

# Smart Eye Annual Report 2017



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

# Annual Report 2017

## This is Smart Eye

Smart Eye was founded to bridge the gap between man and machine for a better, more sustainable world tomorrow. We do this by developing groundbreaking eyetracking technology that understands, assists and predicts human intentions and actions.

Today, we offer systems for future research and applied solutions for the automotive industry based on deep technical knowledge and investigative creativity, while persistently

striving to achieve the unattainable. As a global industry leader, we continuously look ahead to first identify future requirements and then deliver real innovation.

Our activities are conducted within the two business areas of Research Instruments and Applied Solutions. Research Instruments provides advanced eyetracking systems to measure and analyse human behaviour. Applied Solutions provides eyetracking software for integration in vehicles.

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# 2017 in brief

## Important events during the year

At the beginning of the year, Smart Eye was commissioned to deliver a camera logger system for Volvo's Drive Me project. Later in the year, this resulted in the launch of a new product, Smart AI, which is an embedded computer unit that can handle everything from monitoring the vehicle interior to deep learning in the vehicle.

After the summer, Anders Lyrheden came onboard as new CFO. During the year, the management team was also supplemented with Henrik Lind, new CRO.

In August, a design win was achieved concerning software for a driver monitoring system for a German premium car manufacturer. The car model is expected to be put into production during 2019.

During the autumn it was announced that Smart Eye has established a strategic partnership with iMotions. Both of Research Instruments' eyetracking systems, Smart Eye Pro and Aurora, have been integrated in iMotions' multimodal biometric research platform.

In December, 13 design wins were achieved concerning second-generation eyetracking systems for a European premium car manufacturer. The procurement concerned all car models on a new production platform. Delivery of the first car models is expected to commence in mid-2019.

### NET REVENUE, TSEK

43,199

### OPERATING PROFIT, TSEK

-41,463

### SOLVENCY, %

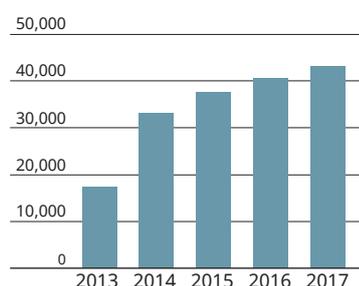
73

### NUMBER OF EMPLOYEES

65

The leading supplier of eyetracking for integration in vehicles and for research environments.

### Net revenue, TSEK



### Key figures

	2015	2016	2017
Net revenue, TSEK	37,572	40,743	43,149
Operating profit, TSEK	-2,568	-11,159	-41,463
Profit after tax, TSEK	-3,863	-12,403	-41,896
Equity ratio, SEK	1.89	14.13	7.41
Solvency, %	25	83	73
Number of employees	36	49	65

## 2017 – a year in which many important milestones were reached

For Smart Eye, the past year can best be described as a breakthrough. We are included in many new car models. Virtually all car manufacturers now include a driver monitoring camera function. The Chinese market has picked up speed. The first enquiries from the medium-class car segment have begun to appear, with anticipated market introduction in 2021. EuroNCAP has announced that driver monitoring will be included in classification requirements as from 2020. Self-driving and artificial intelligence are receiving more and more media attention. We have strengthened our market-leading position.

In terms of the market and the activities leading to the introduction of driver cameras, 2017 was a breakthrough year. One characteristic of the automotive industry is that it takes an average of 36 months from nomination until a new system is included in a series-manufactured car. For a new car on an existing platform, this lead time can be shorter. This means that it takes time for the new cars to hit the streets. Yet there is also another aspect to this. In view of the long life cycles for new car systems, Smart Eye's income flows will follow the same pattern. A car typically has a lifetime of 7 years, while a platform's lifetime is 14 years. We may need to wait patiently for volumes to increase, but as the market matures we will achieve security and predictability.

### Traffic safety is a sustainable business model

Smart Eye was founded on the vision of supporting communication between people and machines, and in particular the means of transport that are so vital for moving goods and people,

keeping the wheels turning in our globally intertwined economic systems. Transport is necessary to keep the world's 7 billion people supplied with food and other necessities, every day. Yet the transport systems on which we rely are a mixed blessing, since, on an annual basis, 50 million people are injured, and 1.3 million are killed, in traffic-related accidents. This is no less than a worldwide epidemic that is currently the tenth most common cause of death worldwide. Obviously, this is not sustainable. At Smart Eye, we are strong advocates of using the latest scientific advances within artificial intelligence, computer vision and advanced hardware to help to break this trend and keep deaths and accidents to an absolute minimum. We believe in using technology to serve people. The increasingly more sustainable transport systems that, without any doubt, will be introduced in the future, will fulfil two conditions. One is bringing people to their destination safely and comfortably, and the other is keeping the environmental and climate impacts to a minimum. The sooner the better.

### The organisation was strengthened in terms of both expertise and geographical scope

The year's most important events were our establishment in the USA and new design wins from new car manufacturers (14 new design wins). We were also very pleased to succeed in recruiting

### We believe in using technology to serve people

well-qualified new employees who are keen to work with us. Gothenburg has a good job market for high-tech development, with many qualified people within the automotive industry. We successfully recruited highly-qualified people for our teams, and especially in the technical area that is so important for us. During the year we hired 30 new employees, who are all, in one way or the other, helping to build the safe traffic systems of tomorrow.

### Development projects and collaboration are creating new business opportunities

Net revenue for the period from January to December 2017 amounted to TSEK 43,199 (40,743) representing an increase of 6%. The increase is related to higher revenue from project activities in the Applied Solutions business area. The design wins achieved during the year will generate ongoing project revenue. We have strengthened our technology portfolio and sharpened up our offering in all segments. Three patent applications have been filed and an EU-financed research project, Motion, was awarded during the year. We have met our delivery commitments to the two first European premium-car manufacturers, and are now focused on coming deliveries.

**In terms of the activities leading to the introduction of driver cameras, 2017 was a breakthrough year**



### **An effective and scalable business model**

Smart Eye has two business areas. Research Instruments sells advanced measurement instruments to demanding customers in the global research world. Only the best is good enough for absolutely cutting-edge research. Applied Solutions packages our technology to match the needs of the automotive industry. We have taken great pains to develop an effective and scalable business model that is geared to rapidly ramping up the number of cars equipped with driver monitoring. In new business areas, there are strong candidates for further business development. This includes new verticals in the aftermarket for aircraft, trains and transport. In addition, driver monitoring can be combined with other sensors within and outside the car, to increase our understanding of the driver's interaction with both the car and network-based services. When the time is ripe, and the company is ready to invest in new sectors, these initiatives will be launched in the market. For the time being, we need to stay focused.

### **New technical solutions to bridge the gap between human and artificial intelligence**

Eyetracking is an area that is expanding in many ways. In recent years we have seen market consolidation, with several eyetracking companies being

bought up by American technology giants. Automotive is one of the segments which shows the greatest mass-market potential, primarily in the exclusive premium segment, but closely followed by medium-class cars. Other interesting areas in which Smart Eye is not yet active today are Virtual Reality, Augmented Reality, computer games and mobile phones. Eyetracking will penetrate to more and more applications during the 2020s, as the hardware and software technologies mature. This is good news for the world's transport users, whose safety will increase, but also for consumers of services, who will enjoy an enhanced user experience, supported by intuitive interfaces. Apple's iPhone X is an important milestone, and in the coming years we will see how more and more mobile phones and handheld devices will become better at understanding and interpreting human actions and intentions. The same applies to the cars equipped with Smart Eye's software that will roll off the assembly line in the coming years. EuroNCAP is an important driver that will first speed up development in Europe and then influence the rate of introduction of driver monitoring in the rest of the world.

Gothenburg, March 2018  
Martin Krantz  
CEO, Smart Eye

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## **Priorities in 2018**

- More design wins. At the top of our daily agenda are the intensified business activities within the automotive industry. First- and second-generation eyetracking systems are in demand for the driver monitoring systems currently being acquired by many of the world's leading car manufacturers.
- Develop our global presence. In 2017, we established a local office in Detroit, USA. During the past year we also established a partnership in China. We are continuing to prioritise an improved global presence. It is extremely important to have a local presence, where our existing, and future, customers are established.
- Business results from strategic cooperation. Our technology is in high demand and today we have established partnerships with some of the best suppliers to the automotive industry's high-tech ecosystem for driver monitoring, e.g. NXP and Nvidia. We also have similar cooperation for our research systems under Research Instruments, e.g. with iMotions.
- R&D progress and new product launches. Our activities have always been driven by the challenges presented especially by our Research Instruments customers. This has and will continue to bring new product launches, and in 2017 this resulted in Smart AI. During the past year we also established a dedicated AI-lab, whose R&D activities will also result in new product launches.

## A world-leading position in a market with high entry barriers

The market for eyetracking systems is growing rapidly. There are numerous application areas, such as communication, computer interaction, behaviour analysis, market surveys, and in vehicles. In combination with AI (artificial intelligence), eyetracking systems are becoming really powerful, and many new application areas are emerging.

Smart Eye is at the exact epicentre of the development of eyetracking technology. The company focuses on applications for vehicle interiors, although research environments in the aviation and space industries, as well as academic research, are also important application areas for Smart Eye's technology.

### Unique position

Smart Eye was founded in Gothenburg in 1999. Saab Automobiles was its first customer. The automotive industry has been a prioritised target group ever since. This industry sets very high requirements concerning quality, safety, reliability, durability and delivery capability. Furthermore, the technical operating environment inside the vehicle is very demanding in terms of e.g. sunlight, darkness and vibration. Today, Smart Eye is one of the world's extremely few eyetracking system producers with the capacity to deliver to the automotive industry.

Since Smart Eye's eyetracking solutions have been developed on the basis of the automotive industry's extremely high quality requirements, the other customer categories targeted by the company today make equivalent requirements. The aviation, space and academic research sectors are now also important target groups.

Smart Eye's leading position within eyetracking technology for these tar-

get groups is protected by the market's high entry barriers. A supplier like Smart Eye which can prove that it can meet these customers' exacting safety and quality requirements will have a big advantage over its competitors.

### Two business areas with overlapping target groups

Smart Eye's activities comprise two business areas: Research Instruments and Applied Solutions. Eyetracking systems have been developed within Research Instruments and this business area sells full-scale eyetracking systems for research, development and educational environments, primarily within the automotive, aviation and space industries, but also to customers in the world of academic research.

Within Applied Solutions, Smart Eye provides eyetracking algorithms and software for systems installed by the

vehicle industry in the interior vehicle environment. Smart Eye currently expects the most growth within this business area. Vehicle manufacturers use eyetracking for various types of driver monitoring systems (see fact box), but there are also other application areas. Eyetracking will also be used to control various functions in the interior vehicle environment, mainly related to the vehicle's infotainment system.

### Applied Solutions is consolidating its position

Smart Eye's and Applied Solutions' world-leading position as a supplier of eyetracking technology is being cemented by design wins (see more details on page 6).

During the past year, Smart Eye progressed from two to the current 16 design wins. These are all for European premium car manufacturers, of which three are German car manufacturers.

The other 13 were achieved by Smart Eye in the world's first procurement of eyetracking software, for all models under a new car platform, and these design wins are also interesting since they concern the second generation of eyetracking software.

As Smart Eye achieves more and more design wins, the company's world-leading position in this segment is expected to be strengthened.

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**Smart Eye's activities comprise two business areas: Research Instruments and Applied Solutions.**



### **Strong drivers for continued growth**

Every year, there are 1.3 million traffic-related deaths in worldwide terms. Passive safety systems, such as seat belts and airbags, are not sufficient. New development is taking place in the area of active security systems, such as driver monitoring, in order to save these lives. Euro NCAP, which is the world's best reputed organisation for the security classification of vehicles, will introduce requirements of driver monitoring systems. This development is further reinforcing Applied Solutions' position, since in principle, eyetracking is the only technology which provides for the type of driver monitoring required by Euro NCAP. Euro NCAP's requirements can also be expected to entail the more rapid introduction of eyetracking than previously expected in car models in the medium-class segment, which is also beneficial for Applied Solutions' eyetracking technology.

Besides driver monitoring systems becoming a requirement under Euro NCAP, the development of autonomous vehicles is another driver of the demand for eyetracking technology in the interior vehicle environment. Legislation that will permit various degrees of autonomous vehicles is also expected to require driver monitoring based on eyetracking.

### **Rapid increase in cars with driver monitoring**

In 2017, around 95 million passenger vehicles were produced. By 2025, this production is expected to increase by more than 20%, to reach an annual rate of around 115 million. The ratio of cars with driver monitoring systems that include camera monitoring is expected to exceed 30%, or around 35 million, by 2025. Smart Eye's ambition is to have delivered eyetracking technology for 15 million of these cars.

### **Research Instruments has a stable position in its market**

Research Instruments operates in a market with far lower growth potential than Applied Solutions. Research Instruments holds a strong and stable position as a supplier of eyetracking systems for research, development and educational environments. Smart Eye's assessment is that the world market for this type of eyetracking system has a current value of around SEK 0.5 billion on an annual basis, and that the annual growth rate is around 10%.

This business area's growth potential originates mainly from the introduction of eyetracking technology in new areas. One example is the aircraft cabin's interior environment. Others are medical research, consumer electronics and IT. There is also a basis to increase the business area's market share in conjunction with the currently ongoing consolidation of this market.

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**“Since Smart Eye’s eyetracking solutions have been developed on the basis of the automotive industry’s extremely high quality requirements, the other customer categories targeted by the company today make equivalent requirements.”**

## Eyetracking

Eyetracking is a technology to measure gaze and track eye movement. Sensors can be used to detect a person's eyes, calculate their gaze and track the eyes' movement. Studying a person's eye movements makes it possible to assess their alertness, attentiveness and focus, and thereby gain an impression of the person's awareness and mental state.

An eyetracking system often uses eyetracking together with an ordinary computer and screen, where eyetracking is either integrated in the screen, or is a free-standing element connected to the screen. More advanced eyetracking systems use several cameras for eyetracking of more than one person in a larger environment, such as an aircraft simulator. Smart Eye works with this type of eyetracking technology. For portable eyetracking, the technique is integrated with a forward-looking camera, but this is another type of solution on which Smart Eye has chosen not to focus.

Today, eyetracking is an established technology used in a number of areas such as communication, computer interaction, behaviour analysis, market surveys and identification, and in vehicles and other specialist applications.

### Eyetracking can be used for several purposes:

- Analysing and understanding human behaviour and interaction with the surrounding world.
- Enabling interaction between man and machine.
- Hands-free computer interaction.

## Design win

When the automotive industry's original equipment manufacturers (OEM) purchase components based on such products as Smart Eye's eyetracking software, this is via suppliers, called Tier1 suppliers.

In certain cases, OEMs can specify that the Tier1 suppliers are to deliver components containing a specific supplier's products. In other cases, the Tier1 suppliers themselves can select which suppliers they wish to work with.

When an OEM chooses a supplier of a functional component in a vehicle, this is called a "design win".

Typically, Tier1 manufacturers buy up components for delivery for all cars of a certain model at one time. Alternatively, the Tier1 manufacturers buy up components for all cars and models on a full production platform at the same time. The invitations to tender are comprehensive international processes, with tough qualification requirements. The earlier in the process a relationship with the procuring party can be established, the greater the opportunities to be picked as a supplier. On the other, this can have great potential, since some car models are manufactured in series as large as over one million vehicles. So far, however, procurement of eyetracking systems has mainly concerned models in the premium class segment, with much smaller series, usually between 30,000 and 300,000 vehicles.

### When an OEM picks a supplier of a functional component in a vehicle, this is a design win

## Driver monitoring systems

Driver Monitoring Systems (DMS) are the systems into which eyetracking software from Smart Eye's Applied Solutions business area is integrated.

Driver monitoring systems have been developed to improve traffic safety. By integrating eyetracking software, they can discover whether a driver is less alert or becoming drowsy. The system can transmit impulses to attract the driver's attention or, if the driver ignores these impulses, to take over control and brake the vehicle. In the autumn of 2017, Euro NCAP, the world's most well-renowned organisation for the safety classification of vehicles, announced that as from 2020, they will require driver monitoring systems to be included in their safety classification of vehicles.

By integrating eyetracking in the driver monitoring system, additional functionality can be added that is not directly connected to traffic safety. The information collected by the eyetracking software can also be used for systems which permit the driver to use gaze and gestures to steer interior vehicle functions, such as those connected to the infotainment system. Other opportunities are to combine information from the eyetracking software with other data that can improve comfort and security for both drivers and passengers, in particular the more and more autonomous vehicles now being introduced all over the world.

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**In the autumn of 2017, Euro NCAP announced that as from 2020 they will require driver monitoring systems to be included in their safety classification of vehicles**

## AI for vehicle applications

AI (artificial intelligence) has also come far within the automotive industry. Self-driving cars have long been Utopia, but are now approaching achievement. Car models with autonomous driving functions already exist today and during the next few years many car models with autonomous driving functions are expected to be presented by several car manufacturers.

There is a long way to go to fully autonomous vehicles that can travel to the final destination without any driver involvement at all. Most of the technology already exists, but greater reliability still needs to be developed, besides the creation of standards and adjustment of legislation to allow for fully autonomous vehicles.

The first step is semi-autonomous driving whereby the car handles certain functions, while the driver participates actively and holds the overall responsibility. Over time, the degree of autonomy is expected to increase, ending up with fully autonomous vehicles.

The development trend is from passive to active traffic safety. The automotive industry is developing from protecting drivers and passengers, to preventing accidents. Today, 90% of all accidents are related to the human factor, and therefore active safety

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**The development is from passive to active traffic safety. From protecting drivers and passengers, the automotive industry is now also working to prevent accidents.**

solutions are being developed, such as advanced vehicle assistance systems, vehicles with a high element of automation, and gradually also self-driving cars. Coming generations will use both online- and offline-based machine learning whereby information is drawn from a number of data sources in order to develop the relationship with the individual driver.

# Eyetracking for advanced application areas

Smart Eye develops and markets eyetracking systems that can measure and calculate a person's gaze. The company has two business areas: Research Instruments and Applied Solutions.

Within Research Instruments, Smart Eye provides advanced eyetracking systems to measure and analyse human behaviour. Within Applied Solutions, Smart Eye provides eyetracking software for integration in vehicles. Smart Eye's technology also masters facial recognition, and following and interpreting movements in both the eye and gaze.

**The Applied Solutions business model – a leading partner within active security for the vehicle industry.**

Within Applied Solutions, Smart Eye provides eyetracking algorithms and software for the cameras and other hardware which the automotive industry's Tier1 manufacturers develop themselves or order from other sub-suppliers.

In conjunction with a design win, Smart Eye is initially remunerated for the work of integrating the software with other elements of the system which Tier1 is to deliver. When the car model goes into production, around 36 months after a design win (see the explanation on page 6), Smart Eye will receive licence income per car produced, usually in the range of €5-10.

Besides income from design wins, Smart Eye also takes part in pre-development projects whereby Tier1 and OEMs develop concept studies or pro-

**Vision** – Smart Eye will be a world leader within technology that understands, assists and predicts human intentions and actions.

**Mission** – We bridge the gap between man and machine for a better, sustainable world tomorrow.

**Mål** – Smart Eye's objective is to be the leading player within eyetracking for vehicles and to maintain its position as the leading supplier of advanced eyetracking systems for research applications.

totypes. For projects of this type, Smart Eye is also remunerated for its participation.

*Central technology for interaction between car and human being*

Driver monitoring and autonomous driving are vital to achieving zero vision in traffic. Eyetracking is a central technology for the interaction between driver and vehicle to function in a safety system, AI system, and for a partly or fully autonomous vehicle to be able to respond and react to the driver's intentions and condition.

*Durable leading innovative power*

As from the early 2000s, Smart Eye has developed pioneering eyetracking techniques and is now the technical leader in this area. Smart Eye already delivers software for second-generation driver monitoring cameras for passenger vehicles.

*Established partner*

Smart Eye has long-term, well-established customer relationships and ongoing development work with all of the largest OEM operators and Tier1 manufacturers in the vehicle industry. Smart Eye has a proven ability to meet the automotive industry's exacting requirements concerning quality, safety, reliability, durability and delivery capability.

*Platform-independent software*

Smart Eye's software is platform-independent and can be locked late in the development process. This is a unique competitive advantage with regard to the automotive industry.

**Research Instruments business model – bridgehead to new vertical markets**

Research Instruments primarily sells two products: Smart Eye Pro and Aurora. Smart Eye Pro is an extremely robust, accurate and reliable eyetracking system which is customised to the



Smart Eye has a proven ability to meet the automotive industry's exacting requirements concerning quality, safety, reliability, durability and delivery capability.

customer's specifications. Aurora is an off-the-shelf product, as an eyetracker placed on a screen that customers themselves can install. To complement Smart Eye Pro and Aurora, various supplementary accessories are offered, such as Smart Recorder and Smart AI.

Both Smart Eye Pro and Aurora are sold as all-in solutions whereby customers pay per system, or per product, according to the current price list. Even if Smart Eye also delivers the hardware, the great value of the product lies in the algorithms and software used in the system, which is reflected in the business area's gross margin in the range of 75-90%.

*High precision for complex tasks and demanding customers*

Research Instruments' systems have the capacity to function with up to eight cameras, making this a superior

system for the most complex precision-based tasks. Systems of this type are needed in advanced research, development and educational environments. There is a particular need for these advanced eyetracking systems in the aviation, space and automotive industries, and in the academic research world. For the latter, Research Instruments has e.g. delivered equipment for research projects within neurology and behavioural science.

Smart Eye is positioned as a supplier of premium systems and the company has many strong references. Customers such as NASA, Boeing, US Airforce and Lockheed Martin confirm that Smart Eye's systems are at the forefront of the technology.

*Sales through various channels*

Sales work takes place under our own auspices, and also through partners and local distributors. Sales to the automotive, aviation and defence industries usually take place directly

from Smart Eye. Many customer contacts are also established by actively taking part in conferences and fairs.

In Asia, sales most often take place via distributors and the company has distribution partners in Japan, China and South Korea. In the USA, since 2017 Research Instruments has been represented by three persons located in Detroit.

*High innovation level for advanced research and development environments*

Continuous development is part of Research Instruments' business model. Ongoing relationships with customers require constant further development of technology. There is also demand for eyetracking from new customer groups, e.g. within train and medical technologies. Demand is also increasing for combined multimodal research systems, whereby information from eyetracking systems must be combined with information from other modal sensory systems for e.g. respiration, pulse and movement. Both independently and together with partners, Research Instruments can deliver systems which meet these new customer categories' needs and requirements.

# Own development and also together with customers

On a daily basis, Smart Eye's engineers, developers and researchers work on improving our existing systems and developing new applications. Creativity and curiosity are part of the corporate culture.

Through dialogue and close collaboration with customers, development projects are prioritised, so as to devote resources to the projects with the best commercial conditions. Besides development projects driven by concrete customer requirements, development also takes place within partnerships and in a dedicated AI team.

## Customer-driven development projects

Since the start in the early 2000s, Smart Eye has developed eyetracking solutions in close collaboration with customers. Saab Automobiles was the company's first customer and the automotive industry has been the company's primary target group ever since. This is a target group that sets very high requirements in terms of safety, reliability, quality, durability and delivery capability. As a consequence, Smart Eye's eyetracking solutions have been developed with extremely high quality and performance, so that the customer categories in focus today set equivalent requirements to those of the automotive industry. The aviation, space and academic sectors are now also important target groups.

The most obvious way to develop new eyetracking solutions has been in close cooperation with customers, and this is still the case. During the past year, eyetracking systems have been

**The most obvious way to develop new eyetracking solutions has been in close cooperation with customers, and this is still the case.**

developed for a new environment: train and locomotive driver's cabins. Aircraft simulators are an environment to which Smart Eye has delivered for some time, but in 2017, systems were developed that are also adapted to full-flight aircraft simulators (fully authentic, with real aircraft, which are used regularly in pilot training). This type of development project is conducted and marketed within the Research Instruments business area.

Development within the Applied Solutions business area takes place within the framework of customer assignments, whereby Smart Eye's software is optimised to function with the customer's other systems.

## Strategic partnerships

To be able to offer attractive eyetracking solutions, it is important that Smart Eye's technology is always in line with our customers' demands. Through dialogue with customers, Smart Eye stays aware of which other

software and hardware Smart Eye's technology needs to be compatible with. The customer dialogue also makes it possible to understand which new application areas will require Smart Eye's technology. In concrete terms, this means that today Smart Eye has a number of different strategic partnerships. Some of the most important are the following:

- **iMotions.** During the autumn of 2017, the cooperation was formalised whereby Smart Eye's eyetracking systems, Smart Eye Pro and Aurora, will be developed for full integration in iMotions' multimodal biometric research platform. Under this cooperation, Smart Eye's eyetracking system will be offered to iMotions' customers.
- **Neonode.** Since 2016, Smart Eye and Neonode, which develops optical touch controls, have cooperated on developing multimodal interfaces for a platform that is prepared for AI. So far, this cooperation has not resulted in any concrete products, but since the two companies share several customers, such as Autoliv, this simplifies joint development projects.
- **Volvo.** Together with e.g. the Swedish Transport Administration, the Swedish Transport Agency and the City of Gothenburg, Volvo has taken the initiative for a project for autonomous vehicles on public roads. Ini-

tially, 30 out of 100 cars are equipped with technology from Smart Eye to enable small, cost-effective cameras to be seamlessly integrated in the vehicle's interior design. The cameras allow for recording, compression and advanced in-car AI functions such as eyetracking.

### Cooperation with component and system suppliers

Smart Eye's longstanding work on eyetracking solutions has built up many close relationships with various component and system suppliers. Smart Eye often serves as an important link between them and the automotive industry. This relationship with the automotive industry gives Smart Eye deep insights into the technical requirements which this customer group will set in the immediate future – and these insights will provide valuable knowledge for component manufacturers.

Examples of important component areas in which Smart Eye has strong relationships with leading manufacturers are image sensors, optics, light sources, semi-conductors and processor platforms. Below are examples of Smart Eye's actual collaboration with some of these manufacturers:

- **NXP.** is one of the world's leading semi-conductor manufacturers, and Smart Eye's eyetracking systems need to be compatible with these. For example, Smart Eye's driver monitoring system can run on NXP's application processor, i.MX 8.
- **NVIDIA.** is one of the world's leading producers of graphic processors, and Smart Eye has to be able to offer eyetracking systems that are compatible with these. In 2017,

Smart Eye developed Smart AI, the world's first smart AI platform for use in interior vehicle environments. The platform is based on NVIDIA's TX2 processor.

- Besides the aforementioned, Smart Eye has various marketing collaboration projects with a further number of component manufacturers. This collaboration can entail joint demonstrations at fairs, or the joint development of prototypes to present to customers. Examples of this collaboration are Osram, Omnivision, Sony, Sunex, Maxim and On Semiconductors.

### Important development projects in 2017

As described above, Smart Eye runs many different ongoing development projects. Some of these are more extensive than others, and also more commercially significant. Important projects during 2017 are Smart AI, the partly EU-financed ADAS&Me project, and the establishment of a separate AI development team, AI Lab.

#### Smart AI

Smart AI is an embedded computer unit based on NVIDIA's TX2 processor. Smart AI can handle everything from vehicle interior monitoring to deep learning, and the application area is interior vehicle environments. The first Smart AI units were developed for Volvo Cars' Drive Me project, where they are used as recording units for up to seven cameras simultaneously.

#### ADAS&ME

Smart Eye's research department is often involved in national and international research projects in which eye detection is used for research pur-

poses. An example is the EU-financed ADAS&Me project, in which Smart Eye participated in 2017. The project is engaged in developing secure solutions for autonomous vehicles.

#### AI Lab

At the end of 2017, the decision was taken to focus on a separate AI development unit (AI Lab). The group will initially be staffed with a team of up to five people, and is a strategic initiative within machine learning and especially deep learning. The focus will be on application areas which include multimodal recognition of drivers and passengers in car interiors and simulators. This might include analyses of mouth movements, gestures, the driver's condition and how drivers and passengers are sitting. Analysis of this data can then be used to develop functionalities such as the vehicle's safety system and infotainment system.

#### Protected inventions

Conducting extensive development work can also require Smart Eye to take out patents in order to protect its inventions. The most important protection is not the patent itself, however, but the high entry barriers to the market. A supplier like Smart Eye which has proved that it can meet the automotive industry's exacting safety and quality requirements will automatically have a big advantage over its competitors. Nonetheless, Smart Eye filed three new patent applications in 2017. In total, Smart Eye currently has [X] active patents, of which the eldest is from 2003.

## Advanced eyetracking system for research, development and educational environments

Within Research Instruments, Smart Eye provides advanced eyetracking systems to analyse human behaviour. The customers are mainly operators within academic research, the aviation, space and defence industries, and the automotive industry.

Smart Eye was founded in the early 2000s in order to develop eyetracking systems primarily for the automotive industry. These were complete systems comprising both software and hardware. Research Instruments originates from this activity. Smart Eye's other business area, Applied Solutions, was established in [2015] as eyetracking software was introduced for driver monitoring systems for passenger car interiors.

### Offering

Research Instruments' focus is still to develop complete eyetracking systems for environments or application areas that make extremely high demands of precision, reliability, function and performance.

Today, Research Instruments offers two different eyetracking product series: Smart Eye Pro and Aurora. Smart Eye Pro is a comprehensive solution which comprises a system installed and configured on-site at the customer, with up to eight cameras, lighting and possible other accessories. Aurora is an off-the-shelf product manufactured in Sweden and installed by customers themselves. These product series are complemented with various accessories, such as Smart Recorder and Smart AI. Smart Recorder is a camera solution that

generates a video film of how the gaze has moved. Smart AI is an embedded computer unit that can e.g. serve as a recording device for several cameras simultaneously.

### Organisation

Since 2016 the business area has been headed by Solmaz Shahmeh. Most of the business area's close to 20 employees are located in Sweden, at the head office in Gothenburg. Since customers are located all over the world, this makes high demands of cooperation with distributors, and that employees travel a lot, as well as a local presence. During the past year, an important office was therefore established in Detroit, USA, as an important hub for both the automotive industry and the research systems developed by Research Instruments.

Relations with European customers are primarily served by employees in

Gothenburg. In Asia, there are distributors in Japan and South Korea, and four in China.

### Customers

The most important customer categories are still the automotive and space industries. The defence and aviation industries are also important, like the academic research world. Newer target groups such as trains and medico-technology are interesting, but are still small in volume terms.

Customers include the US Air Force, Nasa, BMW, Lockheed Martin, Audi, Boeing, Volvo and GM.

### Business partners

To be able to offer the types of advanced eyetracking systems required by these demanding customer categories, Research Instruments will collaborate with system developers and component manufacturers whose products also feature extremely high performance and quality levels. Important business partners are iMotions, VIDIA and NXP. The partnership with iMotions, established in 2017, is particularly significant. Smart Eye's eyetracking system can now be used in iMotions' multimodal research platform and thereby combined with sensors for other physiological signals.

**Today, Research Instruments offers two different eyetracking product series: Smart Eye Pro and Aurora."**

## SHARE OF REVENUE



- Research Instruments
- Applied Solutions

Smart Eye's revenue totalled SEK 43.2 million in 2017 (40.7). 48% (59) of Smart Eye's revenue comes from the Research Instruments business area.



## Important events in 2017

2017 was an intensive year, although unfortunately this is not reflected in the results. Revenue decreased by 14% to SEK 20.8 million (24.1). This reduction is partly due to deferral of orders from a number of customers and the absence in 2017 of the normal positive effect at the close of customers' budget year.

Despite the results, important measures were taken in the business area's sales organisation in 2017, which should have positive effects going forward. The new role of sales engineer has been introduced, and the overall sales organisation has been expanded. By facilitating increased proactivity in the early phases of the sales processes, it will be possible to improve the effectiveness of the entire sales organisation. Research Instruments holds a strong position, particularly in the automotive and space industries. Outside these

industries, brand awareness needs to be strengthened. The Internet is an important information channel and sphere of contact with research organisations and the academic research world, so that during the past year, efforts were made to improve Research Instruments' online presence.

A local market presence improves the business area's international expansion opportunities. In 2017 a local sales office was therefore established in Detroit, USA. The office is now manned by two local employees and an employee previously based in the Gothenburg office. In China, Research Instruments already had three distributors. In 2017, one of these distributor relationships was strengthened and one more was established, in this case with a distributor in Guangzhou province.

## Priorities for 2018

The aim for the coming years is to further expand the product portfolio, primarily in terms of additional third-party collaborations. Geographical expansion is also important, and a prioritised area is Asia-Pacific, which presents particularly attractive opportunities. Relations with existing distributors, in combination with new partnerships, are important in order to create new business opportunities, and measures will be taken to develop and further expand these relations. The work of strengthening brand awareness is continuing and special priority will be given to the digital channels.

# Eyetracking technology for integration in interior vehicle environments

Within the Applied Solutions business area, Smart Eye provides eyetracking algorithms and software for the systems developed by the automotive industry's Tier1 suppliers themselves.

When Smart Eye's customers in the automotive industry in 2012 began to require eyetracking systems for integration in driver monitoring systems for autonomous passenger vehicles, the Applied Solutions business area was established. Today, there is a wider need, and driver monitoring systems are becoming a new safety standard for all passenger vehicles, not just those with partly autonomous functionality. Eyetracking in the interior vehicle environment is also increasingly being used to manage vehicles' infotainment systems. Intensive development projects are also ongoing to combine information from eyetracking sensors with AI, so as to further improve comfort for both drivers and car passengers.

## Offering

Within Applied Solutions, Smart Eye provides eyetracking algorithms and software for the systems developed by the automotive industry's Tier1 suppliers themselves.

In overall terms, Applied Solutions' revenue comes from three types of assignment: Applied Solutions assists Tier1 manufacturers with concept studies, reference structures or the development of prototypes. Applied Solutions achieves a design win (see explanation on page 6 and in this regard is remunerated for project-

specific development and, finally, licence income when car models go into series production.

## Organisation

The business area is headed by Daniel Åman. The business area's around 20 employees are based at the head office in Gothenburg, but travel in order to maintain a strong presence in local markets. In 2017, the Research Instruments business area established an office in Detroit, USA, and the ambition is for this office to also be staffed with Applied Solutions representatives. Partnerships are important in order to further support this international presence, e.g. in Japan.

## Customers

So far, Applied Solutions has achieved 16 design wins to deliver eyetracking technology for various car models.

Three of these concern first-generation eyetracking systems and are for German premium car manufacturers. The other 13 are for a European premium car manufacturer and concern delivery of second-generation eyetracking systems for all car models on a completely new production platform. Smart Eye is prevented by secrecy agreements from disclosing the names of these customers and car models, but series production of the first car model began in 2017 and several are expected to go into series production in 2018.

Customers for which Applied Solutions has assignments in various development projects can usually be named. These include Valeo, Bosch, Aptiv, Osram and Hyundai Mobis.

## Business partners

To be able to offer the types of advanced eyetracking systems required by the automotive industry, Applied Solutions needs to collaborate with system developers and component manufacturers whose products also feature extremely high performance and quality levels. The most important business partners for Applied Solutions are NVIDIA and NXP, and with both of these, Applied Solutions undertook important product development projects in 2017 (see below under "Important events in 2017").

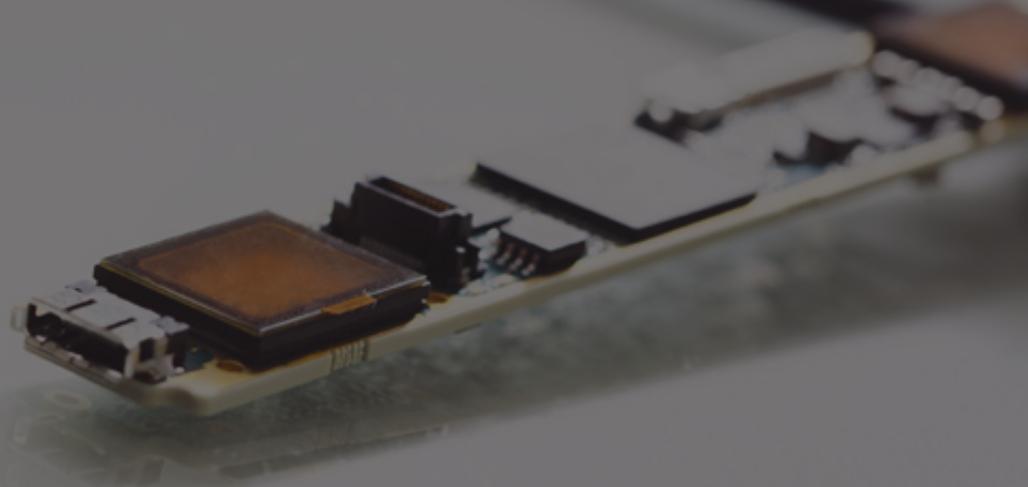
**Eyetracking in the interior vehicle environment is also increasingly being used to manage vehicles "infotainment systems."**

## SHARE OF REVENUE



- Applied Solutions
- Research Instruments

Smart Eye's revenue totalled SEK 43.2 million in 2017 (40.7). 52% (41) of Smart Eye's revenue comes from the Applied Solutions business area.



## Important events in 2017

2017 was a breakthrough year for eyetracking for the passenger vehicle sector. The number of procurement processes initiated during the year increased dramatically. Some of these also resulted in design wins. Smart Eye achieved 14 during the year, of which 13 are for all car models on a completely new production platform.

This progress is also reflected in results. Revenue increased by 35% to SEK 22.4 million (16.6). This increase is primarily attributable to increased revenue from project activities.

A factor contributing to 2017 as a breakthrough year was an announcement by Euro NCAP. This organisation, which is the world's most influential organisation for safety classification of passenger vehicles, announced that, as from 2020, driver monitoring systems will be introduced as a safety classification criterion. This has clearly increased interest in eyetracking, since in practice it is the only driver monitoring method which can live up to NCAP's requirements.

The high level of activity also affected Applied Solutions' activities. Recruitment has been necessary to handle new procurement processes and to deliver on existing assignments.

Within product development work, it is satisfactory that since 2017 Applied Solutions has been able to offer second-generation eyetracking systems, which 13 of the year's design wins also concern. The difference from the first-generation eyetracking system, which in principle was limited to ensuring that the driver was alert about driving, and not falling asleep, is that second-generation systems can also help to manoeuvre the car's internal functions.

Another two development projects can also be mentioned. Smart AI, the world's first smart AI platform for use in interior vehicle environments, was launched during the year. It is developed on NVIDIA's TX2 processor and can handle everything from interior vehicle monitoring to deep learning. It was initially developed for Volvo's Drive Me project, where it is used as a recording unit for up to seven cameras. The other product launch was together with NXP. When Applied Solutions' eyetracking technology is run on NXP's application processor i.MX 8, safety-critical applications, face recognition and high-resolution eyetracking for man-machine interfaces can be achieved simultaneously.

## Priorities 2018

Applied Solutions' geographical expansion will be prioritised. The ambition is to establish a presence in the USA and Asia during 2018. As Applied Solutions achieves continued success in ongoing procurement processes, recruitment in the domestic market will be needed in order to strengthen the organisation.

# Sustainability – an integrated element of Smart Eye’s business model

The eyetracking technology developed by Smart Eye and which is the basis for the company’s activities is designed to save lives, improve safety and increase people’s security. Sustainability is at the heart of Smart Eye’s business model.

Smart Eye was founded to bridge the gap between man and machine. The technical solutions developed by the company understand, simplify and predict human intentions and actions.

## Customers setting high requirements

Smart Eye’s customers are found in the automotive, aviation and space industries, but also in the academic research world. These customer categories make extremely high demands of their suppliers. Smart Eye can meet these customers’ high demands for safety, reliability, quality, durability and delivery capability.

Smart Eye’s technology helps to save lives on the road and in the air. By delivering to research and education environments, Smart Eye is also contributing to deeper knowledge within behavioural science and to a better understanding of human behaviour, e.g. In crisis situations.

## Demand for technical solutions

The technical solutions developed by Smart Eye are considerably more important than the company’s present size would indicate. Smart Eye’s technology is used as part of active driver monitoring systems in cars that will go into series production in 2017. The system discovers whether the vehicle’s driver is inattentive or drowsy and, in this way, can make the driver

more aware. If the driver fails to respond to these impulses, the driver monitoring system can reduce the vehicle’s speed or bring it to a standstill.

During 2017, the potential for, and significance of, these systems were reinforced by Euro NCAP’s announcement that as from 2020, these systems will be included as a requirement in this organisation’s vehicle safety classification. Euro NCAP is the world’s most influential vehicle safety organisation. All of the world’s car manufacturers seek to achieve the best possible ranking in Euro NCAP’s vehicle tests.

## Employees with the competences to make a difference

To be able to develop solutions at the technology’s cutting edge, Smart Eye depends on being able to recruit and retain the best employees. This makes it satisfactory to note that many of the employees who came onboard when the company was founded are still with us. Very few of the employees recruited in recent years have left the company again. By offering an attractive working environment, with good opportunities for growth and development, Smart Eye has been able to attract ambitious engineers, skilled developers and leading researchers. They all have a strong drive, are solution-oriented and interested in both learning from and teaching others.

Smart Eye’s employees have what it takes to make a difference; in-depth knowledge of the interaction between man and machine. They know what is required to measure, describe and interpret reality, and to develop and refine the entire technology chain, from eye to software.

## Internal processes to ensure that the code of conduct is observed.

Besides Smart Eye’s software and systems as such, the company is also active in other ways to ensure that the activities are responsible and sustainable. Internal processes ensure that all employees are aware of and comply with Smart Eye’s code of conduct.

The code of conduct guides employees in important principles for how Smart Eye should act and prioritise its day-to-day activities. Smart Eye is an inclusive workplace, and we show consideration for each other and our environment, but have a zero-tolerance policy concerning corruption. In practice, these standpoints e.g. influence how we prioritise and act in recruitment situations, procurement and customer contact. The code of conduct, in combination with Smart Eye’s corporate culture, contributes to ensuring that all of the company’s activities are characterised by responsibility and sustainability.



Smart Eye's employees have what it takes to make a difference: in-depth knowledge of the interaction between man and machine.

Smart Eye's corporate culture contributes to ensuring that all of the company's activities are characterised by responsibility and sustainability.

# Share

The Smart Eye share has been listed on Nasdaq First North since 7 December 2016. The opening price was SEK 46 per share. The share is classed in the industrial products and services segment and is traded under SEYE. Erik Penser Bank is the company's Certified Adviser and can be contacted on +46 (0)8-463 8000.

During 2017, Smart Eye's shares were traded at a value of SEK 205 million, which on average is equivalent to SEK 0.8 million per day. The number of shares traded in 2016 corresponds to 39% of the average number of outstanding shares.

### Share capital

In conjunction with the listing on Nasdaq First North on 7 December 2016, a new issue took place, which was registered in January 2017. The number of shares after this, and at the end of 2017, was 9,910,892.

After the end of the 2017 financial year, on 22 January 2018, a directed new issue took place. After this, the total number of shares in Smart Eye was 10,901,981.

All shares have the same voting rights and give the same right to a share of the company's assets.

### Incentive programme

At the Annual General Meeting on 17 June 2016, the company decided to arrange an incentive programme for senior executives and personnel. Share subscription could take place from 1 November 2017 up to and including 28 February 2018 at a subscription price of SEK 45 per share. At the end of 28 February 2018, a total of 53,805 shares were subscribed for.

### Dividend policy

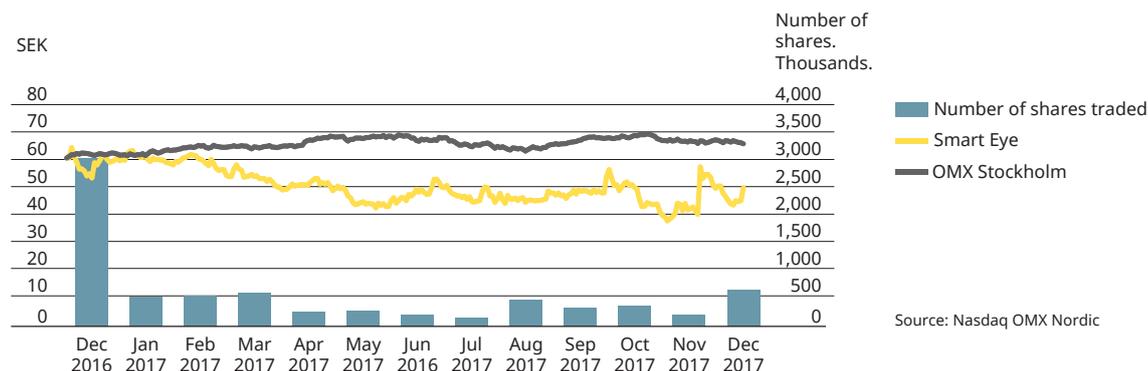
The company is in a development phase and it is planned to re-invest any profit in the development of the

company. The Board of Directors will not propose any dividend distribution. Any distribution will be adopted by the Annual General Meeting as proposed by the Board of Directors.

**49.70** SEK

**CLOSING PRICE  
30 DECEMBER 2017**

### Price development 2016-2017



Source: Nasdaq OMX Nordic

### The ten largest owners

Name	Share of votes and capital, %	Market value, SEKm
Fouriertransform AB	16.04	79.0
Ålandsbanken in owners' place	11.72	57.7
Anders Jöfelt	8.71	42.9
Linda Jöfelt	8.71	42.9
Martin Krantz	7.51	37.0
Stavern Helse Og Forvaltning AS	3.53	17.4
Danica Pension	3.36	16.5
Nordnet Pensionsförsäkring AB	2.86	14.1
JPMEL Stockholm Bransch	2.45	12.1
Tenvik Diagnostik Og Forvaltning AS	2.02	9.9
Other	33.09	163.1
<b>Total</b>	<b>100</b>	<b>492.6</b>

Source: Euroclear Sweden AB at 2017-12-30

### Price development and turnover

SEK	2017	2016 <sup>1</sup>
Closing price, 30 December	SEK 49.70	SEK 60.00
Market value, 30 December	SEK 492.6 m	SEK 594.7 m
Price development during the year	-17.2%	30.4% <sup>2</sup>
Highest price paid	SEK 63.25 (16 Jan)	SEK 70.25 (7 Dec)
Lowest price paid	SEK 36.50 (15 Nov)	SEK 52.50 (21 Dec)

1. Introduction price SEK 46, first trading day 7 December 2016.

2. Price development from listing on 7 December until the year's last trading day on 30 December.

### Share distribution

Shareholding	No. of shareholders	No. of outstanding shares
1-500	1,936	278,892
501-1,000	220	186,665
1,001-2,000	208	472,242
2,001-5,000	31	241,546
5,001-10,000	7	87,876
10,001-20,000	8	148,608
20,001-	38	8 495,063
<b>Total</b>	<b>2,448</b>	<b>9,910,892</b>

Source: Euroclear Sweden AB at 2017-12-30

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# Management Report

The Board of Directors and CEO of Smart Eye AB (publ), 556575-8371, hereby submit the Annual Report for the 2017 financial year. Unless otherwise specified, all amounts are reported in SEK 1,000. Figures in parenthesis concern previous years.

## Information about the company

The company develops and markets camera-based gaze sensors. Measuring eye data is important for, among other applications, vehicle safety approvals, aircraft safety and simulator activities. The most important unique characteristics of the company's sensors are the combination of high flexibility, insensitivity to external light conditions and the opportunity for low costs on mass production. Today the company has two business areas: Research Instruments and Applied Solutions. Within Research Instruments, Smart Eye provides advanced eyetracking systems to measure and analyse human behaviour.

Within Applied Solutions, Smart Eye provides eyetracking software for integration in vehicles.

## Subsidiaries

With regard to the company established in the USA in 2017, Smart Eye International Inc, as from the 3rd quarter the company has presented consolidated accounts. No purchases or sales have taken place with the subsidiary JN-Data AB, which has been inactive during the financial year.

## Income and results

The net revenue for the period from January to December 2017 was TSEK 43,199 (40,743), which is an increase of 6%. The increase is related to increased revenue from project activities within the Applied Solutions business area. The design wins during the year have given, and will continue to give, ongoing project revenue. Within Research Instruments, considerable investments within marketing and sales took place during the year, including the establishment of a new sales office in Detroit, USA. Other operating revenue, mainly related to external research projects, amounted to TSEK 1,684 (816). Capitalised work for own account amounted to TSEK 15,722 (13,990) for the period. The Group's total revenue amounted to TSEK 60,605 (55,549) for the period. The operating profit for January to December amounted to TSEK -41,463 (-11,159). The change in the result is mainly attributable to the adopted expansion, with an increase in the number of new staff recruitments, as well as geographical expansion. The net revenue of the Applied Solutions business area for the period from January to December was TSEK 22,442, compared with TSEK 16,602 for the equivalent period of 2016. This corresponds to an increase of 35%. The increase is related to gradual increases in project income. The net revenue of the Research Instruments business area for the period from January to December was TSEK 20,757, compared with TSEK 24,141 for the equivalent period of 2016.

## Cash flow and financial position

At the end of the year, the company had a non-utilised overdraft facility of MSEK 7 (7) and liquid assets amounting to TSEK 10,262 (62,088). Solvency amounted to 73% at the end of the year, compared with 83% for the same period of the previous year.

Cash flow from current operations before the changes in working capital amounted to TSEK -30,940 (-5,179) for the January–December period. In the same period, the cash flow after changes in working capital amounted to SEK -19,330 (-22,533).

## Significant events during the financial year

At the beginning of the year, Smart Eye was commissioned to deliver a camera logger system for Volvo's Drive Me project. Later in the year, this resulted in the launch of a new product, Smart AI, which is an embedded computer unit that can handle everything from monitoring the vehicle interior to deep learning in the vehicle.

After the summer, Anders Lyrheden came onboard as new CFO. During the year, the management team was also supplemented with Henrik Lind, new CRO.

In August, a design win was achieved concerning software for a driver monitoring system for a German premium car manufacturer. The car model is expected to be put into production during 2019.

During the autumn it was announced that Smart Eye has established a strategic partnership with iMotions. Both of Research Instruments' eyetracking systems, Smart Eye Pro and Aurora, have been integrated in iMotions' multimodal biometric research platform.

In December, 13 design wins were achieved concerning second-generation eyetracking systems for a European premium car manufacturer. The procurement concerned all car models on a new production platform. Delivery of the first car models is expected to commence in mid-2019.

During the year a sales office was established in the USA, targeted at the North American market. Smart Eye International Inc was established and recruitment of staff is under way. The office in Gothenburg moved to larger new premises, to allow for the staff expansion.

## Significant events after the close of the financial year

After the close of the period, the company undertook a directed new issue for MSEK 43.6, in order to strengthen the company's financial position and provide for continued expansion. In total, 991,089 new shares were issued, which entailed dilution by around 9.1% in relation to the total number of shares and capital after the issue.

In the option programme which expired on 28 February 2018, a total of 53,805 shares were subscribed for, which at an exercise price of SEK 45/share contributed new capital of MSEK 2.4 to the company.

## Future development and significant risks and uncertainty factors

### Operative risks

There are risk factors in the operative activities that can have a negative impact on the company's commercial and financial position.

The ability to retain the current personnel, and also to recruit new personnel, is vital to the company's future development. If key personnel leave Smart Eye, or the company is unable to attract qualified personnel, this can have a negative impact on the company's activities.

Delays in the company's development work, or the inability to keep up with the technical development, may reduce or eliminate the company's competitiveness.

Quality failures in products delivered by Smart Eye might lead to indemnification claims against the company. There is also a risk that product quality failures might reduce demand for the company's products.

Smart Eye's intangible assets are of great importance to its activities. If Smart Eye failed to protect its intangible assets, other parties might manage to develop activities similar to the company's, or copy or otherwise utilise the technology and products used and developed by Smart Eye. If Smart Eye's efforts to protect its intangible assets proved to be inadequate, or if its assets were misused, this might affect the company's activities. Smart Eye might also be obliged to initiate legal proceedings in order to protect its intangible assets and business secrets.

These processes might lead to significant costs, and require the company's senior executives to spend time on them.

#### Financial risks

The company is financed with share capital and loans. If the company fails to generate revenue on the scale and in the time perspective deemed necessary by the Board of Directors, further capital requirements may arise.

As sales increase, the company is subject to increased currency exposure, since most of the company's sales take place in another currency than Swedish kronor.

#### Market risks

Eyetracking is an emerging technology in which the company's products are used for behavioural analysis. There is a risk of declining interest in using eyetracking for behavioural analysis, which could have a negative impact on Smart Eye's sales. Smart Eye's objective is to provide eyetracking to the automotive industry, which is based on how vehicle manufacturers integrate eyetracking into safety functions and autonomous driving functions in coming new car models. There is a risk that the automotive industry introduces eyetracking more slowly than expected by the company. There is also a risk that eyetracking, and the functions which this technology makes possible, is not appreciated by consumers, with a resulting decline in the automotive industry's interest in the technology and thereby in Smart Eye's products. In summary, delayed or failed introduction of eyetracking in the automotive industry could entail the risk of a lower growth rate, or a complete lack of growth opportunities for Smart Eye, with a resulting negative impact on the company's activities.

#### Proposed allocation of profit

The following profit is available for distribution by the Annual General Meeting:

Retained earnings	64,085,851
Loss for the year	-41,896,294
	<b>22,189,557</b>

The Board of Directors proposes that the profit be carried forward to the next financial year

Carried forward	22,189,557
	<b>22,189,557</b>

#### CORPORATE GOVERNANCE

The company seeks to ensure a high standard of corporate governance through simple and transparent management systems and governance documents. Corporate governance at Smart Eye AB is based on Swedish legislation, primarily the Swedish Companies Act, the Swedish Annual Accounts Act, and the Rule Book for Issuers on Nasdaq First North.

#### Tasks of the Board of Directors

The primary task of the Board of Directors is to manage the company's activities for the account of the shareholders so as to fulfil the shareholders' interest in sound long-term capital returns in the best possible way. The work of the Board of Directors is governed by, among other things, the Swedish Companies Act, the Articles of Association and the rules of procedure adopted by the Board of Directors. The rules of procedure of the Board of Directors with instructions for the CEO and reporting instructions are updated and adopted on an annual basis. The rules of procedure describe how the Board of Directors works and is based, among other things, on an annual cycle. Each meeting of the Board of Directors has one or several topics. The Board of Directors also considers any current matters arising.

#### Work of the Board of Directors in 2017

In 2017 the Board of Directors held ten minuted meetings, of which one was a meeting to appoint officers and three were extra meetings. The work is led by the Chairman of the Board of Directors, who holds particular responsibility for ensuring that the work of the Board of Directors is well-organised and is operated effectively. The task of the Chairman of the Board of Directors also includes close ongoing contact with the company's CEO.

## Five-Year Overview 2013–2017

		2017	2016	2015	2014	2013
Net revenue	TSEK	43,199	40,743	37,572	33,262	17,319
Operating costs	TSEK	102,068	66,708	50,358	37,396	33,198
Operating profit/loss	TSEK	-41,463	-11,159	-2,568	3,164	-9,494
Operating margin	%	neg.	neg.	neg.	9,5	neg.
Profit after tax	TSEK	-41,896	-12,403	-3,863	2,249	-10,319
Profit per share*	SEK	neg.	neg.	neg.	0	neg.
Profit per share after full dilution*	SEK	neg.	neg.	neg.	0	neg.
Return on total capital	%	neg.	neg.	neg.	5,4	neg.
Total assets	TSEK	101,053	139,475	51,369	41,708	35,388
Equity	TSEK	73,408	115,312	12,927	16,790	14,493
Equity per share*	SEK	7,41	14,13	1,9	2,47	2,13
Equity per share after full dilution*	SEK	7,41	13,71	1,8	2,47	2,13
Equity ratio	%	73	83	25	40	41
Cash liquidity	%	135	520	57	65	116
Number of shares*		9,910,892	8,160,892	6,817,842	6,817,842	6,817,842
Number of shares after full dilution*		9,910,892	8,410,892	7,052,842	7,052,842	7,052,842

\* Does not include shares from the new issue before the listing on Nasdaq First North.

2017 presents consolidated figures, as this is the first year that consolidated financial statements are presented. Figures for earlier years concern the parent company.

Definitions of key ratios are presented in Note 1.

## GROUP

## Statement of Income

GROUP	Note	2017	2016
<b>Operating revenue</b>			
Net revenue	3	43,199	40,743
Capitalised work for own account	4	15,722	13,990
Other operating revenue		1,684	816
<b>Total operating revenue</b>		<b>60,605</b>	<b>55,549</b>
<b>Operating costs</b>			
Other external costs	5, 6, 7	-40,794	-23,154
Personnel costs	8, 9	-50,318	-36,331
Depreciation and write-down of tangible and intangible assets	4, 13	-10,956	-7,223
<b>Total operating costs</b>		<b>-102,068</b>	<b>-66,708</b>
<b>Operating profit/loss</b>		<b>-41,463</b>	<b>-11,159</b>
<b>Result of financial items</b>			
Other interest income and similar items		15	0
Interest costs and similar items		-448	-1,243
<b>Total result of financial items</b>		<b>-433</b>	<b>-1,243</b>
<b>Result after financial items</b>		<b>-41,896</b>	<b>-12,403</b>
Tax on the result for the year	10	0	0
<b>Profit/loss for the year</b>		<b>-41,896</b>	<b>-12,403</b>

## GROUP

# Balance Sheet

GROUP	Note	2017-12-31	2016-12-31
<b>Assets</b>			
<b>Fixed assets</b>			
<i>Intangible assets</i>			
Capitalised development expenditure	4	63,089	47,899
Concessions, patents, licences, trademarks and similar rights		359	380
		<b>63,448</b>	<b>48,279</b>
<i>Tangible assets</i>			
Fixtures, tools and installations	13	5,150	713
<i>Financial assets</i>			
Shares in Group companies	11	0	371
Shares in associated companies	12	25	25
<b>Total fixed assets</b>		<b>68,623</b>	<b>49,388</b>
<b>Current assets</b>			
<i>Inventories, etc.</i>			
Raw materials and consumables		<b>2,959</b>	2,985
<i>Current receivables</i>			
Trade receivables		13,931	9,696
Receivables from Group companies		0	0
Current tax receivables		370	525
Other current receivables	14	1,741	11,841
Prepaid expenses and accrued income	15	3,167	2,953
		<b>19,209</b>	<b>25,014</b>
Cash and cash equivalents		10,262	62,088
<b>Total current assets</b>		<b>32,429</b>	<b>90,087</b>
<b>Total assets</b>		<b>101,053</b>	<b>139,475</b>

Cont. >>

## GROUP

### >> Balance Sheet cont.

GROUP	Note	2017-12-31	2016-12-31
<b>Equity and liabilities</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital		991	816
Share premium fund		21,914	21,914
Fund for development costs		28,314	13,990
		<b>51,219</b>	<b>36,720</b>
<i>Unrestricted equity</i>			
Share premium fund		139,737	139,912
Conversion difference		-8	—
Retained profit or loss		-75,644	-48,917
Profit/loss for the year		-41,896	-12,403
		<b>22,189</b>	<b>78,592</b>
<b>Total equity</b>		<b>73,408</b>	<b>115,312</b>
<b>Non-current liabilities</b>			
Other debt to credit institutions	16, 18	5,667	7,500
Other non-current liabilities		0	0
<b>Total non-current liabilities</b>		<b>5,667</b>	<b>7,500</b>
<b>Current liabilities</b>			
Advance payments from customers		0	1,471
Trade payables		7,828	5,067
Debt to Group companies		0	380
Other current debt		1,481	733
Accrued expenses and prepaid income	17	10,669	8,512
Other debt to credit institutions	16, 18	2,000	500
		<b>21,978</b>	<b>16,663</b>
<b>Total equity and liabilities</b>		<b>101,053</b>	<b>139,475</b>

## GROUP

# Equity

GROUP	Share capital	Share premium fund (restricted)	Fund for development costs (restricted)	Share premium fund (unrestricted)	Other unrestricted equity	Total equity
<b>Opening balance 2016-01-01</b>	<b>681,784</b>	<b>21,913,575</b>	—	<b>25,259,042</b>	<b>-34,927,092</b>	<b>12,927,309</b>
New issue	134,305			37,213,096		37,347,401
Ongoing new issue, subscribed and paid in, not registered	0			77,090,000		77,090,000
Warrants 2016				350,000		350,000
Fund for development costs			13,990,292		-13,990,292	
Profit/loss for the year					-12,402,545	-12,402,545
<b>Equity 2016-12-31</b>	<b>816,089</b>	<b>21,913,575</b>	<b>13,990,292</b>	<b>139,912,138</b>	<b>-61,319,929</b>	<b>115,312,165</b>
<b>Opening balance 2017-01-01</b>	<b>816,089</b>	<b>21,913,575</b>	<b>13,990,292</b>	<b>139,912,138</b>	<b>-61,319,929</b>	<b>115,312,165</b>
New issue						
Ongoing new issue, registered	175,000			-175,000		
Fund for development costs			14,323,358		-14,323,358	
Conversion difference					-8,000	-8,000
Profit/loss for the year					-41,896,294	-41,896,294
<b>Equity 2017-12-31</b>	<b>991,089</b>	<b>21,913,575</b>	<b>28,313,650</b>	<b>139,737,138</b>	<b>-117,547,581</b>	<b>73,407,871</b>

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

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

## GROUP

## Cash Flow Analysis

GROUP	2017-12-31	2016-12-31
<b>Current activities</b>		
Operating profit after depreciation	-41,463	-11,159
Reversal of depreciation	10,956	7,223
Financial payments received	15	0
Financial disbursements	-448	-1,243
Tax	0	0
<b>Change in operating capital</b>		
Change in stocks	26	-1,020
Change in trade receivables	-4,235	-2,885
Change in other current receivables*	10,041	-13,017
Change in trade payables	2,761	846
Change in other current liabilities	3,017	-1,277
<b>Cash flow, current activities</b>	<b>-19,330</b>	<b>-22,533</b>
<b>Investment activities</b>		
Intangible assets	-25,191	-16,636
Tangible assets	-5,374	-324
Financial assets	-90	-25
<b>Cash flow, investment activities</b>	<b>-30,655</b>	<b>-16,986</b>
<b>Financing activities</b>		
New issue*	0	114,787
Distribution		
Non-current liabilities	-1,833	-13,767
Conversion difference	-8	
<b>Cash flow, financing activities</b>	<b>-1,841</b>	<b>101,021</b>
<b>Cash flow</b>	<b>-51,826</b>	<b>61,503</b>
Opening cash and cash equivalents	62,088	585
<b>Closing cash and cash equivalents</b>	<b>10,262</b>	<b>62,088</b>

\* Short-term receivables and new issue include a receivable from Erik Penser Bank AB totalling SEK 10.8 million for the element of the new issue from December 2016 not yet paid to the company.

## Parent company

# Statement of Income

PARENT COMPANY	Note	2017	2016
<b>Operating revenue</b>			
Net revenue	3	43,199	40,743
Capitalised work for own account	4	15,722	13,990
Other operating revenue		1,683	816
<b>Total operating revenue</b>		<b>60,604</b>	<b>55,549</b>
<b>Operating costs</b>			
Other external costs	5, 6, 7	-40,824	-23,154
Personnel costs	8, 9	-50,378	-36,331
Depreciation and write-down of tangible and intangible assets	4, 13	-10,956	-7,223
<b>Total operating costs</b>		<b>-102,158</b>	<b>-66,708</b>
<b>Operating profit/loss</b>		<b>-41,553</b>	<b>-11,159</b>
<b>Result of financial items</b>			
Other interest income and similar items		15	0
Interest costs and similar items		-448	-1,243
<b>Total result of financial items</b>		<b>-434</b>	<b>-1,243</b>
<b>Result after financial items</b>		<b>-41,987</b>	<b>-12,403</b>
Tax on the result for the year	10	0	0
<b>Profit/loss for the year</b>		<b>-41,987</b>	<b>-12,403</b>

## Parent company

## Balance Sheet

PARENT COMPANY	Note	2017-12-31	2016-12-31
<b>Assets</b>			
<b>Fixed assets</b>			
<i>Intangible assets</i>			
Capitalised development expenditure	4	63,089	47,899
Concessions, patents, licences, trademarks and similar rights		359	380
		<b>63,448</b>	<b>48,279</b>
<i>Tangible assets</i>			
Fixtures, tools and installations	13	5,150	713
<i>Financial assets</i>			
Shares in Group companies	11	461	371
Shares in associated companies	12	25	25
<b>Total fixed assets</b>		<b>69,084</b>	<b>49,388</b>
<b>Current assets</b>			
<i>Inventories, etc.</i>			
Raw materials and consumables		2,959	2,985
<i>Current receivables</i>			
Trade receivables		13,931	9,696
Receivables from Group companies		0	0
Current tax receivables		370	525
Other current receivables	14	1,741	11,841
Prepaid expenses and accrued income	15	3,167	2,953
		<b>19,209</b>	<b>25,014</b>
Cash and cash equivalents		9,733	62,088
<b>Total current assets</b>		<b>31,901</b>	<b>90,087</b>
<b>Total assets</b>		<b>100,985</b>	<b>139,475</b>

Cont. &gt;&gt;

## >> Balance Sheet cont.

PARENT COMPANY	Note	2017-12-31	2016-12-31
<b>Equity and liabilities</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital		991	816
Share premium fund		21,914	21,914
Fund for development costs		28,314	13,990
		<b>51,219</b>	<b>36,720</b>
<i>Unrestricted equity</i>			
Share premium fund		139,737	139,912
Retained profit or loss		-75,644	-48,917
Profit/loss for the year		-41,987	-12,403
		<b>22,106</b>	<b>78,592</b>
<b>Total equity</b>		<b>73,325</b>	<b>115,312</b>
<b>Non-current liabilities</b>			
Other debt to credit institutions	16, 18	5,667	7,500
Other non-current liabilities		0	0
<b>Total non-current liabilities</b>		<b>5,667</b>	<b>7,500</b>
<b>Current liabilities</b>			
Advance payments from customers		0	1,471
Trade payables		7,821	5,067
Overdraft facility		0	0
Debt to Group companies		493	380
Other current debt		1,020	733
Accrued expenses and prepaid income	17	10,659	8,512
Other debt to credit institutions	16, 18	2,000	500
		<b>21,993</b>	<b>16,663</b>
<b>Total equity and liabilities</b>		<b>100,985</b>	<b>139,475</b>

## Parent company

## Equity

<b>MODERBOLAGET</b>	Share capital	Share premium fund (restricted)	Fund for development costs (restricted)	Share premium fund (unrestricted)	Other unrestricted equity	<b>Total equity</b>
<b>Opening balance 2016-01-01</b>	<b>681,784</b>	<b>21,913,575</b>	—	<b>25,259,042</b>	<b>-34,927,092</b>	<b>12,927,309</b>
New issue	134,305			37,213,096		37,347,401
Ongoing new issue, subscribed and paid in, not registered				77,090,000		77,090,000
Warrants 2016				350,000		350,000
Fund for development costs			13,990,292		-13,990,292	
Profit/loss for the year					-12,402,545	-12,402,545
<b>Equity 2016-12-31</b>	<b>816,089</b>	<b>21,913,575</b>	<b>13,990,292</b>	<b>139,912,138</b>	<b>-61,319,929</b>	<b>115,312,165</b>
<b>Opening balance 2017-01-01</b>	<b>816,089</b>	<b>21,913,575</b>	<b>13,990,292</b>	<b>139,912,138</b>	<b>-61,319,929</b>	<b>115,312,165</b>
New issue						
Ongoing new issue, registered	175,000			-175,000		
Fund for development costs			14,323,358		-14,323,358	
Profit/loss for the year					-41,987,394	-41,987,394
<b>Equity 2017-12-31</b>	<b>991,089</b>	<b>21,913,575</b>	<b>28,313,650</b>	<b>139,737,138</b>	<b>-117,630,681</b>	<b>73,324,771</b>

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

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

## Parent company

# Cash Flow Analysis

PARENT COMPANY	2017-12-31	2016-12-31
<b>Current activities</b>		
Operating profit after depreciation	-41,553	-11,159
Reversal of depreciation	10,956	7,223
Financial payments received	15	0
Financial disbursements	-448	-1,243
Tax	0	0
<b>Change in operating capital</b>		
Change in stocks	26	-1,020
Change in trade receivables	-4,235	-2,885
Change in other current receivables	10,041	-13,017
Change in trade payables	2,754	846
Change in other current liabilities	2,577	-1,277
<b>Cash flow, current activities</b>	<b>-19,867</b>	<b>-22,533</b>
<b>Investment activities</b>		
Intangible assets	-25,191	-16,636
Tangible assets	-5,374	-324
Financial assets	-90	-25
<b>Cash flow, investment activities</b>	<b>-30,655</b>	<b>-16,986</b>
<b>Financing activities</b>		
New issue	0	114,787
Distribution		
Non-current liabilities	-1,833	-13,767
<b>Cash flow, financing activities</b>	<b>-1,833</b>	<b>101,021</b>
<b>Cash flow</b>	<b>-52,355</b>	<b>61,503</b>
Opening cash and cash equivalents	62,088	585
<b>Closing cash and cash equivalents</b>	<b>9,733</b>	<b>62,088</b>

# Notes

## NOTE 1 Accounting policies and valuation principles

The company applies the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's recommendation BFNAR 2012:1 Annual accounts and consolidated accounts (K3). The accounting policies are unchanged from the previous year.

### Foreign currencies

Monetary asset and liability items in foreign currencies are measured at the exchange rate on the balance sheet date. Transactions in foreign currencies are translated at the spot rate on the transaction date.

### Income

#### Goods

Sales of goods are recognised when the significant risks and benefits are transferred from the seller to the buyer in accordance with the terms of sale. Sales are recognised after deductions for VAT, discounts and exchange-rate differences for sales in foreign currencies. System income for which there are non-delivered components that are a condition for the functionality of the system is recognised as income when these components are delivered.

#### Service assignments

For service assignments at current prices the income attributable to a completed service assignment is recognised as income in step with the completion of the work and the delivery or use of the material.

### Income tax

#### Current tax

Current tax is measured based on the tax rates and tax rules on the balance sheet date. Deferred tax is measured based on the tax rates and tax rules decided prior to the balance sheet date.

Deferred tax liabilities concerning temporary differences that are related to investments in subsidiaries are not recognised in the consolidated accounts as the parent company may in all cases determine the time of reversal of the temporary differences, and it is not deemed to be probable that reversal will take place in the foreseeable future.

#### Deferred tax

Deferred tax assets relating to loss carryforwards or other future tax deductions are recognised to the extent that it is likely that the loss carryforwards can be settled against surpluses in conjunction with future taxation.

Net recognition of receivables and debt only takes place when there is a legal right of set-off. Current tax, like the change in deferred tax, is recognised in the income statement unless the tax is attributable to an event or transaction that is recognised directly to equity.

### Leasing agreements

All leasing agreements for which the company is the lessee are recognised as operating leases (rental agreements), regardless of whether the leases are financial or operating. Leasing fees under operating leases, including higher first-time rent, but excluding expenses for insurance and maintenance, are recognised as

expenses on a straight-line basis over the leasing period.

### Employee benefits

Employee benefits in the form of salaries, holiday pay, paid sick leave, etc., as well as pensions, are recognised as they are earned. The company only has defined-contribution pension plans. There are no other long-term employee benefits.

#### Defined-contribution pension plans

Under defined-contribution pension plans, the company pays fixed contributions to a separate independent legal entity and does not have any obligation to pay additional contributions. The company's earnings are charged with expenses as the benefits are earned, which normally corresponds to the time when the premium is paid.

### Intangible assets

Intangible assets are recognised at acquisition value, with deduction of accumulated amortisation and any impairment. Acquisition value includes costs directly attributable to the acquisition of the asset.

Intangible assets are written off on a straight-line basis over the asset's estimated useful life. Straight-line depreciation is applied. Amortisation is recognised as a cost in the statement of income.

#### Development work

Development costs are capitalised if the project is assumed to be of significant future value to the company. Capitalisation concerns development costs for a specific application and which are clearly delineated for the project.

#### The following amortisation term is applied:

Capitalised development expenditure	10 years
-------------------------------------	----------

### Property, plant and equipment

*Property, plant and equipment are recognised at cost less accumulated depreciation and any write-downs.*

Acquisition value includes costs directly attributable to the acquisition of the asset.

Additional expenses concerning assets that are not divided into components are added to the acquisition value if they are estimated to give the company future economic benefits, to the extent that the asset's performance increases in relation to the asset's value on the acquisition date. Costs of ongoing repair and maintenance are recognised as costs.

Tangible assets are written off on a straight-line basis over the asset's estimated useful life. Any residual value of the asset is taken into account on determining the assets' depreciable amounts. Straight-line depreciation is applied. Depreciation is recognised as a cost in the statement of income.

#### The following depreciation terms are applied:

Fixtures and tools	5 years
Computers	5 years

If an asset's carrying amount exceeds its estimated recoverable amount, the asset is immediately written down to its recoverable amount.

### Financial instruments

Financial instruments recognised in the balance sheet include trade receivables, other receivables, trade payables and loans. The instruments are recognised in the balance sheet when the company becomes party to the contractual terms of the instrument.

Financial assets are derecognised from the balance sheet when the right to receive cash flows from the instrument has expired or has been transferred, and the company has transferred essentially all risks and benefits connected with the right of ownership. Financial liabilities are derecognised from the balance sheet when the obligations in the contract are met or otherwise lapse.

#### *Trade receivables and other receivables*

Receivables are recognised as current assets, with the exception of items falling due more than 12 months after the balance sheet date, which are classified as fixed assets. Receivables are recognised at the amount at which they are expected to be received less individually assessed doubtful receivables.

#### *Loans and trade payables*

Loans and trade payables are initially recognised at acquisition value after deduction of transaction costs. If the recognised amount differs from the amount to be repaid on the due date, the difference is accrued as an interest cost or interest income over the lifetime of the loan. This means that as of the due date the recognised amount corresponds to the amount to be repaid.

#### *Interests in subsidiaries and associates*

Interests in subsidiaries are recognised at acquisition value after deductions for any write-downs. Interests in associates are recognised at acquisition value after deductions for any write-downs.

### Inventories

Inventories are measured at the lower of cost and net realisable value on the balance sheet date. Cost is calculated according to the first-in, first-out (FIFO) principle. Net sales value is the sales value after deductions for calculated costs that can be attributed directly to the sales transaction.

### Provisions

A provision is recognised in the balance sheet when the company has a formal or informal obligation due to an event that has occurred, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

### Cash flow analysis

The cash flow analysis presents the changes in the company's cash and cash equivalents during the financial year. The cash flow analysis is prepared according to the indirect method. The recognised cash flow solely includes transactions that involve cash payments and disbursements.

### Definitions of key ratios

#### *Net revenue increase*

The percentage net increase in revenue compared to an earlier period. The company believes that this key ratio gives a better understanding of the company's growth.

#### *Operating profit/loss*

Profit/loss before financial items, costs and tax.

#### *Operating margin*

Operating profit as a ratio of net operating revenue.

#### *Liquidity ratio*

Current assets excluding inventories and work in progress as a ratio of current liabilities.

#### *Equity ratio*

Equity and untaxed reserves (less deferred tax) as a ratio of total assets.

#### *Return on total capital*

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

#### *Earnings per share*

Profit for the period divided by the number of outstanding shares at the end of the period.

#### *Equity per share*

Equity divided by the number of shares at the end of the period.

#### *Dividend per share*

The amount distributed for the period divided by the number of outstanding shares at the time of distribution.

#### *Employees*

Number of employees at the end of the period.

## NOTE 2 Estimates and assessments

No assessments or estimates have been made that have a significant effect on the amounts recognised in the financial statements or that would entail a significant risk of a material adjustment of the carrying amounts for assets and liabilities in the next financial year.

## NOTE 3 Net revenue per business segment

	2017	2016
Research Instruments	20,757	24,181
Applied Solutions	22,442	16,562
<b>Totalt</b>	<b>43,199</b>	<b>40,743</b>

**NOTE 4 Capitalised development expenditure**

	2017-12-31	2016-12-31
Opening acquisition value	89,018	72,782
Capitalised expenses for the year	25,128	16,236
Disposals	-1,151	
Closing accumulated acquisition value	112,995	89,018
Opening depreciation	-41,119	-34,407
Depreciation for the year	-9,226	-6,712
Disposals	439	
Closing accumulated depreciation	-49,906	-41,119
Closing residual value according to plan	63,089	47,899

**NOTE 5 Operating leases**

Future minimum lease charges to be paid concerning non-cancellable leases.

	2017-12-31	2016-12-31
Falling due for payment within one year	5,324	3,917
Falling due for payment later than one year, but within five years	16,568	17,130
Falling due for payment later than five years	0	1,039
	21,892	22,086
Lease charges carried as costs during the period	5,004	1,682

**NOTE 6 Audit fees and remuneration**

	2017	2016
PWC AB		
Auditing		110
Other services		21
<b>Total audit fees and remuneration</b>		<b>131</b>

Auditing concerns the auditor's remuneration for the statutory audit. This work includes review of the annual accounts and book-keeping, the management by the Board of Directors and CEO, and audit advisory fees in conjunction with auditing.

**NOTE 7 Transactions with related parties**

There were no transactions with related parties during the year.

**NOTE 8 Personnel**

	2017	2016
<b>Average number of employees</b>		
Women	11	6
Men	43	36
<b>Total</b>	<b>54</b>	<b>42</b>

**Board members and senior executives**

Number of Board members on the balance sheet date		
Men	6	5
Women	0	0
<b>Total</b>	<b>6</b>	<b>5</b>

**Number of CEOs and other senior executives**

Men	5	4
Women	1	2
<b>Total</b>	<b>6</b>	<b>6</b>

## Salaries, fees and other remuneration

Board of Directors	2017		2016	
	Fees	Other remuneration	Fees	Other remuneration
Anders Jöfelt, Chairman of the Board of Directors	129	—	—	—
Lars Olofsson, Board Member	129	—	—	—
Mats Krantz, Board Member* and CEO	129	—	—	—
Staffan Hansson, Board Member	129	—	58	—
Magnus Jonsson, Board Member	129	—	58	—
Per Aniansson, Board Member	—	—	—	—
<b>Total</b>	<b>645</b>	<b>0</b>	<b>117</b>	<b>0</b>

\* Martin Krantz resigned from the Board of Directors on 28 October 2016.

## Salaries, fees and other remuneration

	2017	2016
Board of Directors	645	117
CEO	1,313	1,044
Other senior executives	4,020	3,323
Other employees	25,829	21,657
<b>Total</b>	<b>31,807</b>	<b>26,141</b>

## Social security expenses and pensions

	2017	2016
Statutory and contractual social security expenses	8,785	6,967
Pension costs:	4,556	2,668
<b>Pensions</b>		
Of which for the CEO	0	0
Of which for other senior executives	583	393
Of which for other employees	3,973	2,275
<b>Total</b>	<b>17,897</b>	<b>9,635</b>

## Salaries and remuneration for the CEO and other senior executives

	Salaries		Pension costs		Social security expenses		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
CEO	1,313	1,044	0	0	413	328	1,726	1,372
Other senior executives	4,020	3,323	583	393	1,263	1,044	5,866	4,760
<b>Total</b>							<b>7,592</b>	<b>6,132</b>

The CEO is subject to six months' mutual notice of termination. On notice of termination by the company, the CEO is not entitled to any severance payment. No agreements concerning severance payments have been made with the company's other employees.

## NOTE 9 Share-based payments

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

## NOTE 10 Income tax

	2017	2016
Current tax	0	0
Deferred tax	0	0
	<b>0</b>	<b>0</b>
<b>Reconciliation of tax expense</b>		
Tax according to the current tax rate (22%)	-9,217	-2,728
Tax effect of non-deductible expenses	34	63
Tax effect of non-deductible income	—	0
Tax effect of unrecognised loss carryforwards	-19,160	-9,977
<b>Recognised tax expense</b>	<b>0</b>	<b>0</b>

Unrecognised loss carryforwards amount to 87,185 (45,353).

## NOTE 11 Interests in Group companies

	2017-12-31	2016-12-31	Group	Org. no.	Domicile	Capital share (%)
Opening acquisition value	371	371	JN Data AB	556563-7849	Göteborg	100
Change during the year	90	0	Smart Eye International Inc.	6303763	Delaware	100
Closing accumulated acquisition value	461	371				
Closing residual value according to plan	461	371				

Parent company	Org. no.	Number of shares	Capital share (%)	Voting share (%)	Book value 2017-12-31	Book value 2016-12-31
JN Data AB	556563-7849	1,000	100	100	371	371
Smart Eye International Inc.	6303763		100	100	90	0
<b>Total</b>					<b>461</b>	<b>371</b>

## NOTE 12 Interests in associates

	Org. no.	Domicile	Capital share (%)	Voting share (%)	Book value 2017-12-31	Book value 2016-12-31
Neoeeye AB	559059-9824	Stockholm	50	50	25	25
<b>Total</b>					<b>25</b>	<b>25</b>

## NOTE 13 Fixtures, tools and installations

	2017-12-31	2016-12-31
Opening acquisition value	3,138	2,814
Changes during the year		
- Purchases	5,374	324
Closing accumulated acquisition value	8,512	3,139
Opening depreciation	-2,426	-2,136
Changes during the year		
- Depreciation	-936	-290
Closing accumulated depreciation	-3,362	-2,426
Closing value according to plan	5,150	713

## NOTE 14 Other current receivables

	2017-12-31	2016-12-31
Tax account	0	0
VAT account	1,362	1,012
New issue subscribed for, but not paid-up	0	10,828
Other current receivables	379	0
<b>Total other current receivables</b>	<b>1,741</b>	<b>11,841</b>

#### NOTE 15 Prepaid expenses and accrued income

	2017-12-31	2016-12-31
Prepaid rent	0	129
Accrued income and ongoing contribution project	1,362	2,334
Other prepaid expenses	0	490
<b>Total prepaid expenses and accrued income</b>	<b>1,362</b>	<b>2,954</b>

#### NOTE 17 Accrued expenses and prepaid income

	2017-12-31	2016-12-31
Accrued salaries and holiday pay	4,332	4,135
Accrued social security expenses	2,165	1,864
Accrued expenses	2,812	1,625
Accrued interest costs	0	0
Other items	1,350	888
<b>Total accrued expenses and prepaid income</b>	<b>10,659</b>	<b>8,512</b>

#### NOTE 16 Debt to credit institutions

	2017-12-31	2016-12-31
Falling due within one year after the balance sheet date	2,000	500
Falling due between one year and five years after the balance sheet date	5,667	7,500
Falling due later than five years after the balance sheet date	—	—
<b>Total debt to credit institutions</b>	<b>7,667</b>	<b>8,000</b>

#### NOTE 18 Current receivables and contingents

	2017-12-31	2016-12-31
<b>For own provisions and debt</b>		
Floating charges	15,000	15,000
<b>Total security pledges</b>	<b>15,000</b>	<b>15,000</b>
Contingents	None	None

The Income Statement and Balance Sheet will be submitted for adoption by the Annual General Meeting on 25 April 2018.

Gothenburg, 28 March 2018

Martin Krantz  
CEO

Mats Krantz  
Chairman

Staffan Hansson

Mikael Johansson

Anders Jöfelt

Lars Olofsson

Magnus Jonsson

our audit report was submitted on 28 March 2018.  
Öhrlings Pricewaterhouse Coopers AB

Magnus Götenfelt  
Authorised Public Accountant

# Auditor's report

To the general meeting of the shareholders of Smarteye AB (publ), corporate identity 556575-8371

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Smarteye AB (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 20–39 in this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Other Information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises page 1–19.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially

inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

#### **Report on other legal and regulatory requirements**

##### *Opinions*

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Smareye AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

##### *Basis for Opinions*

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

##### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's

organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

##### *Auditor's responsibility*

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

Gothenburg March 28th 2018  
Öhrlings PricewaterhouseCoopers AB

Magnus Götenfelt  
Authorized Public Accountant

# Board of Directors



**ANDERS JÖFELT**

**Member of the Board of Directors since:** 2012

**Born:** 1975.

**Educational background:** MSc, Computer Engineering, Lund University's Faculty of Engineering.

**Other appointments:** None.

**Previous appointments during the last five years:** None.

**Holdings:** 863 433 aktier.

**MAGNUS JONSSON**

**Member of the Board of Directors since:** 2014

**Born:** 1956.

**Educational background:** MSc, Mechanical Engineering, Chalmers University of Technology.

**Other appointments:** Chairman of Powercell AB, AstaZero AB, TechRoi Fuel Systems AB and BIL Sweden Adm AB, Board Member of Väst kustens Affärsänglar AB, SenseAir AB and AB Magnus Jonsson, and of Magnus Jonsson Consulting AB.

**Previous appointments during the last five years:** Board Member of Kongsberg Automotive AS and LeanNova AB.

**Holdings:** 3,000 shares.

**STAFFAN HANSSON**

**Member of the Board of Directors since:** 2008.

**Born:** 1955.

**Educational background:** MSc (Econ), Lund University.

**Other appointments:** CEO and Board Member of Icecon Affärssystem AB, and Board member of Valerius Management Consulting AB, Kommerciella Fastigheter i Väst AB, Resultat Projektledning Sverige AB and LanCom AB.

**Previous appointments during the last five years:** CEO and Member of the Board of Icecon Affärssystem AB.

**Holdings:** 5,222 shares.

**MATS KRANTZ**

**Born:** 1947.

**Educational background:** Master Brewer at the Scandinavian School of Brewing in Copenhagen.

**Other appointments:** Chairman of Letter Cube Digital AB, and Board Member of Ost kustens FartygsAssistans AB and M. Irwin & Krantz AB.

**Previous appointments during the last five years:** None.

**Holdings:** Krantz holds 984,384 privately and 180,800 via related parties.

**PER ANIANSSON**

**Member of the Board of Directors since:** 2017

**Born:** 1966.

**Educational background:** MSc, Engineering Physics, Chalmers University of Technology and MBA from Insead, France. Other appointments: Member of the Board of Directors of Scibase AB (publ), ÅAC Microtec AB (publ), OssDesign AB, Renewcell AB, Stiftelsen Bota Cancer, Perma Ventures AB and Anian AB.

**Previous appointments during the last five years:** Member of the Board of Directors of Powercell AB, Bambara Device AB.

**Holdings:** 0 (Investment Director at Fourertransform which owns 1,589,508 shares in Smart Eye).

**LARS OLOFSSON**

**Vice Chairman of the Board of Directors since:** 2017.

**Born:** 1951.

**Educational background:** MSc (Econ), Lund University, and PED from IMD in Switzerland.

**Other appointments:** Member of the Board of Directors of Compass Limited/ Bata shoes and Axel Johnson AB. Vice Chairman of the Board of Directors of Axfood AB and TCC Global NV. Senior adviser to the Chairman and CEO of SICPA SA.

**Previous appointments during the last five years:** Member of the Board of Directors of International Business Council, World Economic Forum. Member of the Board of Directors of Telia Sonera. Chairman and CEO of Carrefour Group. Shared chairmanship of Consumer Goods Forum.

**Holdings:** 0

# Group Management



## MARTIN KRANTZ

Founder and CEO

**Born:** 1971.

**Educational background:** MSc, Engineering Physics, Chalmers University of Technology.

**Other appointments:**

Chairman, Neoeye AB

**Previous appointments during the last five years:** None.

**Holdings:** 859,300 shares.

## HENRIK LIND

CRO

Employed since 2017.

**Born:** 1961.

**Educational background:** MSc, Electrical Engineering, Chalmers University of Technology.

**Other appointments:** None.

**Previous appointments during the last five years:** Technical expert within Remote Sensing

Volvo Car Corporation.

**Holdings:** 0.

## MARTIN RYDBERG

CTO

Employed since 2000.

**Born:** 1976.

**Educational background:** MSc, Computer Engineering, Chalmers University of Technology.

**Other appointments:** None.

**Previous appointments during the last five years:** None.

**Holdings:** 41,500 shares.

## SOLMAZ SHAHMEHR

VP of Research Instruments

Employed since 2009.

**Born:** 1982.

**Educational background:** MSc, Computer Engineering, Chalmers University of Technology and MSc, Computer Engineering,

**Other appointments:** None

**Previous appointments during the last five years:** None.

**Holdings:** 8,500 shares.

## ANDERS LYRHEDEN

CFO

Employed since 2017.

**Born:** 1965.

**Educational background:** School of Economics; Bachelor of Managerial Economics, Gothenburg, 1991.

**Previous appointments during the last five years:** Interim CFO Swedish Orient Line, CFO – Swegon, Financial Director Stena Technoworld.

**Holdings:** 24,000 shares.

## DANIEL ÅMAN

VP of Applied Solutions

Employed since 2013.

**Born:** 1972.

**Educational background:** MSc, Engineering Physics, Chalmers University of Technology and IFL, Stockholm School of Economics.

**Other appointments:** None.

**Previous appointments during the last five years:** None.

**Holdings:** 0.

# Annual General Meeting

The shareholders of Smart Eye AB (publ) are hereby summoned to an annual shareholders' meeting to be held on Wednesday the 25th of April 2018 at 11:00 at Smart Eye's office, Första Långgatan 28B, Gothenburg. Registration starts at 10:00. The Notice is only available in Swedish, as follows.

Kallelse har skett genom annonsering i Post- och Inrikes Tidningar samt genom att kallelsen hålls tillgänglig på bolagets webbplats, [www.smarteye.se](http://www.smarteye.se). Kallelse samt de handlingar som hålls tillgängliga inför stämman skickas till de aktieägare som begär det. Sådan begäran kan framställas på samma sätt som anmälan till stämman enligt nedan.

Rätt att delta på stämman har den som dels är registrerad i eget namn i den av Euroclear Sweden AB förda aktieboken torsdagen den 19 april 2018, dels har anmält sitt deltagande i stämman till bolaget senast torsdagen den 19 april 2018. Anmälan om deltagande i stämman ska ske per brev under adress "Årsstämma 2018",

Smart Eye Aktiebolag (publ), Att. Anders Lyrheden, Första Långgatan 28 B, 413 27 Göteborg eller via e-post [arsstamma@smarteye.se](mailto:arsstamma@smarteye.se). Anmälan ska innehålla namn (firma), personnummer (organisationsnummer), adress och telefonnummer samt i förekommande fall uppgift om antalet (högst två) biträden aktieägaren avser att medföra till stämman. Aktieägare som företräds genom ombud ska utfärda daterad fullmakt för ombudet.

Aktieägare som har sina aktier förvaltarregistrerade måste, för att äga rätt att delta i stämman, begära att vara tillfälligt införd i aktieboken hos Euroclear Sweden AB fredagen den 19 april 2018. Sådan begäran bör framföras till förvaltaren i god tid innan den 19 april 2018.

Göteborg i mars 2018  
Smart Eye Aktiebolag (publ)  
Styrelsen

## Calendar

Annual General Meeting	25 April 2018
Interim report Jan-Mar 2018	25 April 2018
Interim report Jan-June 2018	20 August 2018
Interim report Jan-Sep 2018	25 October 2018

## Contact

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