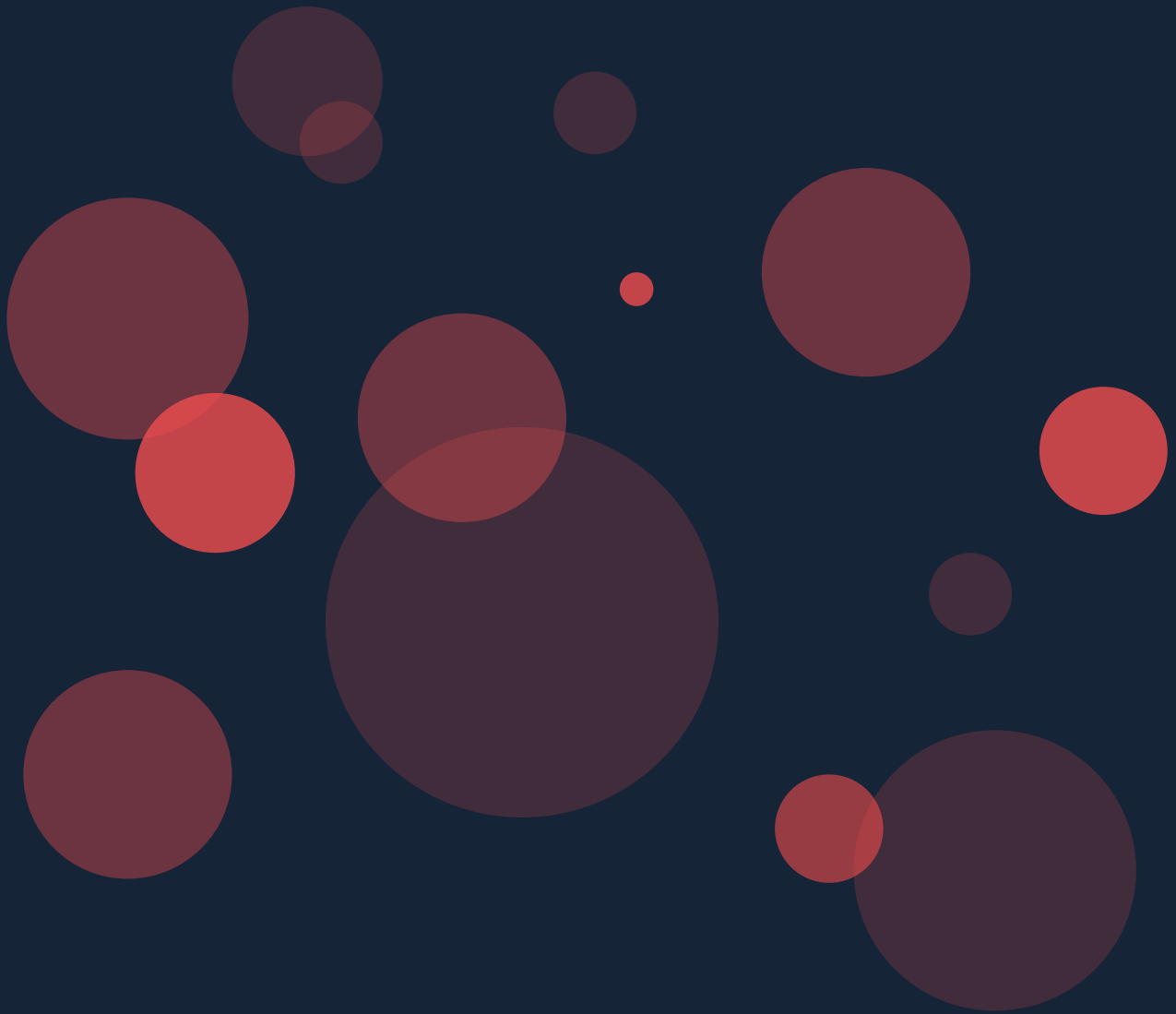


smartoptics



**QUARTERLY
REPORT Q4
2022**

FINANCIAL HIGHLIGHTS

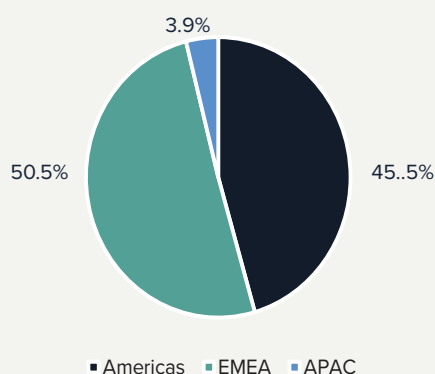
OCTOBER - DECEMBER 2022

- Revenue of USD 18.1 million, a growth of 45.2% compared to same period 2021.
- Gross Margin of 42.1%, compared to 44.3% same period 2021, mainly due to one-off effects related to component purchases and inventory.
- EBITDA of USD 3.5 million (19.5% EBITDA margin), compared to USD 1.8 million (14.7%) in 2021. A growth of 92.6%.
- Operating profit (EBIT) of USD 3.1 million (17.3% operating margin), compared to USD 1.4 million (11.4%) same period 2021. A growth of 120.0%.
- Cash Flow from operating activities of USD -0.2 million, compared to USD 2.6 million same period 2021.

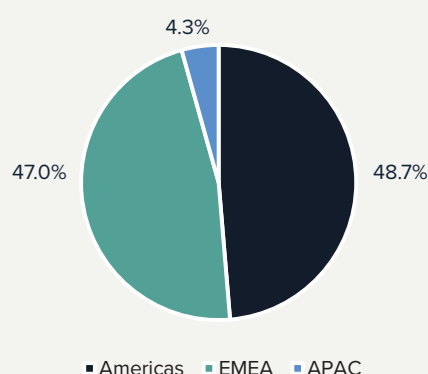
JANUARY - DECEMBER 2022

- Revenue of USD 58.2 million, a growth of 26.7% compared to same period 2021.
- Gross Margin of 45.0%, compared to 42.7% same period 2021, due to underlying margin increase, product mix and positive currency effects.
- EBITDA of USD 11.8 million (20.3% EBITDA margin), compared to USD 6.5 million (14.1%) in 2021. A growth of 82.5%.
- Operating profit (EBIT) of USD 10.2 million (17.6% operating margin), compared to USD 4.8 million (10.5%) in 2021. A growth of 112.5%.
- Cash Flow from operating activities of USD 1.9 million, compared to USD 2.9 million same period 2021.

GEOGRAPHICAL SPLIT OF REVENUE Q4 2022



GEOGRAPHICAL SPLIT OF REVENUE JAN-DEC 2022



Amount in kUSD**	Q4 2022	Q4 2021	Change	Jan-Dec 2022	Jan-Dec 2021	Change
Total Revenue	18 076	12 452	45.2%	58 173	45 922	26.7%
Gross Profit	7 608	5 510	38.1%	26 159	19 628	33.3%
Gross margin %	42.1%	44.3%	-2.2 p.p	45.0%	42.7%	2.2 p.p
EBITDA	3 531	1 833	92.6%	11 780	6 453	82.5%
EBITDA %	19.5%	14.7%	4.8 p.p	20.3%	14.1%	6.2 p.p
Operating profit/loss (EBIT)	3 122	1 419	120.0%	10 239	4 818	112.5%
Operating margin (EBIT margin) %	17.3%	11.4%	5.9 p.p	17.6%	10.5%	7.1 p.p
Profit/loss for the period	1 669	1 254	33.1%	7 446	3 898	91.0%
Cash flow from operating activities	-233	2 601		1 880	2 858	
Earnings per share	0.017	0.013		0.077	0.042	
Average full time equivalents (FTEs)*	90.0	76.0	14.0	82.1	70.3	11.9

*FTEs does not include consultants. **The USD amounts are translated from NOK to USD with monthly rates published by Norges Bank - see notes for more information

CEO COMMENTS TO THE Q4 REPORT

Dear shareholders,

In 2022, Smartoptics continued to deliver on our strategic objective, to become a recognized leader in open optical networking solutions. We continue to leverage and drive the trends in how, cost efficient and flexible, open and disaggregated networks should be built. Our innovative product offering, particularly in the area Solutions, Software and Services is continuously developed to broaden the addressable market for the company. Meanwhile, our Device business continues to be a stable foundation and contributes to both growth and profitability.

The revenue growth for the full year 2022 was 26.7% compared to 2021, whereas the growth in the fourth quarter was 45.2%, with an EBITDA margin of 19.5%. This means that the financial performance of the company is in line with our long-term aspirations. I'm very happy with 2022 as a whole and look forward to continuing the journey in 2023.

We have not seen any signs of a change in the strong market sentiment. In fact, we continue to see a strong demand for increased network capacity across all customer segments. Naturally we monitor the current economic situation in our markets. We can offer customers cost efficient solutions, matching any spending concerns.

We are well positioned for continued growth. First of all, our continuously expanded customer base implies an increasing base of recurring service revenue and upsell opportunities. Secondly, we are well positioned in the ongoing transition to open optical networking, network disaggregation, IP-over-DWDM and adoption of 400Gbit/s, which enables lower CAPEX and OPEX for our customers. In fact, more than 30% of the revenue in the second half of 2022 is related to products released in the same period. I'm exceptionally pleased with the fact that the newly released products come hot out of the gate and are in high demand from day one. Finally, we see that the interest in open network solutions is starting to grow among the larger established players, making Smartoptics a relevant alternative for this customer group.

The supply situation has continued to improve, we have secured all critical components required in the near term. During 2023 we expect to return to a more normal operational situation with less requirement on high inventory and thereby improved ability to generate cash flow.



Magnus Grenfeldt, CEO Smartoptics Group AS

Given the high level of business activity and strong underlying demand in the market, driven by increased demand for data traffic, we have no reason to adjust our long term goals of growing our revenue up to USD 100 million by 2025/2026, combined with profitability and EBITDA margin of 17-20% and EBIT margin of 13-16%.

During 2022 we announced our ambition to list Smartoptics on one of the Nordic main markets. This ambition remains, targeting second half of 2023 at the earliest.

For further information, please contact:

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FINANCIAL REVIEW

CONSOLIDATED PROFIT AND LOSS STATEMENT Q4

REVENUE

Revenue grew by 45.2% in Q4 2022 to USD 18.1 million compared to USD 12.5 million in Q4 2021.

GROSS PROFIT

Direct Cost of Sales was USD 10.5 million in Q4 2022, resulting in a Gross Profit of USD 7.6 million. Gross Margin was 42.1%, compared to 44.3% in 2021.

The Direct Cost of Sales for Q4 includes extra cost related to spot purchases of USD 0.7 million, write-down of inventory of 0.3 million and revaluation of inventory of negative 0.1 million.

OPERATING EXPENSES

Operating Expenses was USD 4.1 million in Q4 2022, compared to USD 3.7 million in Q4 2021. Operating Expenses is increasing primarily due to the continued increase of R&D resources and Sales resources.

Salaries and consultant costs is the largest cost component in Operating Expenses, representing about 83% of the Operating Expenses in Q4 2022.

EBITDA AND OPERATING PROFIT

EBITDA in Q4 2022 was USD 3.5 million (EBITDA Margin of 19.5%) compared to USD 1.8 million (14.7%) in Q4 2021. A growth of 92.6%.

The increase in EBITDA is a result of revenue growth and improved Gross Margin. The revenue growth was primarily driven by stronger Solutions business. The Gross Margin improvement was an effect of business mix and material cost decreases.

Operating profit was USD 3.1 million, or 17.3%, compared to USD 1.4 million same period 2021. A growth of 120.0%.

NET FINANCIALS

Interest payments and currency effects are the main components of Net Financials. Cash, Receivables and Payables all have a currency component, the main currencies used are USD, SEK, NOK, EUR & GBP.

The Group has a natural hedge in having both Revenue, Direct Cost of Sales and Gross Profit to a large extent in USD.

CASH FLOW

The Cash Flow from Operating Activities was negative USD -0.2 million for Q4 2022 compared to USD 2.6 million in the same period 2021.

The Smartoptics group has a deferred tax asset which consists of historical net operating losses and amounted to NOK 28.7 million by year-end of 2021. The estimated tax expense for the group is less than this asset, therefore the cash flow effect from taxes is minor for 2022.

REVENUE SPLIT

Solutions accounted for 62.6% of the revenue in the quarter, Devices 26.1% and Software & Services for 11.3%. Split is based upon Invoiced Revenue, un-adjusted.

OUTLOOK

Ambition to reach USD 100 million in Revenue in 2025/26 timeframe is maintained.

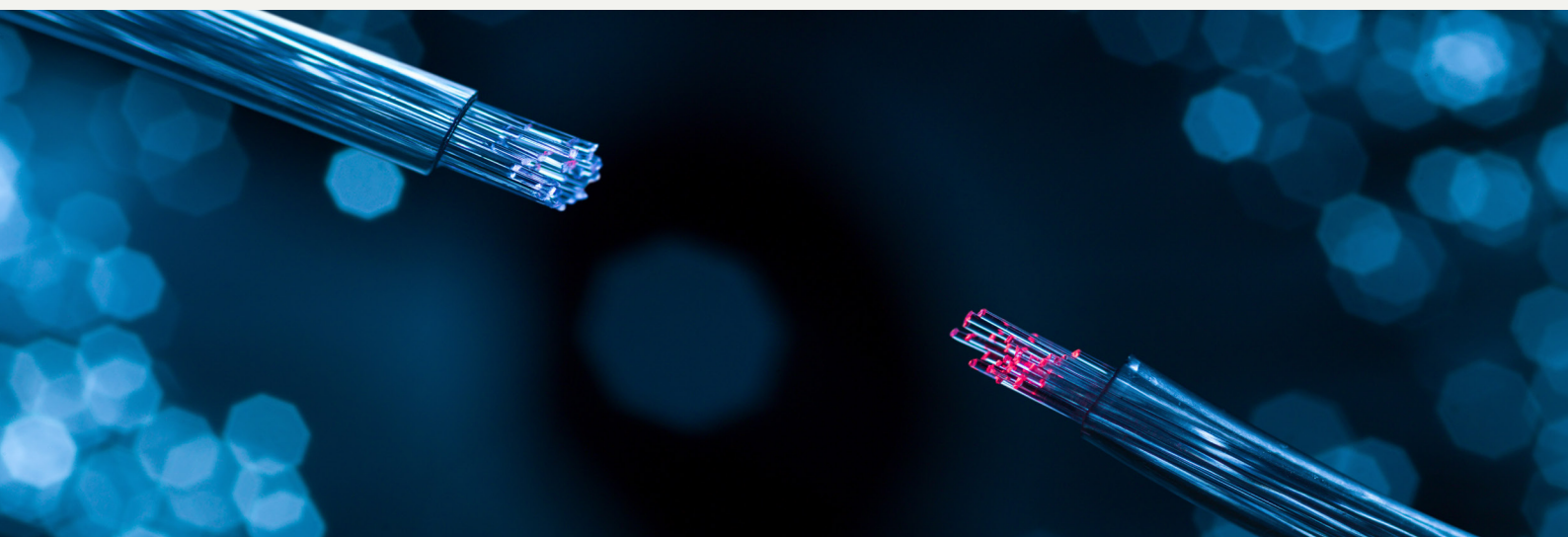
Supply chain constraints are expected throughout 2022 and into 2023. However, the situation is improving.

FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS STATEMENT Q4

		kUSD		kNOK	
		2022	2021	2022	2021
		Oct - Dec	Oct - Dec	Oct - Dec	Oct - Dec
Total Revenue	1	18 076	12 452	181 980	108 971
Direct Cost of Sales		10 468	6 942	105 236	60 676
Gross Profit		7 608	5 510	76 744	48 295
Gross Margin %		42.1%	44.3%	42.2%	44.3%
Operating Expenses		4 077	3 677	41 442	32 008
EBITDA		3 531	1 833	35 302	16 287
EBITDA Margin %		19.5%	14.7%	19.4%	14.9%
Depreciation and Amortization	2,8	409	414	4 160	3 609
Operating profit/loss		3 122	1 419	31 142	12 678
Operating Margin %		17.3%	11.4%	17.1%	11.6%
Net Financial Items	3	-708	188	-7 756	1 588
Profit/loss before Income Tax		2 414	1 608	23 386	14 266
Profit Margin %		13.4%	12.9%	12.9%	13.1%
Estimated Tax		744	354	7 346	3 139
Profit/loss for the period		1 669	1 254	16 040	11 127
Shares outstanding		96 286 593	96 286 593	96 286 593	96 286 593
Earnings per share		\$0.017	\$0.013	kr 0.167	kr 0.116

Consolidated statement of comprehensive income		kNOK	kNOK
		2022	2021
		Oct - Dec	Oct - Dec
Profit/loss for the period		16 040	11 127
Exchange differences on translation of foreign operations		689	594
Total comprehensive income/loss for the period		16 729	11 721



CONSOLIDATED STATEMENT FINANCIAL POSITION 2022 Q4

		kUSD		kNOK	
		2022	2021	2022	2021
		Dec 30.	Dec 30.	Dec 30.	Dec 30.
Non-Current Assets		6 175	7 851	60 870	69 240
Intangible Assets	2	941	904	9 274	7 976
Property, Plant and Equipment	7	1 787	1 392	17 617	12 272
Right-of-Use Assets		2 380	2 301	23 464	20 294
Financial Assets		0	0	0	0
Deferred Tax Asset	4	1 067	3 254	10 515	28 698
Current Assets		37 945	30 619	374 033	270 041
Inventories		15 423	12 095	152 032	106 675
Trade Receivable		15 899	7 812	156 724	68 899
Other Current Assets		940	1 331	9 269	11 742
Cash and Cash Equivalents		5 682	9 380	56 006	82 725
TOTAL Asset		44 120	38 470	434 903	339 281
TOTAL Equity		28 186	23 150	277 838	204 171
Non-Current Liabilities		4 653	4 854	45 867	42 812
Other Non-current Liabilities		0	0	0	0
Contract Liabilities (Non-current)	1	1 774	1 574	17 486	13 878
Interest Bearing Debt (Non-current)	5	1 120	1 724	11 042	15 208
Lease Liabilities (Non-current)		1 759	1 556	17 339	13 726
Current Liabilities		11 281	10 465	111 198	92 298
Credit Facility		0	0	0	0
Lease Liabilities (Current)		674	782	6 642	6 894
Contract Liabilities (Current)	1	1 528	1 379	15 065	12 166
Trade Payable		5 841	6 215	57 574	54 814
Current Tax Liabilities		972	59	9 580	519
Other Current Liabilities	5	2 266	2 030	22 337	17 905
TOTAL Liabilities		15 934	15 320	157 065	135 110
TOTAL Liabilities and Equity		44 120	38 470	434 903	339 281
Exchange rates		9.8573	8.8194		

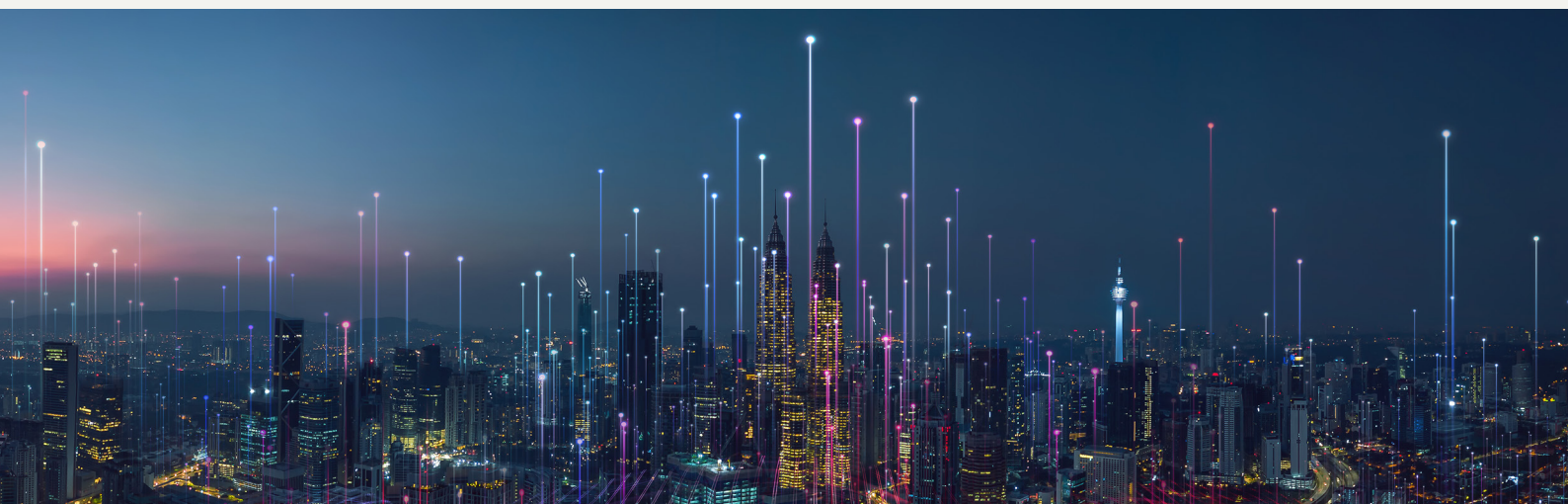
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity	Share capital	Share premium	Other paid in capital	Translation difference reserves	Retained earnings	Total equity
Amounts in NOK 1,000						
Balance at 1 January 2021	1 804	37 180	0	569	61 796	101 348
Profit/loss for the period					30 542	30 542
Currency translation differences				561		561
Total comprehensive income/loss for the period	0	0	0	561	30 542	31 104
Issuance of shares	122	99 570				99 692
Transaction costs on equity issues		-10 574				-10 574
Issuance of share warrants			1500			1500
Dividend					-18 900	-18 900
Balance at 31 December 2021	1 926	126 177	1 500	1 130	73 438	204 171
Profit/loss for the period					72 972	72 972
Currency translation differences				695		695
Total comprehensive income/loss for the period	0	0	0	695	72 972	73 667
Balance at 31 December 2022	1 926	126 177	1 500	1 825	146 410	277 837



CONSOLIDATED CASH FLOW STATEMENT 2022 Q4

		kUSD		kNOK	
		2022	2021	2022	2021
		Oct - Dec	Oct - Dec	Oct - Dec	Oct - Dec
Cash at the Beginning of Period		6 117	8 534	60 294	75 268
EBITDA		3 531	1 833	34 806	16 166
Change in Trade Receivable		-5 159	1 032	-50 851	9 105
Change in Trade Payable		2 692	2 596	26 538	22 895
Change in Inventories		-3 572	-3 745	-35 212	-33 031
Change in Contract Liabilities (Deferred Revenue)	1	153	126	1 506	1 111
Other Working Capital Changes	6	2 122	759	20 919	6 692
Cash Flow from Operating Activities		-233	2 601	-2 294	22 938
Payment for PPE and Development Costs	2	-771	-307	-7 604	-2 710
Other Investing Activities		0	0	0	0
Cash Flow from Investing Activities		-771	-307	-7 604	-2 710
Dividend		0	0	0	0
Net proceeds from Issuance of Shares		0	0	0	0
Downpayment of Credit Facility		0	0	0	0
Repayments of Lease Liabilities		-196	-208	-1 936	-1 832
Repayments of Borrowing	5	-377	-333	-3 712	-2 934
Paid Interest on Borrowing	5	-13	-36	-131	-316
Cash Flow from Financing Activities		-586	-576	-5 779	-5 082
Exchange Rate Changes		1 156	-872	11 392	-7 689
Net Cash Flow		-435	846	-4 286	7 457
Cash at the End of Period		5 682	9 380	56 008	82 725
Exchange rates				9.8573	8.8194



CONSOLIDATED PROFIT AND LOSS STATEMENT JAN - DEC

		kUSD		kNOK	
		2022	2021	2022	2021
		Jan - Dec	Jan - Dec	Jan - Dec	Jan - Dec
Total revenue	1	58 173	45 922	563 940	394 356
Direct Cost of Sales		32 014	26 295	309 750	225 883
Gross Profit		26 159	19 628	254 190	168 473
Gross Margin %		45.0%	42.7%	45.1%	42.7%
Operating Expenses		14 379	13 174	138 722	114 765
EBITDA		11 780	6 453	115 468	53 708
EBITDA Margin %		20.3%	14.1%	20.5%	13.6%
Depreciation and Amortization	2,8	1 541	1 636	14 805	14 052
Operating profit/loss		10 239	4 818	100 663	39 656
Operating Margin %		17.6%	10.5%	17.8%	10.1%
Net Financial Items	3	-419	179	-4 287	-2 550
Profit/loss before Income Tax		9 820	4 997	96 375	37 106
Profit Margin		16.9%	10.9%	17.1%	9.4%
Estimated Tax		2 374	1 099	23 404	6 565
Profit/loss for the period		7 446	3 898	72 972	30 541
Shares outstanding		96 286 593	92 639 084	96 286 593	92 639 084
Earnings per share		\$0.077	\$0.042	kr 0.758	kr 0.363

Consolidated statement of comprehensive income		kNOK	kNOK
		2022	2021
		Jan - Dec	Jan - Dec
Profit/loss for the period		72 972	30 541
Exchange differences on translation of foreign operations		695	563
Total comprehensive income/loss for the period		73 667	31 104

CONSOLIDATED CASH FLOW STATEMENT JAN - DEC

		kUSD		kNOK	
		2022	2021	2022	2021
		Jan - Dec	Jan - Dec	Jan - Dec	Jan - Dec
Cash at the Beginning of Period		9 380	3 669	92 461	32 357
EBITDA		11 780	6 453	116 121	56 915
Change in Trade Receivable		-8 087	-1 700	-79 717	-14 992
Change in Trade Payable		-374	2 205	-3 691	19 448
Change in Inventories		-3 328	-3 993	-32 804	-35 213
Change in Contract Liabilities (Deferred Revenue)	1	349	675	3 442	5 957
Other Working Capital Changes	6	1 540	-784	15 179	-6 912
Cash Flow from Operating Activities		1 880	2 858	18 531	25 203
Payment for PPE and Development Costs	2,8	-1 287	-649	-12 691	-5 722
Other Investing Activities		0	0	0	0
Cash Flow from Investing Activities		-1 287	-649	-12 691	-5 722
Dividend		0	-2 231	0	-19 680
Net Proceeds from Issuance of Shares		0	11 159	0	98 413
Downpayment of Credit Facility		0	-2 163	0	-19 079
Repayments of Lease Liabilities		-745	-807	-7 344	-7 119
Repayments of Borrowing	5	-604	-509	-5 956	-4 487
Paid Interest on Borrowing	5	-134	-81	-1 325	-718
Cash Flow from Financing Activities		-1 484	5 367	-14 625	47 330
Exchange Rate Changes		-2 807	-1 864	-27 667	-16 443
Net Cash Flow		-3 698	5 711	-36 452	50 368
Cash at the End of Period		5 682	9 380	56 008	82 725
Exchange rates				9.8573	8.8194

SHARE INFORMATION

TABLE OF THE 20 LARGEST SHAREHOLDERS AS 31ST OF DECEMBER 2022

#	Shareholders	Holding	Stake
1	Coretech AS	31 783 599	33.01 %
2	K-Spar Industrier AS	17 871 773	18.56 %
3	Kløvingen AS	15 850 429	16.46 %
4	Danske Invest	3 853 564	4.00 %
5	Ålandsbanken Fonder	3 798 000	3.94 %
6	Rasmussengruppen AS	2 408 477	2.50 %
7	Nordnet Bank AB	2 276 166	2.36 %
8	Avanza Bank AB	2 037 317	2.12 %
9	Magnus Grenfeldt	1 857 489	1.93 %
10	Arrowhead AS	1 752 793	1.82 %
11	DnB Bank ASA	1 389 005	1.44 %
12	Toluma Norden AS	1 000 000	1.04 %
13	AS Clipper	963 391	1.00 %
14	Varner Invest AS	963 391	1.00 %
15	Schroders	685 000	0.71 %
16	DnB Luxembourg S.A.	650 000	0.68 %
17	Karl Thedéen	493 078	0.51 %
18	Bergen Kommunale Pensjonskasse	481 695	0.50 %
19	Citibank	401 019	0.42 %
20	Skandinaviska Enskilda Banken AB	352 351	0.37 %
	Others	5 418 056	5.63 %
Total number of shares		96 286 593	100.00%

NOTES

GENERAL

These interim condensed consolidated financial statements for the year ended 31 December 2022, have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for 2021, prepared in accordance with International Financial Reporting Standards (IFRS).

EXCHANGE RATES

The interim financial statements are all translated from NOK to USD. For the Profit and Loss statement the monthly average exchange rate published by Norges Bank is used. For the Balance sheet, the monthly ending exchange rate is used.

Balance Sheet	2022	2021
Dec 31	9.8573	8.8194

Profit and loss statement	2022	2021
Oct	10.5775	8.4597
Nov	10.1355	8.7337
Dec	9.8672	8.9680

The Cash Flow statements in NOK is directly translated from USD by using the following exchange rate:

Cash Flow statement	2022	2021
Full year	9.8573	8.8194
Oct - Dec	9.8573	8.8194

NOTE 1 - DEFERRED REVENUE

Service revenues are invoiced in advance and covers a contract period of typically 24-48 months. The service revenue is recognized during the contract period. "Current Deferred Revenue" will be recognized within the next 12 months.

Deferred Revenue	Dec 31. 2022	Dec 31. 2021
Amounts in NOK 1,000		
Contract Liabilities (Current)	15 065	12 166
Contract Liabilities (Non-current)	17 486	13 878
Total Contract Liabilities	32 551	26 044

NOTE 2 – RESEARCH AND DEVELOPMENT

Parts of the development cost is capitalized and depreciated over 5 years. The principle is to capitalize no more than 30% of direct salary costs in selected development projects. Capitalization for the period Oct - Dec was USD 101 thousand.

NOTE 3 – FINANCIAL ITEMS

Currency effects come from the cash position, which is made of NOK, SEK and USD, Trade Receivables which is mostly in USD and Trade Payable which is mainly in USD.

NOTE 4 – DEFERRED TAX ASSETS

Deferred tax assets consist of historical net operating losses and amount to NOK 28.7 million. The estimated tax for the period (January to December) is NOK 23.7 million.

NOTE 5 – LIABILITIES TO FINANCIAL INSTITUTIONS

There are two loans from Innovasjon Norge of combined NOK 15.2 million. The loans are repaid on a quarterly basis and will be fully repaid by 2026 Q3. The group also has a credit line with Nordea of NOK 26 million. As of December 31st 2022, NOK 0 of the credit line from Nordea was utilized.

NOTE 6 – OTHER WORKING CAPITAL CHANGES

Other Working Capital Changes relates to pre-payments of certain components and inventory, pay-out of sales commission for the third quarter of 2022.

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT SPLIT

Property, plant and equipment	Dec 31. 2022	Dec 31. 2021	Change
Amounts in NOK 1,000			
R&D equipment	7 630	3 665	3 964
Production equipment	2 264	1 113	1 151
Office & warehouse furniture and fixtures	2 407	2 188	219
Demo pool equipment	5 317	5 306	11
Total	17 617	12 272	5 345

NOTE 8 – DEPRECIATION AND AMORTIZATION SPLIT

Fixed assets are depreciated over a period of 3 to 5 years. There is no goodwill in the group.

Depreciation and amortization	Q4-2022	Q4-2021	YTD 2022	YTD 2021
Amounts in NOK 1,000				
Property, plant and equipment	2 120	1 149	6 582	4 094
Product development	775	787	3 100	3 497
Right of use assets / leasing	1 265	1 673	5 124	6 462
Total	4 160	3 609	14 805	14 052

ALTERNATE PERFORMANCE MEASURES (APM'S)

SMARTOPTICS HAS THE FOLLOWING APMS:

GROSS MARGIN (GROSS PROFIT DIVIDED BY TOTAL REVENUE)

Gross Margin	2022	2021	2022	2021
Amounts in USD 1,000	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Total Revenue	18 076	12 452	58 173	45 922
Gross Profit	7 608	5 510	26 159	19 628
Gross Margin	42.1 %	44.3 %	45.0 %	42.7 %

EBITDA (EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION)

EBITDA	2022	2021	2022	2021
Amounts in USD 1,000	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Operating Profit	3 122	1 419	10 239	4 818
Depreciation and Amortization	409	414	1 541	1 636
EBITDA	3 531	1 833	11 780	6 453

EBITDA MARGIN (EBITDA DIVIDED BY TOTAL REVENUE)

EBITDA Margin	2022	2021	2022	2021
Amounts in USD 1,000	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
EBITDA	3 531	1 833	11 780	6 453
Total Revenue	18 076	12 452	58 173	45 922
EBITDA Margin	19.5 %	14.7 %	20.3 %	14.1 %



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