–62 (Balance sheet), page 63 (Statement of changes in equity), page 64 (Cash flow statement), pages 65–78 (Notes to the financial statements) and pages 96–98 (Auditors' report). |
| Information relating to the Group for the period January–September 2022 | The Group's interim report for the period January–September 2022, with reference to page 9 (Income statement), pages 10–11 (Balance sheet), page 12 (Statement of changes in equity) and page 13 (Cash flow statement). |

Definitions

Note that the following definitions refer solely to the context that is presented in the relevant section in the Prospectus.

| | |
|--|--|
| ACC | Augmentative and Alternative Communication – alternative methods and assistive technology for communication for persons with disabilities. |
| Automotive SPICE | Software Process Improvement and Capability Determination – process evaluation model for software. |
| Design Win | A contract that has been won regarding the supply of products and/or services for a specific vehicle model. |
| DMS | Driver Monitoring System – system for monitoring drivers. |
| Emotion AI | Technology that analyses facial expressions and body posture. |
| EUR / MEUR | Euro / millions of euro. |
| Euroclear Sweden | Euroclear Sweden AB. |
| Eye Tracking | Sensor technology that reads and measures eye movements. |
| Rights Issue | The offer of shares as set out in this Prospectus. |
| HMI | Human Machine Interface – interface for communication between person and machine and/or computer system. |
| Human Insight AI | Technology that reads, analyses and predicts human behaviour. |
| Interior Sensing | Sensor technology that monitor's a vehicle's cabin. |
| Multimodal | Communication, interaction and representation that does not only take language in the form of speech and text into account. |
| Nasdaq First North Growth Market | The multilateral trading platform Nasdaq First North Growth Market, which is run by Nasdaq Stockholm AB. |
| NRE | Non-Recurring Engineering – one-off cost in respect of design, research and development. |
| OEM | Original Equipment Manufacturer – referred to in this Prospectus as Vehicle Manufacturer. |
| The Prospectus | This Prospectus. |
| SDK | Software Development Kit – development tools for building applications. |
| SEK / MSEK | Swedish kronor / millions of Swedish kronor. |
| Smart Eye, the Company or the Group | Smart Eye Aktiebolag (publ), the Group in which Smart Eye is the parent company or a subsidiary of the Group, as the context may require. |
| Sole Global Coordinator or Carnegie | Carnegie Investment Bank AB (publ). |
| Tier 1 supplier | Direct supplier to an OEM. |
| Tier 2 supplier | Subcontractor to a Tier 1 supplier. |
| USD / MUSD | American dollars / millions of American dollars. |
| UX | User experience – the user's impressions, understanding and reaction to a product. |

Addresses

The Company

Smart Eye Aktiebolag (publ)

Första Långgatan 28 B Vån 7
SE-413 27 Gothenburg
Sweden
Telephone number: +46 (0)70-1825761
www.smarteye.se

Sole Global Coordinator

Carnegie Investment Bank AB (publ)

Regeringsgatan 56
SE-111 56 Stockholm
Sweden

Auditor

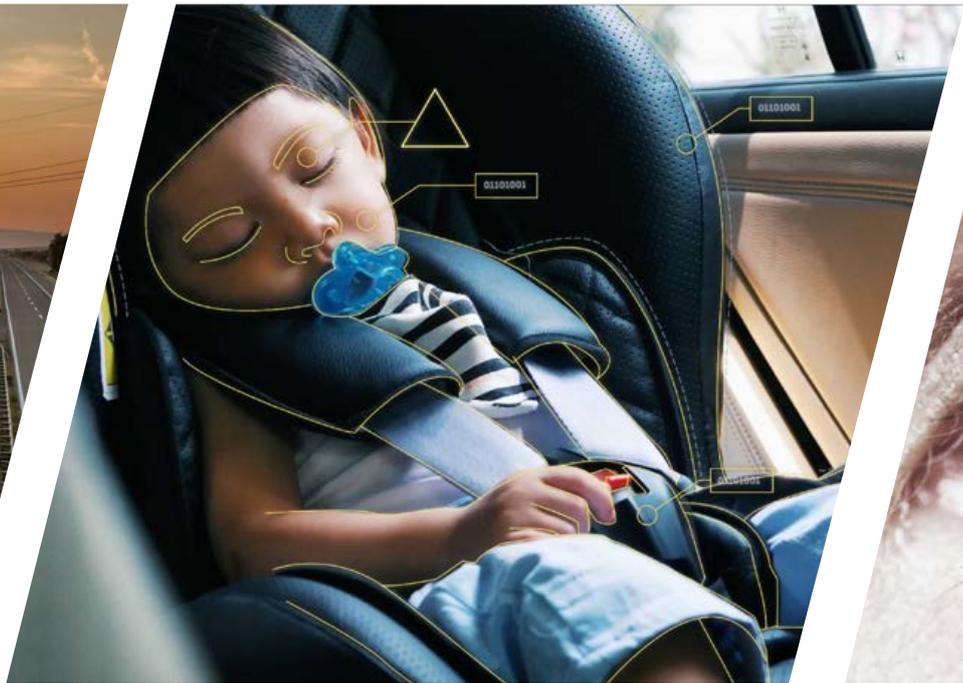
Deloitte AB

Kyrkogatan 48
SE-411 08 Gothenburg
Sweden

Legal advisor to the Company

Advokatfirman Vinge KB

Nordstadstorget 6
SE-411 05 Gothenburg
Sweden



Smart Eye Aktiebolag (publ)
Första Långgatan 28 B Vån 7
SE-413 27 Gothenburg, Sweden
Telephone number: +46 (0)70-1825761
www.smarteye.se