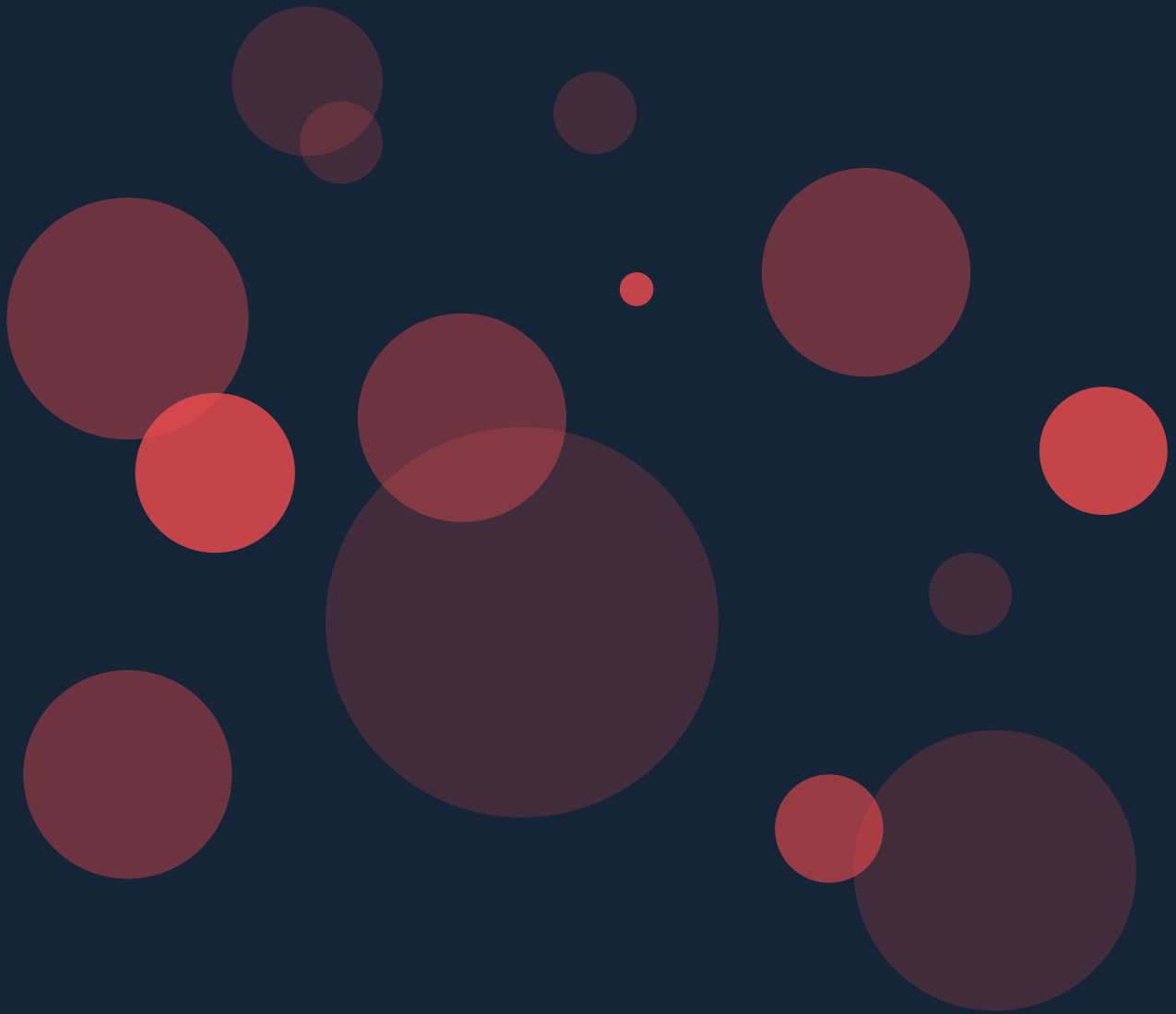


smartoptics



**ANNUAL
REPORT
2022**

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SMARTOPTICS

EXPANDING YOUR NETWORK HORIZONS

Smartoptics provides innovative optical networking solutions for a new era of open networking. We focus on solving network challenges and increasing the competitiveness of our customers. Our customer base includes cable and telecom operators, cloud providers, Internet exchanges, governments and thousands of enterprises.

At Smartoptics, we leverage modern software design principles and expand network horizons by taking an open approach in everything we do. This empowers our customers to break free from unwanted vendor lock-in, remain flexible and minimize costs.

Our solutions based on open networking standards and protocols are used in metro and regional network

applications as well as in metro access networks. The products we deliver are based on in-house developed hardware and software and enhanced by associated services.

Smartoptics is a Scandinavian company founded in 2006. We partner with leading technology and network solution providers and hold numerous certifications and approvals from major switching and storage solution providers such as Brocade, Cisco and Dell. We have a global reach through our salesforce and more than 100 business partners including distributors, OEMs and VARs.

As a challenger, we take pride in our open approach, smart design principles and ambitious customer service.

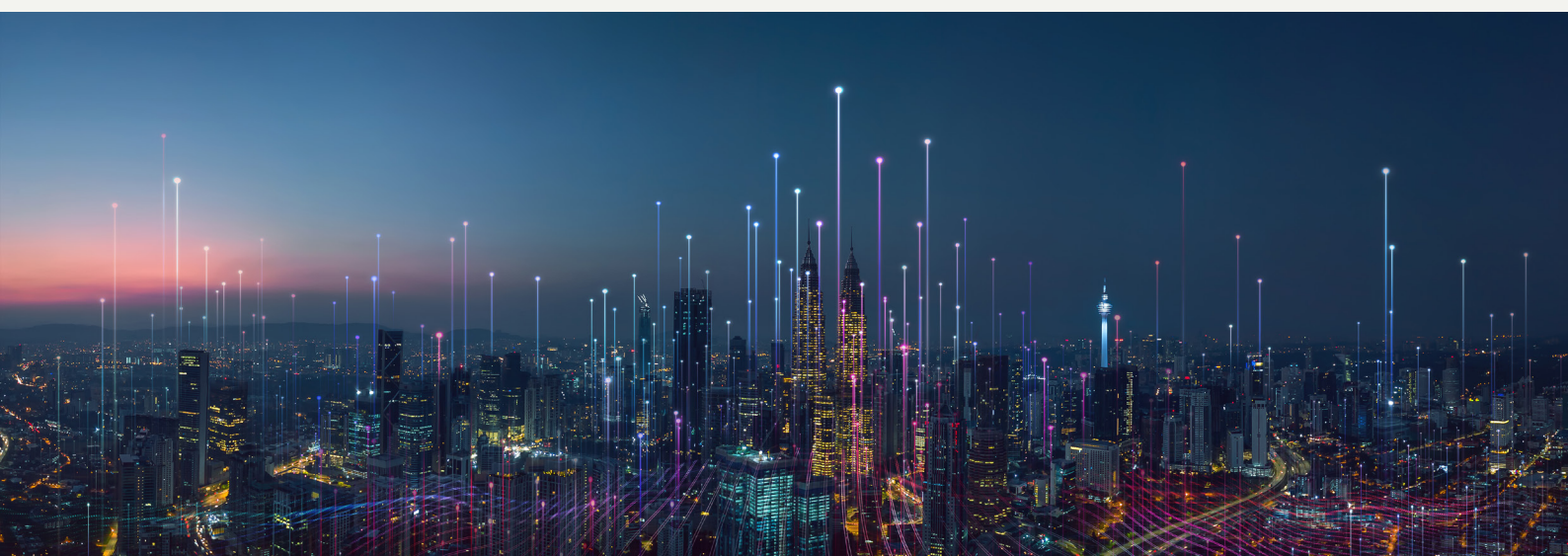


2022 IN BRIEF

HIGHLIGHTS

- Revenue of USD 57.4 million and revenue growth in USD of 25.0% compared to 2021
- Gross margin 44.2% (+1.5%-points compared to 2021)
- EBITDA margin of 18.9% (+5.3%-points compared to 2021)
- Operating margin of 16.2% (+6.2%-points compared to 2021)
- Successful release of DCP-R product family (ROADM) and DCP-404 Muxponder
- Strong performance in Americas with 38% revenue growth and in EMEA with 19% revenue growth
- Solutions grew by 33% and Software & Services grew by 76%, while Devices grew by 5%

Amounts in USD thousands	2022	2021	Change
Revenue	57 366	45 902	25.0 %
Gross profit	25 352	19 591	29.4 %
Gross margin	44.2 %	42.7 %	1.5 p.p
Operating cost	-14 520	-13 362	8.7 %
EBITDA	10 832	6 230	74.0 %
EBITDA margin	18.9 %	13.6 %	5.3 p.p
Operating profit	9 300	4 594	102.5 %
Operating margin	16.2 %	10.0 %	6.2 p.p
Profit & loss for the year	6 789	3 532	92.2 %
Basic earnings per share	0.071	0.038	
FTEs	83	75	



MESSAGE FROM THE CEO

ANOTHER STRONG YEAR FOR SMARTOPTICS

Dear Shareholders,

It is my pleasure to present to you the annual report of Smartoptics Group AS for the year 2022. The year can be summarized as a continuation of delivering on our strategy of providing open optical networking solutions to our customers, that ultimately will result in affordable bandwidth to more people and organizations.

We have maintained our growth trajectory and expand our market share in key geographies. Our products and solutions have been well-received by customers, who appreciate our novel approach to networking, the simplicity of using the products and the attractive cost of transporting bandwidth that the products result in.

The financial development of the company has been very positive. We grew the revenue substantially and improved the operating margin. 2022 is our fifth consecutive year with solid revenue growth. Cash flow has been impacted by an increase in inventory, as we have actively mitigated the component shortage that was very acute at the beginning of 2022, but very much less so at the end. The financial impact of a challenging global economic climate was small during 2022.

EXECUTING ON OUR STRATEGY

In 2022, Smartoptics continued to invest in its people, processes, and technology to strengthen our position as a challenger in the industry. The company's strategic objective of becoming a recognized leader in Open optical Networking solutions is well underway, with the endorsement of our strategy from customers and partners being strong. We have received orders from larger customers than ever before and established new partnerships with important stakeholders in our industry.

Smartoptics has been focusing on its Open Line System product offering, which allows our customers to lower cost and break unwanted vendor lock-in. Network capacity is upgraded to cope with the ever-growing demand for bandwidth, and the need for higher speed interfaces in networks puts Open Line Systems in focus even more. This leads to new network deployment concept becoming the new standard our target market Metropolitan Area Networks.



Magnus Grenfeldt, CEO Smartoptics Group AS

Smartoptics' approach and position in the market are unique, with a focus on innovation near the edge of the networks and the thousands of medium to small customers in our target geographies. Few of the largest competitors have the same focus. The company's strategy is to fill this gap, while larger system houses generally focus on the most complex areas of the networks and the largest customers.

Smartoptics is also committed to pursuing sustainable and responsible business practices, with a focus on environmental, social, and governance (ESG) issues. The company is aware of its responsibilities towards its stakeholders and is committed to making a positive impact in the communities it operates in.

GO TO MARKET

During the past year, Smartoptics has continuously worked on establishing and strengthening partnerships that will enable the company to reach more customers in the coming years. These partnerships primarily focus on expanding our addressable market and geography, while also complementing our existing product offering and making us more relevant to larger accounts.

While our indirect business has seen growth, our direct business has been growing at a faster pace. This can be attributed to our success in the Communications Service Provider space, where many customers tend to prefer a direct vendor relationship.

The Solutions, Software, and Services business areas of Smartoptics has experienced a remarkable 37% growth compared to the previous year and now represents 69% of our revenue. This area of our business is the most profitable and will continue to serve as the growth engine for the company in the future.

PRODUCT OFFERING

Through developing innovative solutions, software, and services, we broaden our addressable customer base year by year. The introduction of new products targeting more complex network topologies and higher capacity, has been driving the growth as expected. More than 30% of our revenue in the second half of 2022 is related to these products. The speed at which our new products get implemented in live network deployments is remarkable compared to industry standard.

Entering 2023 with an expanded product offering puts us in a very promising place in the market. In addition, our So-Smart software suite has been developed to support network deployments in a great way, allowing our customers to even further explore the CAPEX and OPEX savings that our products can offer.

With this expanded product offering, Smartoptics will be relevant for more and larger customers and more network applications within our existing customer base. The basis for growth is far stronger now compared to the beginning of 2022.

SUPPLY CHAIN

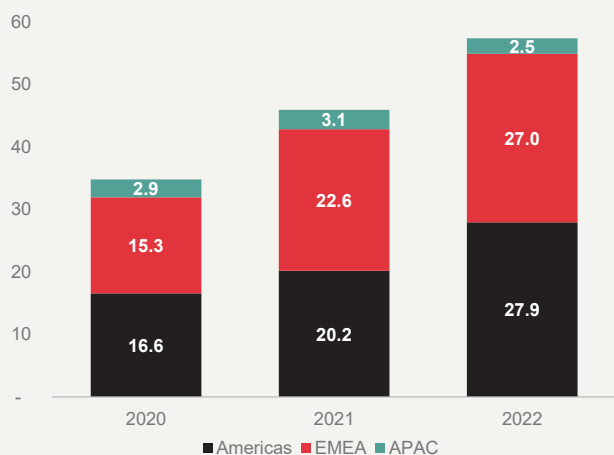
The semiconductor shortage, which was a threat to our ability to deliver our products to our customers during 2021, is much less of a problem when I am writing this. We feel that we have a good control of the situation. In addition to general improvements in this market, Smartoptics took several actions to secure components throughout 2021 and early parts of 2022, and despite the challenges and complexity, we managed to deliver revenue growth and improved profitability.

MARKET OUTLOOK

Looking ahead, we are excited about the opportunities that lie ahead for us. The networking industry is continuously in transformation, and we are well-positioned to leverage our strengths and capture emerging growth opportunities. The world will see higher capacity, more data-centers, enhanced 5G cellular coverage, more fiber put into the ground – resulting in more people being connected and having the ability to take part of all digital opportunities. Our position in the market is continuously improving and our target to grow to USD 100 million in revenue by 2025/2026 remains firm.

BUSINESS OVERVIEW

REVENUE BY GEOGRAPHY



Smartoptics core markets are Americas, EMEA and parts of APAC.

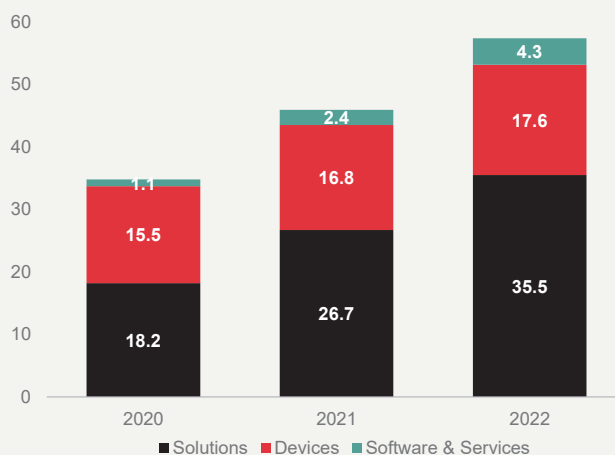
During 2022 Smartoptics has continued to grow in EMEA and Americas.

Americas is predominantly USA. The growth in Americas is largely driven by continued success in USA with winning new customers, expanding business with existing larger customers, as well as new sales partnerships. Smartoptics is also making some inroads into Latin America (under Americas) and won a handful of customers.

EMEA is mainly driven by Nordics, UK & Ireland. In EMEA the success has been driven by several wins with medium-sized and smaller network and telecom operators, cloud providers as well as continued strong base business with Enterprises.

During 2022 Americas was the largest market for Smartoptics. Americas grew by 38% between 2021 and 2022. EMEA grew by 19% between 2021 and 2022.

REVENUE BY BUSINESS AREA



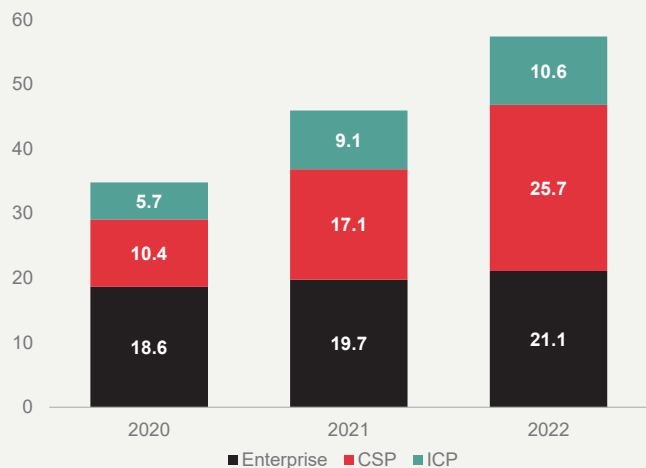
Smartoptics has three main categories of products: Solutions, Optical Devices, Software & Services

Solutions are products for various optical metro networks. Solutions consists of hardware such the DCP-R family, DCP-F family, DCP-M family, Transponders and Muxponders, as well as transceivers included in a complete customer project. Solutions grew 33% between 2021 and 2022. The overall success stems from successful product launches, especially the 404 muxponder and the ROADM system DCP-R.

Software and Services are closely related to Solutions, as customers buy a complete solution including a Software and Services package. There is a recurring element in Software and Services through customers having quarterly or yearly Software and Services subscriptions and renewals. Software and Services is shown after reduction of deferred revenue. Software and Services grew by 76% between 2021 and 2022, driven by product launches in solutions and investing in both service and software offerings.

Optical devices are transceivers and accessories that are sold independent of systems. Devices grew by 5% between 2021 and 2022.

REVENUE BY CUSTOMER TYPE



Smartoptics customers are divided into three market segments: Communication Service Providers (CSP), Internet Content Providers (ICP) and Enterprises

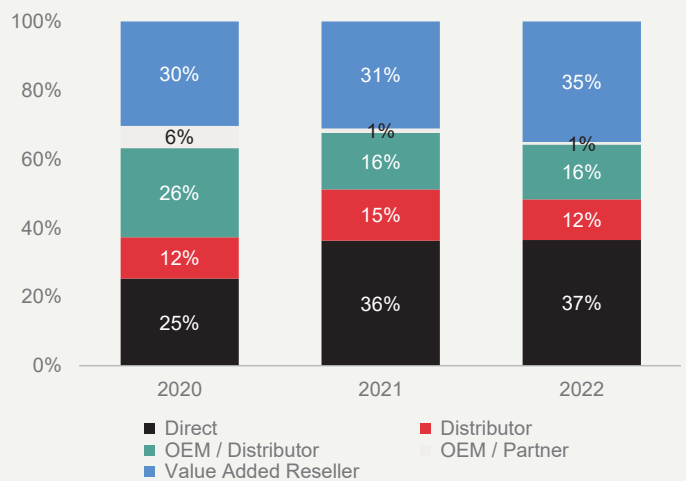
CSPs ranges from incumbents providing a broad service offering to both businesses and consumers. This segment also includes wholesale operators with enterprise and bulk transport service focus. In addition, the segment includes Cable MSO (Multi System Operator) and Broadband providing wired consumer access via for example fiber. Smartoptics has been targeting growth with CSPs with the DCP-M, DCP-F and DCP-R product families. The between growth between 2021 and 2022 was 51%, demonstrating success with this strategy.

ICPs are Internet content, public cloud computing, or neutral co-location providers. This segment had a growth of 16% between 2021 and 2022.

Enterprises includes medium & large enterprises that purchase equipment directly from manufacturer or reseller to support connectivity for non-telecom core businesses; Equipment resold by other service providers for managed services are not included. Typical customers are within-Banking, Government, Utilities and Education. The Enterprise segment grew by 7% between 2021 and 2022 and has provided a good base to build upon. Smartoptics has traditionally been focused on Enterprise, while new products focus on the other two segments.

Revenue split is an estimate, by categorizing customers. A new categorization has been made for 2022, covering all shown years.

REVENUE BY CHANNEL



Smartoptics has a direct sales force throughout Europe and in the USA. Together with a large network of sales partners in the form of value added resellers, distributors and OEMs Smartoptics is covering many markets and has a cost efficient market access.

The network of sales partners is a valuable asset for Smartoptics. The network has been developed over some 15 years and is continuously improved and new partners are added every year.

The direct business is primarily related to the CSP segment, where procurement of Smartoptics products are handled directly by the customers. As the business with CSP segment has grown the share of direct business has also grown.

The Value Added Resellers are datacom, telecom and IT-system integrators of various sizes. In close cooperation with Smartoptics and the end customer, these companies designs solutions, which sometimes includes several products and several vendors, while at other times just Smartoptics products.

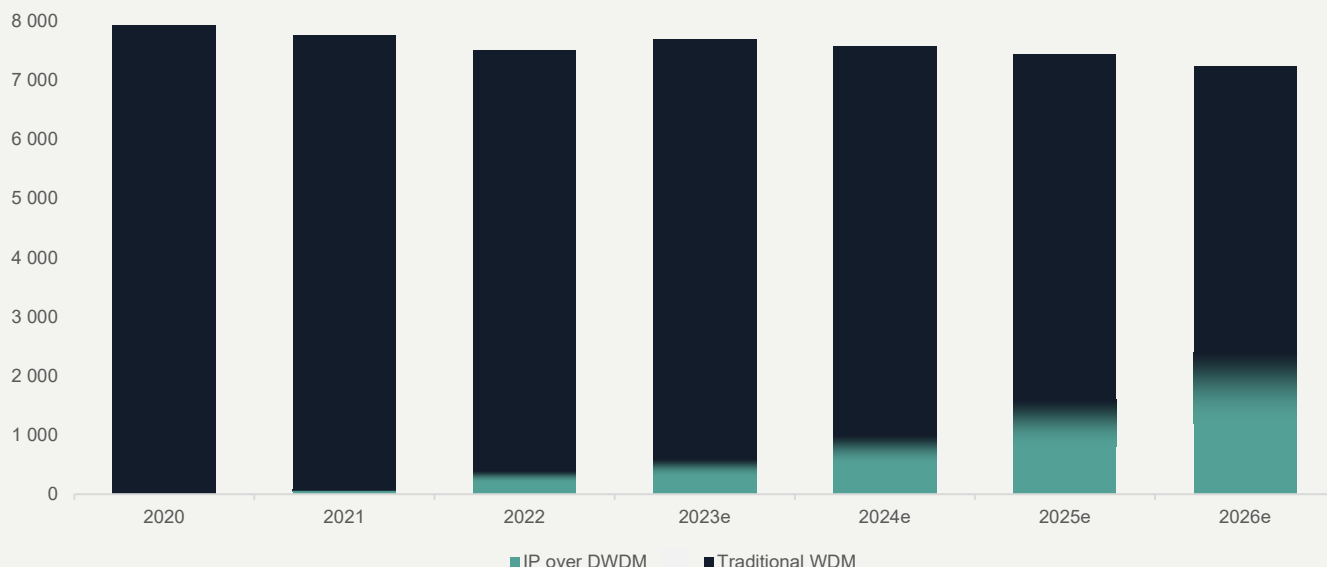
Distributors are similar to Value Added Resellers, but are usually larger and have a broader offering to a larger customer base. They are also less involved in the design of the solutions for the end customer.

OEMs (distributor / partner) are companies that markets and sells the products from Smartoptics under their own name or where the Smartoptics products are a part of an OEM-branded solution.

Revenue split is an estimate, by categorizing customers. A new categorization has been made for 2022, covering all shown years.

MARKET DEVELOPMENT

(USD million)



The global optical equipment market is currently valued at approximately USD 15 billion.

Smartoptics specializes in developing products for metro applications, which involve networks within cities or between nearby cities. These products are designed using open and disaggregated principles, meaning they can interoperate with a variety of other vendors’ products and function well in a mixed vendor ecosystem. Disaggregation also allows for multiple vendors to deliver different aspects of the network solution, resulting in higher performance at a lower cost point, as well as the ability to continuously upgrade step by step.

In recent years, there has been a shift in the market towards integrating WDM optics directly into routers, also known as IP-over-DWDM. This technology concept has become a more viable option with recent advancements in transceiver form factors, cost levels, and performance.

The global metro WDM market, which includes IP-over-DWDM solutions, is currently worth approximately USD 7.5 billion, and the IP-over-DWDM segment is expected to grow rapidly in the coming years due to its cost efficiency. This is expected to result in an overall flat development of the market, while the IP-over-DWDM share increases quickly.

Overall, Smartoptics is well-positioned to capitalize on this growing trend towards IP-over-DWDM solutions, as our products are designed to be interoperable and cost-effective, making them an attractive option for customers looking to upgrade their metro networks.

These insights are based on research from Cignal.AI and Smartoptics analysis, with the forecast from Cignal.AI being dated March 2023.

CUSTOMERS

OVERVIEW CUSTOMER TYPE

CUSTOMERS

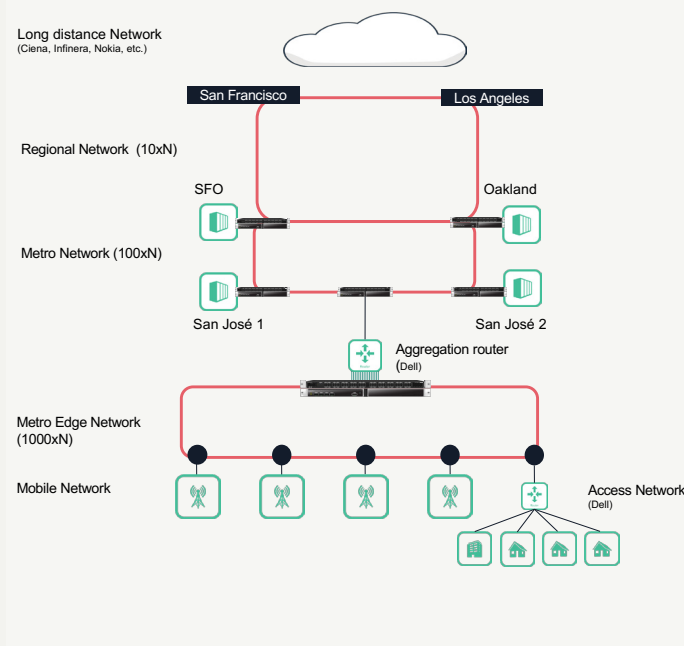
Smartoptics’ products and solutions are used by a wide variety of customers in different market segments. Key customers include Communication Service Providers (CSPs), Content Providers and Internet Exchanges (IXPs) as well as large enterprises and governmental agencies.

Communication Service Providers (CSPs) form Smartoptics’ largest addressable market segment and use Smartoptics products to build cost efficient optical networks interconnecting major points of presence and providing network access for their users. The hierarchical structure of the CSPs’ networks offers multiple opportunities for the deployment of Smartoptics ROADMs, transponder and muxponder products: At the regional level, which interconnects cities, the 100G and 400G DWDM systems with DCP-R ROADMs from Smartoptics are in strong demand when building ring and mesh

shaped networks. Within cities, i.e., at the metro level, additional rings at 100G with upgrade options to 400G and built with ROADMs from Smartoptics are used to meet the ever-growing demand for further distribution of the CSP’s bandwidth. And to reach the thousands of CSP users, access and edge networks using Smartoptics 10G and 100G systems with transponders/muxponders are deployed.

The CSPs have a recurring demand for more bandwidth between their sites, in addition to significant expansion needs when building backhaul networks for e.g., 5G and broadband access. Their technical requirements focus on capacity, reliability, and manageability combined with a demand for low cost and simple deployment. By the addition of several new products such as ROADMs based on the Dynamic Connectivity Platform (DCP), the scope of the Smartoptics offering to the CSPs has been dramatically enhanced in 2022.

COMMUNICATION SERVICE PROVIDER USE CASES



- Regional Network - Connectivity between cities in a region. 100Gbit/s and 400Gbit/s. Several hundred connections
- Metro Networks - Connectivity between major Datacenters. 100Gbit/s and emerging 400Gbit/s. Several hundred connections
- Metro Edge Networks - Backhaul of Data to major Datacenters. 10Gbit/s up to 100Gbit/s. Several thousand connections

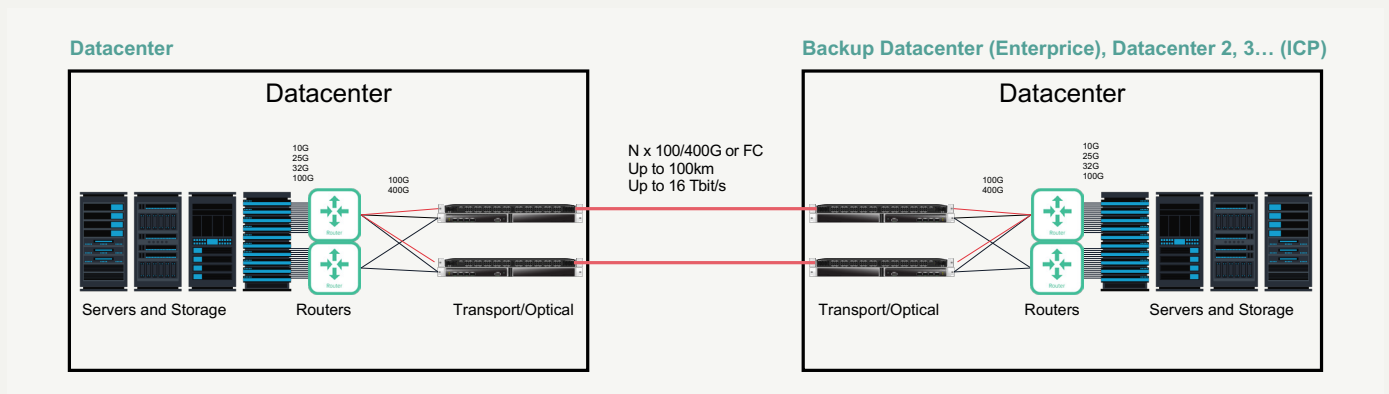
CUSTOMERS

The ever-growing demand for bandwidth also drives Internet Content Providers (ICPs) and Internet Exchanges (IXPs) to request bandwidth at a very attractive cost per bit, when interconnecting their sites. A preferred way of achieving this is to deploy IP over DWDM solutions, removing transponders and decreasing the overall cost of the transport layer. Smartoptics innovative and fully open DCP platform is therefore designed to simplify all types of IP over DWDM deployments by reducing cost and automating network configuration. An IP over DWDM architecture further has the advantage of leveraging technology advances more rapidly than traditional systems, thereby facilitating a continuous update of the DWDM connections to higher speeds.

In the same way, Enterprises and Government agencies use Smartoptics' products to boost the bandwidth transported over optical fibers when interconnecting data centers. Using the technology offered by Smartoptics they can transport up to 16 Tbit/s over one fiber pair, and mix and match Ethernet traffic with e.g., storage specific protocols like Fibre Channel. The unprecedented software automation offered by the DCP platform allows the customers to use this advanced technology with very limited in-house competence in how networks are installed, commissioned and operated.

ENTERPRISE AND INTERNET CONTENT PROVIDER USE CASES

- The initial revenue of an Enterprise project is typically USD 100K - 400K and for ICP 300K - 1M+
- Typically, 4-5 years between technology cycles (3-4 years ICP)
- 10-50% capacity in-fill during year 2-5



PRODUCTS

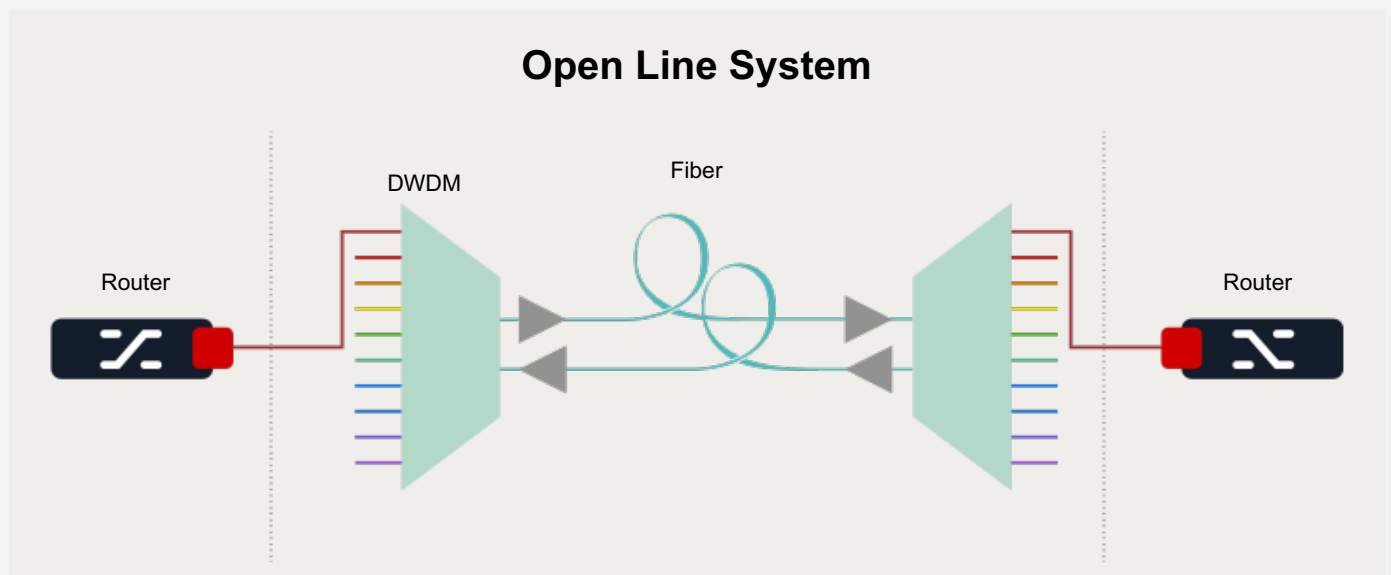
OVERVIEW PORTFOLIO

IP OVER DWDM WITH OPEN LINE SYSTEMS

Until recently, all optical transport networks were built using dedicated, monolithic, optical transport systems originating from the telco world. However, an open architectural approach is now increasingly applied to optical networking, using IP over DWDM, i.e., pluggable optics in standard IP routers and switches, and open line systems including everything needed for the DWDM channels to be carried over longer distances (amplifiers, dispersion compensation, ROADMs etc.). A new breed of disaggregated network solutions has emerged, relying upon stan-

dardized hardware with embedded WDM capabilities and with the option of being steered from the same software defined networking (SDN) controllers as other parts of the network.

IP over DWDM solutions are of interest both to enterprises for e.g., data center interconnect (DCI) and to Communication Service Providers (CSPs) for metro edge and metro/regional networks. The building practices, use of pluggable optics, SDN etc. originating from the enterprise data centers have laid the foundation for a new generation of optical networks, reaping the rewards of breakthroughs in DWDM and transceiver technology.



Illustrations of function of an Open Line System

PRODUCTS

Smartoptics product portfolio comprises complete Optical Systems and Optical Devices.

OPTICAL SYSTEMS BASED ON THE DYNAMIC CONNECTIVITY PLATFORM (DCP)

To meet the diverse requirements of IP over DWDM with active and open line systems, Smartoptics has introduced the Dynamic Connectivity Platform (DCP) as a multipurpose base, supporting the optical networking needs of both operators and enterprises. The DCP platform uses an open architecture supporting pluggable transceivers, open line systems, and SDN control, resulting in a superior price/performance when compared to legacy solutions.

The DCP platform can be used in all types of IP over DWDM optical networks, may they be simple point-to-point links or advanced, ROADM-based, ring and mesh networks. To fit the varying needs of IP over DWDM, the DCP platform comes in several flavors: The DCP-M, the DCP-R, and the DCP-F open line system families, and the DCP-2-based transponders and muxponders.

The DCP platform leverages two building practices to provide flexibility for both small and large configurations and to cater for use in special situations. Management of all DCP platform products is either fully automatic or controlled by use of either a command line interface or the REST/NetConf protocols, interfacing with standard SDN archite-

ctures as defined by the Open ROADM MSA.

THE DCP OPEN LINE SYSTEM FAMILIES

An open line system may be anything from a set of passive optical filters and a fiber to a complex, meshed ROADM network with multiple active elements. To meet the diverse requirements of active open line systems, Smartoptics has introduced three families of DCP products:

THE DCP-M FAMILY

For zero touch provisioning of point-to-point links with multiple traffic formats at speeds up to 400G, focusing on the lowest cost per transported bit. The DCP-M products have a fixed form factor chassis, and each model is designed for a particular use case.

THE DCP-R FAMILY

For any type of ring and mesh shaped ROADM network with multiple traffic formats at speeds up to 400G, focusing on service reliability and wavelength manageability. The DCP-R products also have a fixed form factor chassis, and each model is designed for a particular application.

THE DCP-F FAMILY

For configuration of all types of open line systems with a set of versatile, active, optical units that can be used on their own or extend the functionality of the DCP-M and DCP-R families as well as being used in active/passive optical ring applications. The DCP-F units have a uniquely high level of flexibility based on a building box concept with flexible optical modules that fit into a DCP-2 chassis.



The DCP-M/DCP-R chassis (top) and the DCP-2 chassis with a DCP-F-A22 amplifier and a DCP-F-R22 micro ROADM (bottom)

THE DCP TRANSPONDERS AND MUXPONDERS

To facilitate the migration from 10G and 100G optical links to 400G and higher speeds, Smartoptics has introduced a separate family of DCP-2 based transponders and muxponders. Using a transponder, a short range electrical or optical signal from a switch or router can be converted to a long range WDM signal for transport over an open line system. The transponder/muxponder also has functions for optional encryption of the optical signal and for optical channel quality monitoring.

The DCP-108, DCP-1203, and the DCP-1610 transponders are typically used to adapt switches and routers that do not accept pluggable CWDM/DWDM transceivers to use an open WDM line system. These products also often act as a demarcation device between a service provider's network and his subscribers.

The DCP-404 muxponder is primarily used to multiplex several lower bit rate data streams onto a higher speed optical channel at e.g., 400G.

SOSMART SOFTWARE SUITE

SoSmart is a modular software suite for SDN-based management of Smartoptics' products in an open, multi-layer and multi-vendor optical networking environment. The

management suite has a new and modern software architecture with open APIs that enable a high level of management flexibility, modularity, multiple integration possibilities and openness. The Smartoptics SoSmart Software Suite for open network management includes the following building blocks:

SoSmart Manager – The management application for optical network provisioning, also including fault, configuration, administration, performance, and security (FCAPS) functions, and operated via an advanced graphical user interface (GUI).

SoSmart Controller – An open source SDN controller based on TransportPCE.

SoSmart Planner – An optical planning and simulation tool with the same GUI as the SoSmart Manager and using the open-source module GNPY for path simulations.

The SoSmart Software Suite interworks seamlessly with the DCP network elements, each of them having data models based on Yang and supporting the Open ROADM APIs, which are made accessible via the NetConf protocol. This open approach has two important advantages: The DCP network elements may be directly controlled by other SDN controllers supporting the Open ROADM API and



PRODUCTS

NetConf, and the SoSmart Software Suite can be extended to also control other optical network elements with relevant open APIs.

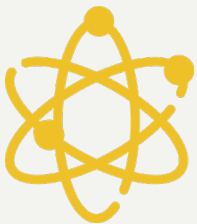
OPTICAL DEVICES

Smartoptics offers a comprehensive portfolio of optical devices, consisting of optical transceivers supporting data rates up to 400G. The portfolio focuses on delivering thoroughly tested, high end transceivers used in e.g., routers, switches, and radio base stations. In addition to the transceivers Smartoptics offers a complete portfolio of passive WDM filters and cables, where applications span from data center interconnect to pure access network deployments for operators.

Through the optical devices portfolio Smartoptics enable enterprises and service providers to leverage advances in pluggable optics in innovative ways, such as deploying IP over DWDM networks, lowering the cost, and creating better scalability for network owners.

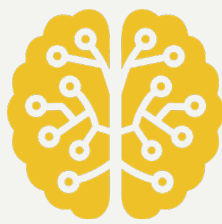
PROFESSIONAL SERVICES

Smartoptics provides a wide range of support services to its customers. From network design by inhouse engineers, via staging and installation support to after sales support, Smartoptics ensures that the customer gets the most out of his network. The support offering includes several pre-defined service bundles, where the customer can choose a complete set including technical support 24/7, software update subscriptions, advance product replacement, and extended warranty. Alternatively, the customer may pick and choose the individual support services of his interest.



COMPLETE CARE

The Complete Care service is our most comprehensive service bundle and contains TAC 24/7/365, software subscriptions and APR+EWS.



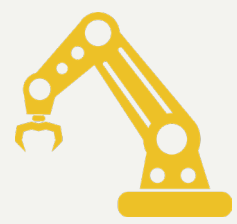
SMART CARE

The Smart Care offers a bundle of support services including 24/7/365 support and an extended product warranty.



TECHNICAL SUPPORT

Our aim is to meet your network expectations by designing a network to be as high-performance and cost-efficient as possible.



EXTENDED WARRANTY SERVICE

Smartoptics' extended warranty service (EWS) allows you to extend the term of your product warranty beyond the standard term.



ADVANCE PRODUCT REPLACEMENT

Smartoptics' advance product replacement (APR) service is an optional service that can be purchased for any Smartoptics product. If a product is found to be in need of replacement a replacement product with the same or similar functionality will be shipped by the next business day.



NETWORK DESIGN SERVICES

We offer a complimentary optical network design service. This includes a bill of materials (BOM) to match the future-proof fiber and network requirements of every individual network task as well as recommendations for spare parts.



STAGING AND INSTALLATION SUPPORT

Our pre-staging service encompasses building up and testing the network in our lab. This ensures the network is fully operational prior to shipping and saves valuable time during the installation period.



TRAINING AND EDUCATION

Smartoptics offers training programs for everything from xWDM basics to our product portfolio and how to design and implement an optimized network to meet your current and ongoing capacity requirements.

BOARD OF DIRECTORS



THOMAS RAMM
CHAIRMAN OF THE BOARD

BORN
1964

BOARD MEMBER SINCE
2013

OTHER CURRENT ASSIGNMENTS

Chairman of the Board of Ignis AS, Chairman of the Board of Etain AS, Chairman of the Board of Apini AS, Chairman of the board Electronic coast, Owner of Coretech AS, Notion Holding AS

EDUCATION

Bachelor of Information Technology from EDB høyskolen in Oslo, Norway

HOLDINGS IN SMARTOPTICS GROUP

31 783 599 shares, as of December 31, 2022



SARA HEINER ASPLUND
BOARD MEMBER

BORN
1976

BOARD MEMBER SINCE
2022

OTHER CURRENT ASSIGNMENTS

CFO Svea Solar

EDUCATION

MSc. in Industrial Engineering and Management from the Royal Institute of Technology

HOLDINGS IN SMARTOPTICS GROUP

0 shares, as of December 31, 2022

BOARD OF DIRECTORS



EINAR CASPERSEN
BOARD MEMBER

BORN
1968

BOARD MEMBER SINCE
2022

OTHER CURRENT ASSIGNMENTS
Lawyer Advokatfirmaet Schjødt

EDUCATION
Cand Jur, Law from University of Oslo

HOLDINGS IN SMARTOPTICS GROUP
15 850 429 shares, as of December 31, 2022



KARL THEDÉEN
BOARD MEMBER

BORN
1963

BOARD MEMBER SINCE
2019

OTHER CURRENT ASSIGNMENTS
CEO of Outpost24 AB

EDUCATION
MSc. in Systems Engineering from the Royal Institute of Technology

HOLDINGS IN SMARTOPTICS GROUP
463 078 shares, as of December 31, 2022

THE MANAGEMENT TEAM



MAGNUS GRENFELDT
CHIEF EXECUTIVE OFFICER

BORN

1969

EXPERIENCE

Has held several management, sales and business development positions at Transmode, Infinera, ADVA Optical Networking, Sycamore Networks and Ericsson.

EDUCATION

MSc. Materials Physics from Uppsala University

JOINED SMARTOPTICS

2016

HOLDINGS IN SMARTOPTICS GROUP

1 857 489 shares and 867 031 warrants, as of December 31, 2022



MIKAEL HAAG
CHIEF FINANCIAL OFFICER

BORN

1975

EXPERIENCE

Prior to joining Smartoptics he has held senior finance positions at Tele2, Ericsson, Arthur D Little as well as Danske Bank.

EDUCATION

MSc. Finance & Accounting from Stockholm School of Economics as well as a MSc. Industrial Engineering and management degree from the Royal Institute of Technology

JOINED SMARTOPTICS

2018

HOLDINGS IN SMARTOPTICS GROUP

248 747 shares and 325 136 warrants, as of December 31, 2022

MANAGEMENT TEAM



KENT LIDSTRÖM
CHIEF TECHNOLOGY OFFICER

BORN
1969

EXPERIENCE

Has held various positions at Transmode and Infinera including a 4-year assignment in the USA where he worked as the director of sales engineering. Prior to this Kent held several positions at Ericsson.

EDUCATION

BSc. In Engineering from the Royal Institute of Technology

JOINED SMARTOPTICS

2018

HOLDINGS IN SMARTOPTICS GROUP

280 762 shares and 325 136 warrants, as of December 31, 2022



CARINA OSMUND
CHIEF OPERATING OFFICER

BORN
1967

EXPERIENCE

Has held several management positions within operations and global supply chain at EG Electronics, Climeon, Profoto, General Electric and Trimble.

EDUCATION

MBA from Blekinge Institute of Technology as well as a MSc. Industrial Engineering and management degree from the Royal Institute of Technology

JOINED SMARTOPTICS

2022

HOLDINGS IN SMARTOPTICS GROUP

15 100 shares, as of December 31, 2022



PER BURMAN
CHIEF MARKETING OFFICER

BORN
1976

EXPERIENCE

Per has held several sales and management positions at Tilgin, Transmode and Infinera.

EDUCATION

MSc. In Engineering from the Royal Institute of Technology

JOINED SMARTOPTICS

2017

HOLDINGS IN SMARTOPTICS GROUP

280 075 shares and 216 758 warrants, as of December 31, 2022

BOARD OF DIRECTORS REPORT

THE SMARTOPTICS GROUP

Smartoptics Group AS is the holding company of the Smartoptics group of companies. The group consists of Smartoptics Group AS and three subsidiaries (Smartoptics AS, Smartoptics Sverige AB and Smartoptics US Corp).

Smartoptics is a Scandinavian company that provides innovative optical networking solutions and devices for the new era of open networking.

We focus on solving network challenges and increasing the customers efficiency by having an open network approach. This allows customers to break unwanted vendor lock ins, remain flexible and reduce costs. Smartoptics products are based on in-house developed hardware and software, enhanced through associated services.

The customer base includes thousands of enterprises, governments, cloud providers, Internet exchanges as well as cable and telecom operators.

Smartoptics partner with leading technology and network solution providers and uphold numerous certifications and approvals from major switching and storage solution providers such as Brocade, Cisco, and Dell. Smartoptics has a global reach through our own sales force and more than 100 business partners including distributors, OEMs and VARs.

OPERATIONAL OVERVIEW

PRODUCTS

The Smartoptics group has three main product categories.

Solutions comprises software and hardware systems which enable transport of data over optical fibers in networks and between data centers. Smartoptics' product offering is designed to target the metro and regional market. Target customers may be enterprises, Internet content providers or communication service providers.

Devices consists of passive optical multiplexers, transceivers (optical interfaces for routers, switches and base-stations for example) and various accessories. Optical transceivers are complete pluggable optical interfaces for any host system, ranging from simple fiber to the home termination points to high end routers, switches and base sta-

tions. Smartoptics offers a complete portfolio that can be used in a wide range of host systems. Smartoptics offers optical transceivers capable of transmitting and receiving from 100 Mbit/s to 400 Gbit/s.

Software and services consists of technical support, advanced product replacement, extended warranty and software upgrades. Software and services is usually sold together with the other type of products.

LOCATIONS

The employees of the group are located in Norway, Sweden, United Kingdom, Germany, Poland and the United States. Smartoptics Group AS operates from Brynsalléen 2, 0667 Oslo.

FINANCIAL REVIEW

FINANCIAL RESULTS OF 2022

The Smartoptics group's revenues amounted to USD 57.4 million in 2022, an increase of 25.0% from 2021. The revenue growth was all organic. The revenue growth is driven by success within Solutions and Software and services business.

Gross profit was USD 25.4 million, resulting in a gross margin of 44.2%. The gross margin improved by 1.5%-points compared to 2021. The improvement is a result of business mix shift toward higher share of Solutions and Software and services.

Operating costs amounted USD 14.5 million. The operating costs have increased as a result of a growing organization. Smartoptics group had 95 employees at year end 2022. About 82% of the operating costs are related to employees and consultants.

Operating profit was 9.3 million and operating margin 16.2%, an increase of 5.3%-points compared to 2021. The increase in profitability is driven by revenue growth and a business mix shift which is increasing gross margin, while at the same time growing the operating costs slightly slower. Currency changes, with USD strengthen vs SEK and NOK have reduced the increase in operating costs.

Depreciation and Amortization was USD 1.5 million. Amortization is related to capitalization of personell costs within key projects in research and development. The capitali-

zed amount for the year is USD 0.5 million. Depreciation is primarily related to production equipment and lab instruments used for development and office equipment.

Net financial items were USD -0.4 million, of which interest payments accounted for USD -0.2 million and net translation differences USD -0.2 million.

Profit/(loss) for the year was USD 6.8 million.

The parent company operates as a holding company, and all operational activities are conducted in the subsidiaries. The net income for the parent company was NOK 62.7 million.

FINANCIAL POSITION AND CASH FLOW

Total non-current assets amounted to USD 6.4 million at the end for 2022. This mainly consists of Right-of-use assets (USD 2.4 million), capitalized research and development costs (USD 0.9 million) as well as deferred tax asset (USD 1.3 million).

Total current assets amounted to USD 37.9 million at the end of 2022. Current assets consist predominantly of inventory, trade receivables and cash. Cash position was USD 5.7 million at year end.

The group had a total equity of USD 27.6 million, corresponding to an equity ratio of 62.2% at the end of the year.

Total liabilities amounted to USD 16.8 million at the end of the year. Current liabilities was USD 11.6 million and non-current liabilities was USD 5.2 million. The group had USD 1.5 million in interest bearing debt. Current liabilities consist of mainly trade payables (USD 5.8 million) and deferred revenue (USD 1.8 million). Trade payables has increased with increasing revenue. Deferred revenue relates to pre-paid service business, where revenue recognition is made as the performance obligation of the service is fulfilled and the deferred revenue is transformed to revenue.

Operating cash flow was positive USD 0.1 million. This was driven by overall profitable business, while increasing working capital contributed negatively. Working capital is defined as trade receivables plus inventory, less trade receivables and deferred revenue. Working capital grew by 31.6 % as an effect of the overall revenue growth for the group as well as supply chain disturbances related to the global semi-conductor shortage.

RISK FACTORS

COMMERCIAL RISK

Smartoptics operates in a competitive environment. Product performance, network design philosophy, solution design capabilities, compliance with industry standards,

price levels and ability to deliver on time are some of the aspects that determine success going forward. Competition may intensify in some areas, impacting Smartoptics competitive position and attractiveness to customers.

GEOPOLITICAL RISK

The war in Ukraine has had limited commercial implications. Smartoptics has no direct business in Ukraine - no employees, customers, or suppliers. About 1% of the group's revenue came from Russia. All future shipments to Russia have been put on hold.

Smartoptics rely on a global supply chain with suppliers located in Europe, North America and in Asia. Rising tension between major powers in the world could negatively impact these global supply chains.

COVID-19

Covid has had impact on Smartoptics business during the past couple of years.

In the beginning of the pandemic Smartoptics device orders saw a dramatic boost, while solution orders dropped. As the months passed the solution orders recovered to a more normal level. However, as some of the business was pushed to later in the year, the normal seasonality of the business was a bit altered. The normal seasonality was restored during 2022.

CUSTOMER CREDIT RISK

Customer credit risk is continuously monitored. All customers are subject to a credit evaluation, or the use of pre-payment. The group has historically had very low levels of bad debt, going forward minimal impact from credit risks are expected.

LIQUIDITY RISK

The group's financial position is strong with USD 5.7 million in cash at the end of the year. In addition, the group has an undrawn bank credit facility of USD 2.6 million.

INTEREST RATE RISK

Long-term borrowings amounted to USD 1.5 million per year end 2022. There are two loans with Innovasjon Norge. These are denominated in NOK. These loans will be fully amortized in 2026. The group has no other interest-bearing debts.

EXCHANGE RATE RISK

A majority of Smartoptics customers are located in Europe and in USA and Canada. Nearly all commercial contracts are in USD, both with customers and suppliers. This creates a situation with very limited exchange rate risk. Operating costs, which predominantly related to salaries, are in local currencies, i.e. SEK, NOK, USD, EUR and GBP. Currency fluctuations will have an impact on profitability, through increasing or decreasing operating costs.

SEMICONDUCTOR SUPPLY SHORTAGE

In the wake of the lockdowns throughout Asia and in particular China, a shortage of key components arose. Throughout 2022 we have experienced longer than normal lead times on several components.

During 2022 Smartoptics proactively purchased the necessary components required for customer deliveries, including purchases on the spot market, as supplier lead times increased dramatically. This practice came with an extra cost, estimated to USD 1.5 million. Towards the end of 2022 the situation had normalized.

DEPENDENCY ON KEY PERSONNEL

The employees of Smartoptics are one of the most vital assets. Competence, experience and relations may be hard to replace. As Smartoptics has grown in size the group is becoming an even more attractive employer, with stronger ability to attract talent in many markets. The personnel turn-over has been on low levels, during the past years.

WORKING ENVIRONMENT AND EMPLOYEES

At the end of the financial year, the group employed 81 full-time employees and the parent company has 2 employees. Of the 83 full-time employees in the group 18 were women and 65 were men. For the parent company both employees are men. The board of directors consists of four persons, whereof one female. There were no injuries or accidents during the financial year. Sick leave has been low and there have been no long-term sick leavers. The working environment in the group is considered good, and ongoing measures for improvement are implemented.

ENVIRONMENT, SOCIAL & GOVERNANCE

From July 1st, 2022, the Norwegian Transparency Act came into effect, which mandates the Smartoptics Group to perform due diligence assessments based on OECD guidelines. The Group is obligated to release an annual report complying with the Transparency Act on smartoptics.com, no later than June 30th, 2023

The Group's sustainability report will also be published on www.smartoptics.com no later than June 30th, 2023.

SOCIAL RESPONSIBILITY

EQUAL OPPORTUNITY

At Smartoptics, we are committed to maintaining a workplace that is free from discrimination of any kind. We en-

sure that all aspects of recruitment, compensation, skills development, promotion, and retirement are based solely on merit and are not influenced by gender or sexual orientation, race, color, age, pregnancy, marital status, religion, political opinion, nationality, ethnic origin, disease, or disability. Additionally, we have a robust grievance mechanism in place that enables employees to submit complaints without fear of retaliation. We take these matters very seriously and work diligently to create a work environment that is fair, respectful, and supportive for all employees.

HUMAN RIGHTS AND WORKING CONDITIONS

Smartoptics is fully committed to upholding the United Nations Convention of Human Rights. We believe that all employees should have a clear understanding of their employment conditions. We are dedicated to ensuring that our employees receive fair and reasonable pay and benefits that meet or exceed applicable laws and industry standards.

We strictly adhere to applicable laws regarding working hours and provide vacation time in accordance with the respective local vacation acts. At Smartoptics, we have a zero-tolerance policy towards forced labor and child labor. We respect the right of every co-worker to freedom of association and collective bargaining, and we do not tolerate any form of punishment or harassment for exercising these rights.

HEALTH AND SAFETY

We place the highest priority on the health and safety of our employees. We conduct regular Health, Safety and Environment (HSE) rounds with a dedicated safety representative to ensure that our workplace environment is healthy and safe. Our HSE audits cover a wide range of areas, including emergency plans, control of fire equipment, physical and psychosomatic work environment, and more. Any findings from our HSE audits are acted upon promptly to ensure that necessary steps are taken to create a safe and healthy work environment.

We are fully committed to maintaining high standards of health and safety in compliance with relevant local legislation and guidelines in all areas in which we operate. Any health and safety incidents are recorded and thoroughly investigated to prevent recurrence in the future.

DISCRIMINATION

We are committed to creating a work environment that values and respects every employee. We believe that every employee should be always treated with respect and dignity. Discrimination of any kind based on partiality or prejudice is strictly prohibited in our workplace. This includes discrimination based on race, color, gender, sexual orientation, gender identity, marital status, pregnancy, parental status, religion, political opinion, nationality, ethnic background, social origin, social status, indigenous status,

disability, age, union membership or employee representation, and any other characteristic protected by local law, as applicable.

ENVIRONMENTAL RESPONSIBILITY

WASTE MANAGEMENT

We recognize the importance of responsible waste management and are committed to reducing our environmental footprint. We believe that it is essential to minimize the impact of our operations on the environment and contribute to sustainable practices wherever possible.

We are committed to further reducing our environmental impact by exploring additional sustainable practices and working with suppliers and partners who share our commitment to sustainability. Through our efforts, we hope to inspire others to adopt sustainable practices and contribute to a more environmentally responsible future.

CHEMICALS AND ELECTRICAL WASTE

Smartoptics is committed to ensuring that our products are environmentally responsible and comply with all relevant regulations and standards. We are proud to say that our products are RoHS/REACH compliant and, where applicable, are certified by organizations such as CE, UL/ETL, TÜV Rheinland, and NEBS level 3. We work with a recycling and disposal company to ensure that all waste generated by our products complies with the WEEE regulation from the European Commission.

EMISSION

We recognize that our operations have an impact on the environment, and we are committed to minimizing our carbon footprint. To achieve this, we regularly measure our greenhouse gas emissions in accordance with the GHG protocol, and use this information to identify areas where we can reduce our impact.

One key area where we are focusing our efforts is on transportation. We are actively seeking out suppliers who can offer us solutions that reduce our carbon footprint, and we encourage all employees to choose environmentally friendly options when it comes to travel.

Any potential future risk related to potential adverse change in climate is hard to quantify for Smartoptics.

BUSINESS INTEGRITY

SOUND AND FAIR-TRADE BUSINESS RELATIONS

Smartoptics is committed to conducting its business in an ethical and legal manner, and we expect the same from our business partners. Therefore, we have developed a Business Partner Code of Conduct to ensure that our business partners comply with our values and standards. We share this code with all our business partners and expect them to adhere to it in all their dealings with us.

The Code of Conduct includes principles such as respect

for human rights, labor rights, and environmental protection. We expect our business partners to comply with all applicable laws and regulations, including those related to labor, health and safety, and the environment. We also require that our business partners treat their employees with dignity and respect, and do not engage in any form of forced labor or child labor.

In addition, we expect our business partners to conduct themselves with honesty, integrity, and transparency, and to avoid conflicts of interest. We encourage our business partners to communicate openly with us and to report any suspected violations of our Code of Conduct or applicable laws and regulations. We will take appropriate action in response to any such reports, including termination of our business relationship if necessary.

CORRUPTION

We have a zero-tolerance policy towards any form of corruption, and conduct regular internal training to ensure all employees are aware of our approach and to raise awareness.

BRIBES AND KICKBACKS

Smartoptics strictly prohibits its employees from soliciting, accepting, or offering any form of bribe, kickback, or unethical benefit to any representative of a business partner or third party, as this is considered unlawful and goes against our values.

GIFTS AND ENTERTAINMENT

In the course of employment, any gifts or entertainment given or offered to a third party must be modest, appropriate, and directly related to business. They should comply with applicable laws and regulations, and conform to the recipient's organization policies or rules. All gifts and entertainment must be fully disclosed and transparent. Cash or cash equivalents shall never be offered, accepted, or requested in any form.

MONEY LAUNDERING

Money laundering and the funding of terrorist and criminal activities is strictly prohibited. It is therefore vital that employees are familiar with and comply with all applicable laws related to such matters.

CONFLICTS OF INTEREST

Our business decisions are always made in the best interests of Smartoptics. Personal considerations or relationships are never to influence our decisions.

POLITICAL CONTRIBUTION

Smartoptics maintains political neutrality and refrains from engaging in politics or supporting any political initiatives. The company does not provide any financial support to political parties. All employees are expected to observe this principle and avoid any actions or statements that could be perceived as political.

INSIDER TRADING

Insider trading is strictly prohibited at Smartoptics. Employees are prohibited from trading in Smartoptics shares based on any material, non-public information that they may have about the company. Any employee found to be engaging in insider trading or aiding and abetting such activity will face disciplinary action, which may include termination of employment, and could also face legal or criminal proceedings. It is the responsibility of all employees to ensure that they are fully aware of and comply with all applicable laws and regulations regarding insider trading.

PROTECTION OF INFORMATION AND MAINTENANCE OF CONFIDENTIALITY

CONFIDENTIALITY

At Smartoptics, we prioritize the management of information and uphold the values of confidentiality, integrity, and accuracy. Our employees are required to maintain the confidentiality of sensitive information, which includes data pertaining to Smartoptics, customers, and colleagues. We also consider confidential any non-public information related to Smartoptics' customers, employees, suppliers, shareholders, processes, and internal documents.

We take necessary measures to comply with personal data regulations and privacy laws in the countries where we operate. To this end, we have implemented a Global Data Protection Policy that all employees are required to follow. This policy ensures that we adhere to applicable regulations and maintain the highest standards of data protection.

PROTECTIONS OF ASSETS

We are committed to protecting and respecting intellectual property, including our own and that of others. Employees are expected to use and protect company assets and resources responsibly and not for personal gain or external work. Smartoptics values the trust of our customers, partners, and suppliers and respects their intellectual property. Any unauthorized use of third-party intellectual property will not be tolerated and may result in disciplinary action.

RAISING CONCERNS AND COMPLIANCE

WHISTLEBLOWING FUNCTION

Smartoptics recognizes that employees may feel uncomfortable raising an issue directly with the person involved. Therefore, we have a whistleblower function, which guarantees anonymity and the option to receive feedback if desired. Whistleblowers are protected and every report is handled with confidentiality.

Our whistleblowing system ensures that employees can report any concerns they have without fear of retribution or retaliation. We take every report seriously and investigate them thoroughly to ensure that any issues are ad-

ressed and resolved promptly. Smartoptics is committed to creating a safe and ethical work environment for all employees, and our whistleblower function is an essential part of achieving this goal.

CERTIFICATIONS

We are ISO 14001:2015 and ISO 9001:2015 certified and the management system is continuously updated to ensure that we follow laws, regulations and risk management.

Our products are RoHS/REACH compliant as well as CE, UL/ETL, and TÜV Rheinland Certified. We are actively developing our products with a target to comply with NEBS level 3.

For all waste, we have engaged a recycle and disposal company in order to comply with the WEEE-regulation from the European Commission.

Our products are RoHS/REACH compliant as well as CE, UL/ETL, and TÜV Rheinland Certified. We are actively developing our products with a target to comply with NEBS level 3.

For all waste, we have engaged a recycle and disposal company in order to comply with the WEEE-regulation from the European Commission.

INSURANCE FOR BOARD MEMBERS

The group maintains liability insurance for the members of the board against liabilities that may arise from the performance of normal duties as board members. The limit of liability is NOK 10 million for each claim and per year.

GOING CONCERN

The Board of Directors and the management confirm that the going concern assumption has been applied in preparing the annual accounts and that this assumption is realistic. The group has enjoyed a strong revenue growth over the past five years and has seen a steadily increasing profitability during the same period. The group's equity position and business momentum cater for favorable development over the coming years.

ALLOCATION OF NET INCOME

The Board of Directors has proposed to allocate the net income of NOK 14.6 million in the parent company to other equity and NOK 48.1 million to dividend, equal to NOK 0.5 per share.

OUTLOOK

The outlook for Smartoptics over the coming years is favorable, given the market situation, with adoption of open and disaggregated practices, as well as Smartoptics ability to develop new products and solutions, and addressing the customers needs. The ambition to reach USD 100 million in revenue by 2025/2026 remains firm, assuming that market conditions are unchanged.

EVENTS AFTER THE REPORTING DATE

There are no significant events affecting the group after the reporting period.

THE SMARTOPTICS SHARE INDEXED DEVELOPMENT



At the end of 2022 Smartoptics Group AS had 96 286 593 shares issued. The company also has 2 084 061 share warrants outstanding. Smartoptics Group AS was listed on Euronext Growth on June 3rd 2021, having the ticker SMOP. Listing price was 10.38 NOK.

Closing price for the Smartoptics share on Jan 3rd 2022 was 10.868 NOK.

Closing price for the Smartoptics share on Dec 30th 2022 was 19.4 NOK.

The Smartoptics share is a part of Euronext Growth Allshare index. This index declined by 24.72% during 2022. The Smartoptics share price increased by 78.5% during 2022.

19 April 2023
Oslo, Norway

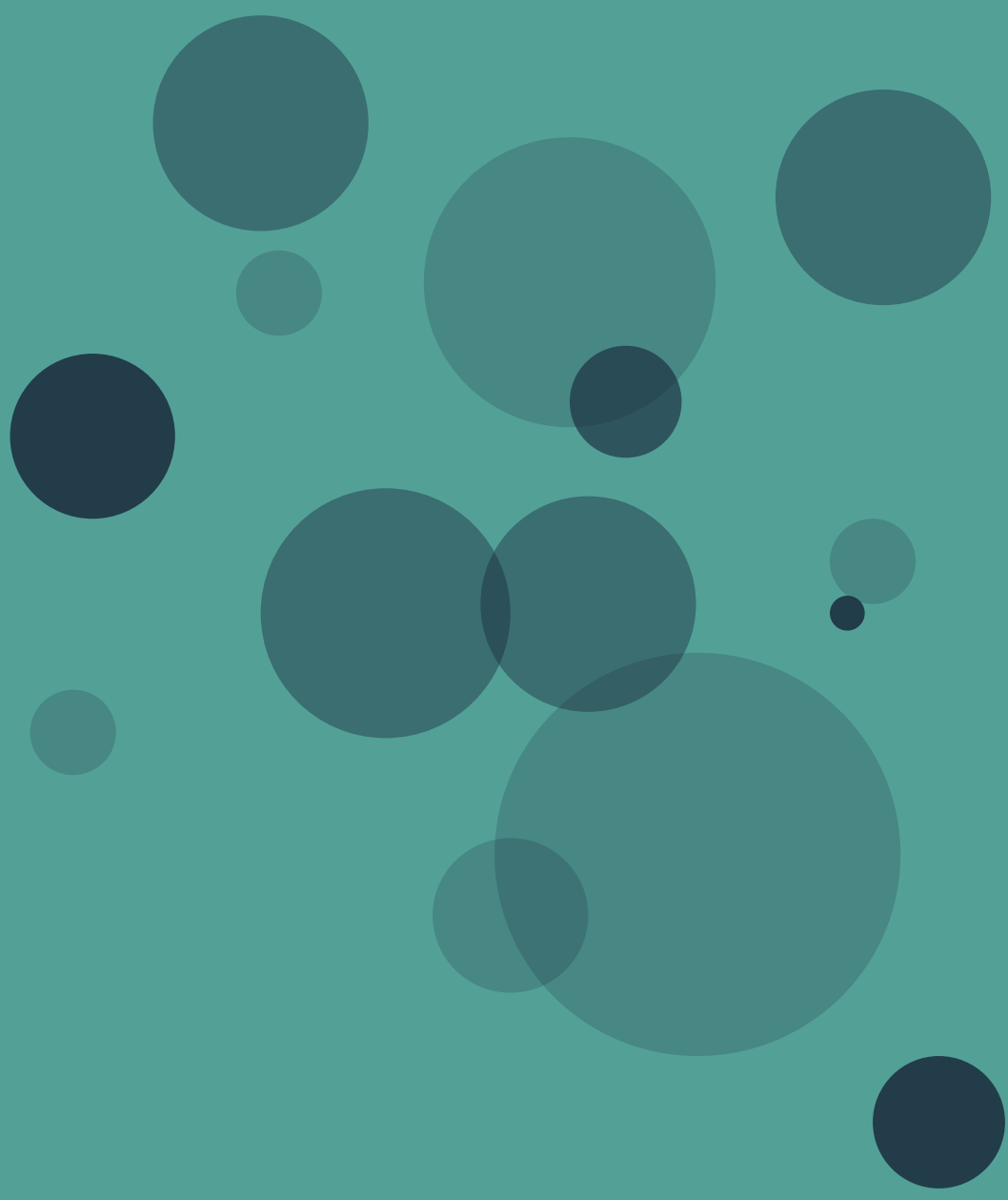
Thomas Ramm
Chairman of the Board

Sara Heiner Asplund
Board member

Einar Caspersen
Board member

Karl Thedéen
Board member

Magnus Grenfeldt
Chief Executive Officer



FINANCIAL STATEMENTS

FINANCIAL STATEMENTS FOR THE GROUP

Consolidated statement of profit or loss		2022	2021
Amounts in USD 1.000	Notes		
Revenue from contracts with customers	3	57 367	45 851
Other operating income	3	-1	51
Total revenue and other operating income		57 366	45 902
Direct cost of sales		-32 014	-26 311
Employee benefit expenses	4	-11 958	-10 983
Other operating expenses	5	-2 552	-2 379
Total operating expenses		-46 524	-39 673
Amortization of intangible assets	9	-324	-407
Depreciation	10, 11	-1 218	-1 228
Total depreciation and amortization		-1 542	-1 636
Operating profit/(loss)		9 300	4 594
Financial income	6	40	19
Financial expenses	6	-229	-167
Net foreign exchange gains (losses)	6	-253	-149
Net financial items		-442	-297
Profit/(loss) before income tax		8 858	4 297
Income tax	7	-2 069	-765
Profit/(loss) for the year		6 789	3 532

Earnings per share in USD			
Basic earnings per share	8	0.071	0.038
Diluted earnings per share	8	0.070	0.038

Consolidated statement of comprehensive income			
Profit/(loss) for the year		6 789	3 532
Other comprehensive income:			
Items that might be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		60	62
Item that are not reclassified to profit or loss:			
Exchange differences on translation to another presentation currency		-2 395	-453
Total comprehensive income for the year		4 454	3 141
Total comprehensive income is attributable to:			
Owners of Smartoptics Group AS		4 454	3 141

FINANCIAL STATEMENTS FOR THE GROUP

Consolidated statement of financial position		31/12/2022	31/12/2021	01/01/2021
Amounts in USD 1.000	Notes			
Assets				
Non-current assets				
Intangible assets	9	941	904	964
Property, plant and equipment	10	1 787	1 392	781
Right-of-use assets	11	2 380	2 301	478
Non-current receivables against related party	18	-	-	48
Deferred tax assets	7	1 326	3 254	4 130
Total non-current assets		6 433	7 851	6 401
Current assets				
Inventories	21	15 423	12 095	8 147
Trade receivable	14	15 915	7 812	6 138
Receivable to related party	18	0	(0)	454
Other current assets	13	943	1 331	1 033
Cash and cash equivalents	15	5 660	9 380	4 651
Total current assets		37 940	30 619	20 424
Total assets		44 374	38 470	26 825
Equity and liabilities				
Equity				
Share capital	16	195	218	211
Share premium	16	12 801	14 307	4 357
Other paid in capital	8	152	170	-
Foreign currency translation reserves		188	128	67
Retained earnings		14 269	8 327	7 242
Total equity		27 605	23 150	11 878
Non-current liabilities				
Lease liabilities (non-current portion)	11, 17	1 759	1 556	168
Contract liabilities (non-current portion)	3	2 297	1 574	1 311
Other non-current liabilities	17	1 120	1 724	2 246
Total non-current liabilities		5 176	4 854	3 725
Current liabilities				
Lease liabilities (current portion)	11, 17	674	782	319
Trade payable	19	5 831	6 215	4 041
Contract liabilities (current portion)	3	1 818	1 379	980
Current tax liabilities	7, 19	868	59	187
Other current liabilities	17, 19	2 401	2 030	5 695
Total current liabilities		11 592	10 465	11 222
Total liabilities		16 769	15 320	14 947
Total equity and liabilities		44 374	38 470	26 825



19 April 2023
Oslo, Norway

Thomas Ramm
Chairman of the Board

Sara Heiner Asplund
Board member

Einar Caspersen
Board member

Karl Thedéen
Board member

Magnus Grenfeldt
Chief Executive Officer

Consolidated statement of changes in equity							
	Note	Share capital	Share premium	Other paid in capital	Translation differences reserves	Retained earnings	Total equity
Amounts in USD 1,000							
Equity at 1 January 2021	21	211	4 357	-	67	7 242	11 878
Profit/loss for the year						3 532	3 532
Other comprehensive income:							
Exchange differences on translation of foreign operations					62		62
Exchange differences on translation to another presentation currency*		-7	-142	-		-305	-453
Total comprehensive income/loss for the year		-7	-142	-	62	3 228	3 141
Issuance of shares	16	14	11 290				11 304
Issuance of share warrants	4, 8			170			170
Transaction costs on equity issues	16		-1 199				-1 199
Dividend	16					-2 143	-2 143
Equity at 31 December 2021		218	14 307	170	128	8 327	23 150
Profit/loss for the year						6 789	6 789
Other comprehensive income:							
Exchange differences on translation of foreign operations					60		60
Exchange differences on translation to another presentation currency*		-23	-1 507	-18		-847	-2 395
Total comprehensive income/loss for the year		-23	-1 507	-18	60	5 942	4 454
Equity at 31 December 2022		195	12 801	152	188	14 269	27 605

*The currency translation differences arising from the translation to the presentation currency is not included as a translation differences reserves, but presented as part of the different categories of the equity. These translation differences cannot be recycled through profit and loss.

Consolidated cash flow statement		2022	2021
Amounts in USD 1.000			
	Notes		
Cash flows from operating activities			
Profit/(loss) before income tax		8 858	4 297
Adjustments for:			
Depreciation and amortization	9, 10	1 542	1 636
Interest	6	109	143
Change in inventory	23	-3 328	-3 996
Change in trade receivable	14	-8 103	-1 711
Change in contract liabilities (deferred revenue)	3	1 163	675
Change in trade payable	13	-384	2 198
Change in other current assets and other liabilities	19	194	-1 853
Interest received	6	40	19
Net cash inflow from operating activities		91	1 408
Cash flows from investing activities			
Payment for property, plant and equipment	10	-1 121	-1 167
Payment for development cost	9	-457	-341
Other investing activities		-	48
Net cash (outflow) from investing activities		-1 578	-1 460
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	16	-	10 091
Proceeds from issuance of warrants	16	-	170
Dividend paid out	16	-	-2 143
Downpayment of credit facility	17	-	-2 105
Repayment of borrowing	17	-238	-189
Paid interest on borrowing	17	-149	-81
Repayments of lease liabilities	17	-743	-807
Net cash inflow from financing activities		-1 130	4 935
Net increase/(decrease) in cash and cash equivalents		-2 616	4 883
Cash and cash equivalents as of 1 January		9 380	4 624
Effects of exchange rate changes on cash and cash equivalents		-1 104	-127
Cash and cash equivalents as of 31 December		5 660	9 380

NOTES

NOTES FOR SMARTOPTICS CONSOLIDATED ACCOUNTS

NOTE 1 - GENERAL INFORMATION

Smartoptics Group AS, the holding company of the Smartoptics Group (the Group), is a limited liability company incorporated and domiciled in Norway, with its head office in Brynsalléen 2, 0667 Oslo. The Company is listed on Euronext Growth in Oslo, Norway and has the ticker "SMOP".

Smartoptics provides innovative optical networking solutions and devices for the new era of open networking. The group focuses on solving network challenges and increasing the customers efficiency. Smartoptics customer base includes thousands of enterprises, governments, cloud providers, Internet exchanges as well as cable and telecom operators.

Smartoptics leverages modern software design principles and enables customers increased flexibility by having an open network design approach. This allows the customers the freedom to remain flexible and reduce costs. The products are based on in-house developed hardware and software, enhanced through associated services.

These consolidated financial statements have been approved for issuance by the Board of Directors on 19th April 2023.

NOTE 2 - GENERAL ACCOUNTING PRINCIPLES

The general accounting policies applied in the preparation of these consolidated financial statements are set out below. Specific accounting principles are described in the relevant notes.

BASIS OF PREPARATION

The consolidated financial statements of Smartoptics are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), and additional disclosure requirements in the Norwegian Accounting Act as effective of 31 December 2022.

The consolidated financial statements are presented in United States Dollar (USD), and have been rounded to the nearest thousand unless otherwise stated. As a result of rounding adjustments, amounts and percentages may not add up to the total.

The financial statements are prepared on a going concern basis. The financial statements have been prepared on a historical cost basis.

FOREIGN CURRENCY

FUNCTIONAL CURRENCY, PRESENTATION CURRENCY AND CONSOLIDATION

The Group's presentation currency is USD. Smartoptics Group has decided, as from December 2022, to present its financial statements in USD, since the share of revenue and expenses in USD is significant for the operational activities and has the main impact on the result of operations. The foreign exchange risk with fluctuation in currency exchange rates will therefore be minimized. The functional currency of the parent company is NOK, since the funds from financing activities, such as loans, and administration costs are based in NOK.

For consolidation purposes all subsidiaries with a different currency than the parent company is translated into NOK and the consolidated numbers are then translated into the presentation currency, USD, to the rate applicable at the balance sheet date. Income statements are translated at the average exchange rate that approximates the prevailing rate at the date of transaction. All exchange differences are recognized in other comprehensive income/(loss) as translation differences that might be recycled to profit or loss on disposal or partial disposal of the net investment. Smartoptics has chosen to use closing rate for transactions directly to equity (share capital, share premium and other paid in capital). The currency translation differences arising from the translation to the presentation currency is not included as a translation differences reserves, but presented as part of the different categories of the equity. These translation differences cannot be recycled through profit and loss.

TRANSACTIONS IN FOREIGN CURRENCY

Foreign currency transactions are translated into the functional currency using the exchange rates at the transaction date. Monetary balances in foreign currencies are translated into the functional currency at the exchange rates on the date of the balance sheet. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies are generally recognized in the consolidated statement of profit or loss.

PRINCIPLES OF CONSOLIDATION

SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Figures from subsidiaries with different account policies are amended to ensure consistent accounting policies for the Group.

If the Group loses control over a subsidiary it derecognizes the assets, liabilities, and non-controlling interest, and reclassifies to profit or loss, or transfers directly to retained earnings as appropriate, the amounts recognized in other comprehensive income/(loss) in relation to the subsidiary.

CLASSIFICATION OF CURRENT AND NON-CURRENT ITEMS

An asset is classified as current when it is expected to be realized or sold, or to be used in the Group's normal operating cycle, or falls due or is expected to be realized within 12 months after the end of the reporting period. Other assets are classified as non-current. Liabilities are classified as current when they are expected to be settled in the normal operating cycle of the Group or are expected to be settled within 12 months of the end of the reporting period, or if the Group does not have an unconditional right to postpone settlement for at least 12 months after the balance sheet date.

SEGMENTS

Smartoptics has not identified any separate segments in accordance with IFRS 8 Operating segments. Smartoptics operates on a group level, the products in each product group, Solutions, Devices and Software & Services are sold together, to the same customers and through the same channels. The Group's internal financial reporting is done on a product group and geographical split, however no separate segments are used in this reporting.

ESTIMATES AND ASSUMPTIONS

Management has used estimates and assumptions that have affected assets, liabilities, revenues, expenses and information on potential liabilities. Future events may lead to these estimates being changed. Estimates and their

underlying assumptions are reviewed on a regular basis and are based on best estimates and historical experience. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

INFORMATION ABOUT MAJOR CUSTOMERS

Two of the Group's customers represented over 10% of the total revenues for 2022 individually, 19% and 16%. In comparison, the same customers represented 8% and 16%, respectively, of the total revenue in 2021.

JUDGEMENTS

Management has, when preparing the financial statements; made certain significant assessments based on critical judgment when it comes to application of the accounting principles.

Material exercise of judgment and estimates relate to the following matters:

CAPITALIZATION OF DEVELOPMENT COSTS

A limited amount of development costs is capitalized to the extent that a future financial benefit can be identified, development of an identifiable intangible asset and the expenses can be measured reliably. In the opposite case such costs are expensed when incurred. Capitalized development costs are amortized on a straight-line basis over its economic life. Research costs are expensed on an ongoing basis.

NOTE 3 - REVENUE

Revenue is accounted for in accordance with IFRS 15 Revenue from contract with customers. IFRS 15 requires an entity to identify the contract and the individual performance obligations, determine the transaction price, allocate the transaction price to the individual performance obligations and recognize revenue when or as performance obligations are satisfied. A performance obligation is satisfied when or as the customer obtains control of the goods or services delivered.

At Smartoptics performance obligations arise from the type of product. Each type of product has a related performance obligation. The different types of products are divided into solutions, devices and software & services.

Services provided by Smartoptics are purchased separately or with products sold by the company. Purchase of services can occur at the same time as purchase of goods or at a later stage. Deferred revenue from the sale of services is recognized in the income statement based on the duration of the contract period.

NOTES FOR THE GROUP

The group sells software and service contracts with a contract period from 3 months to 6 years. For contracts that are invoiced prior to the contract period, the revenue is booked on the balance sheet and recognized according to the contract period. Software and services include items

that are invoiced as a one time fee and where the revenue is recognized at the point of sale, like software license fees, installation fees and licenses upgrades.

Revenue information	2022	2021
Amounts in USD 1,000		
Solutions	35 474	26 689
Devices	17 641	16 800
Software & Services	4 251	2 414
Total revenue from contracts with customers	57 366	45 902

Timing of revenue recognition	2022	2021
Amounts in USD 1,000		
Solutions products transferred at a point in time	35 474	26 689
Device products transferred at a point in time	17 641	16 800
Software & Services transferred at a point in time	3 445	904
Software & Services transferred over time	805	1 510
Total revenue from contracts with customers	57 366	45 902

Geographic split of revenues	2022	2021
Amounts in USD 1,000		
EMEA	26 951	20 178
Americas	27 927	22 639
APAC	2 489	3 085
Total revenue from contracts with customers	57 366	45 902

Contract assets and contract liabilities	31/12/2022	31/12/2021	01/01/2021
Amounts in USD 1,000			
Contract liabilities (deferred revenue) - current	1 818	1 379	980
Contract liabilities (deferred revenue) - non-current	2 297	1 574	1 311
Total	4 116	2 953	2 291

Contract assets and contract liabilities	2022	2021
Contract liabilities at 1 January	2 966	2 291
New contract liabilities	2 203	2 227
Revenue recognized in current year	-805	-1 510
Exchange differences	-236	-55
Contract liabilities at 31 December	4 115	2 953

NOTE 4 - EMPLOYEE BENEFIT EXPENSES**PENSION PLANS**

The Group has a defined contribution plan for some of its employees. The Group's payments are recognized in the profit or loss as an employee benefit expenses for the year to which the contribution applies.

Employee benefit expenses	2022	2021
Amounts in USD 1,000		
Wages and salaries	8 738	8 168
Social security tax	2 193	1 600
Pension costs	818	787
Other benefits	209	428
Total	11 958	10 983
Number of employees	83	75

PENSIONS

The Group's Norwegian entities are obligated to follow the stipulations in the Norwegian Mandatory Occupational Pensions Act. The Group's pension scheme adheres to the requirements, as set in the Act.

Management compensation	2022				2021			
	Wages	Pension	Bonus	Other benefits	Wages	Pension	Bonus	Other benefits
CEO - Magnus Grenfeldt	217	52	127	7	239	55	151	7
CFO - Mikael Haag	143	32	46	-	163	35	54	0
CTO - Kent Lidström	127	40	51	6	133	27	59	7
COO - Carina Osmund	130	26	40	-	6	-	-	-
COO - Peter Puranen (former COO)	-	-	-	-	119	22	28	-
CMO - Per Burman	118	24	47	-	136	26	42	-
Total management compensation	617	149	263	13	678	143	306	15

Board of Directors	Director fee 2022	Director fee 2021
Thomas Ramm, Chairman	62	-
Karl Thedéen, Board Member	31	20
Sara H. Asplund, Board Member	31	-
Einar Caspersen, Board Member	31	-

MANAGEMENT COMPENSATION

The CEO is paid through the subsidiary Smartoptics Sverige AB. The Group has not given loans or securities to the CEO, the Board of Directors or any other related parties.

The bonus to the CEO related to 2021 was SEK 700,000. The other key management received a bonus related to 2021 of SEK 1,216,000. Bonus for 2022 to the CEO was SEK 1,286,010 and to other key management SEK 1,854,977 and was paid out during Q1 2023.

WARRANTS

Smartoptics Group AS has issued warrants to selected individuals within the company. The warrants have been purchased at fair market value by these individuals. The warrants have three-year vesting period, from June 2021 to June 2024. In total, 2 084 061 warrants have been issued and the warrants are first exercisable at the end of the three-year vesting period. The strike price for the warrants is NOK 12.98.

Warrants held by key management	2022	2021
Magnus Grenfeldt	867 031	867 031
Mikael Haag	325 136	325 136
Kent Lidström	325 136	325 136
Per Burman	216 758	216 758
Carina Osmund	-	-
Total held by key management	1 734 061	1 734 061
Warrants held by other employees	350 000	350 000
Total warrants issued	2 084 061	2 084 061

NOTE 5 - OPERATIONAL EXPENDITURE

Other operating expenses consists of the following	2022	2021
Amounts in USD 1.000		
Facilities	211	176
Travel expenses	509	162
Marketing and representation	1 057	517
Other R&D and certification cost	352	491
Other operating expenses	424	1 033
Total other operating expenses	2 552	2 379

Specification of auditors' fees	2022	2021
Amounts in USD 1.000		
Statutory audit	104	171
Other non-assurance services	21	32
Tax advisory services	7	3
Total	133	205

NOTE 6 - FINANCIAL ITEMS

Financial income and expenses	2022	2021
Amounts in USD 1.000		
Interest income from bank deposits	40	19
Financial income	40	19
Interest expense on borrowings	149	81
Net loss on foreign exchange	253	149
Interest on lease liabilities	80	85
Financial expenses	482	315
Net financial items	-442	-297

NOTE 7 - TAX

Income tax expenses consist of taxes payable and changes to deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are calculated based on temporary differences between the carrying amount of assets and liabilities in the financial statement and their tax basis, together with tax losses carried forward at the balance sheet date. Deferred tax assets and liabilities are calculated based on the tax rates and tax legislation that are expected to apply when the assets are realized or the liabilities are settled, based on the tax rates and tax legis-

lation that have been enacted or substantially enacted on the balance sheet date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available, against which the assets can be utilized. Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. The entities included in the consolidated financial statements are subject to income tax in the countries where they are domiciled.

Specification of income tax expense	2022	2021
Income tax payable	423	27
Change in deferred tax	1 646	655
Total income tax expense	2 069	682

Specification of deferred tax balances	31/12/2022	31/12/2021	01/01/2021
Temporary differences			
Property, plant and equipment	-283	-442	-622
Inventory	-284	-108	-278
Deferred revenue	-2 679	-2 018	-1 522
Profit & loss account	64	90	116
Net temporary differences	-3 181	-2 478	-2 305
Tax losses carried forward	-2 844	-12 313	-16 560
Non-recognized deferred tax assets			94
Basis for calculating deferred tax assets	-6 025	-14 791	-18 771
Carrying value deferred tax assets	1 326	3 254	4 130

Reconciliation of effective tax rate:	2022	2021
Net income/(loss) before tax	8 858	4 297
Expected income tax assessed at the tax rate for the Parent company 22 %	1 972	1 060
Difference in tax rate for foreign profit	63	9
Adjusted for the tax effect of the following items:		
Permanent differences	35	-255
Other	-	-48
Income tax expense (income)	2 069	765
Effective tax rate	23.4%	17.8%

Most tax losses carried forward relate to the companies in Norway, due to this, there is no time-limit related to when the tax losses may be utilized.

NOTE 8 - EARNINGS PER SHARE (EPS)

The calculation of basic earnings per share is based on the profit attributable to ordinary shares using the weighted average number of ordinary shares outstanding during the year after the deduction of the average number of treasury shares held over the period.

The calculation of diluted earnings per share is consistent with the calculation of the basic earnings per share, but at the same time gives effect to all dilutive potential ordinary shares that were outstanding during the period, by adjusting the profit/loss and the weighted average number of shares outstanding for the effects of all dilutive potential shares, for example:

The profit or loss for the period attributable to ordinary shares is adjusted for changes in profit or loss that would result from the conversion of the dilutive potential ordinary shares.

The weighted average number of ordinary shares is increased by the weighted average number of additional ordinary shares that would have been outstanding, assuming the conversion of all dilutive potential ordinary shares.

The calculations of earnings per share attributable to the ordinary equity holders of Smartoptics Group AS are based on the following net profit/(loss) and share data:

Earnings per share	2022	2021
Basic earnings per share	0.071	0.038
Diluted earnings per share	0.070	0.038
Profit/(loss) for the year:		
used for calculating basic earnings per share	6 789 107	3 532 289
used for calculating diluted earnings per share	6 789 107	3 532 289
Weighted average number of shares used as the denominator in calculating basic earnings per share	96 286 593	93 743 910
Weighted average number of shares outstanding for diluted earnings per share*)	96 322 038	93 743 910
*The company has 2 084 061 potential dilutive shares from share warrants outstanding.		

WARRANTS

Smartoptics Group AS has issued warrants to selected individuals within the company. The warrants have been purchased at fair market value by these individuals. The warrants have three-year vesting period, from June 2021 to June 2024. In total, 2 084 061 warrants have been issued and the warrants are first exercisable at the end of the three-year vesting period.

NOTE 9 - INTANGIBLE ASSETS

Intangible assets acquired separately that have a finite useful life are carried at cost less accumulated amortization and any impairment charges. Amortization is calculated on a straight-line basis over the assets' expected useful life and adjusted for any impairment charges.

INTERNALLY GENERATED INTANGIBLE ASSETS

Expenditures on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, are recognized in profit or loss as incurred.

Expenditures on development activities are capitalized, if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;

- how the intangible asset will generate probable future economic benefits;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Capitalized development costs include costs directly attributable to development of the intangible, such as personnel expenses and consultancy services. Otherwise, such expenses are expensed as and when incurred.

SKATTEFUNN

Smartoptics received SkatteFUNN grants for the DCP-RO-ADM and DCP-404 projects totalling NOK 4.0 million (USD 0.4 million). The SkatteFUNN grant is recognized in the Profit and Loss statement as a reduction of payroll cost or as a reduction of capitalized development cost depending of the underlying accounting treatment of the cost that the grant is intended to cover.

Intangible assets		
Amounts in USD 1,000	Product development	Total
Cost		
Cost at 1 January 2021	2 037	2 037
Additions	341	341
Translation difference	-63	-63
Cost at 31 December 2021	2 314	2 314
Additions	457	457
Translation difference	-254	-254
Cost at 31 December 2022	2 517	2 517
Amortization and impairment		
Accumulated at 1 January 2021	1 042	1 042
Amortization for the year	407	407
Translation difference	-39	-39
Accumulated at 31 December 2021	1 410	1 410
Amortization for the year	324	324
Translation difference	-158	-158
Accumulated at 31 December 2022	1 576	1 576
Carrying amount at 31 December 2021	904	904
Carrying amount at 31 December 2022	941	941

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost, less accumulated depreciation and any impairment charges. Depreciation is calculated on a straight-line basis over the assets' expected useful life and adjusted for any impairment charges. Ordinary repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in operating profit. Major assets with different expected useful lives are reported as separate components.

Property, plant and equipment are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount.

The difference between the asset's carrying amount and its recoverable amount is recognized in the income statement as an impairment loss. Property, plant and equipment that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Property, plant and equipment		
Amounts in USD 1,000	Equipment and movables	Total
Cost at 1 January 2021	2 136	2 136
Additions	1 167	1 167
Translation difference	-198	-198
Cost at 31 December 2021	3 106	3 106
Additions	1 121	1 121
Translation difference	-421	-421
Cost at 31 December 2022	3 805	3 805
Depreciations and impairment		
Accumulated at 1 January 2021	1 359	1 359
Depreciations for the year	477	477
Translation difference	-122	-122
Accumulated at 31 December 2021	1 714	1 714
Depreciations for the year	521	521
Impairment	12	12
Translation difference	-228	-228
Accumulated at 31 December 2022	2 019	2 019
Carrying amount at 31 December 2021	1 392	1 392
Carrying amount at 31 December 2022	1 787	1 787

NOTE 11 - LEASING

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. The lease agreements do not impose any covenants.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the group under residual value guarantees
- The exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture

DESCRIPTION

The Group's lease agreements include office rent, car leases and agreements for R&D equipment. Smartoptics has lease agreements with both fixed and variable payments, as some of the office leases includes a variable element, which is related to consumer price index adjustments.

During 2022 the lease contract for office rental in Oslo was renewed. The contract period is for 5 years and commenced on 1 October 2022. The office lease in Sweden and Norway has lease term of 60 months. R&D equipment and leasing of cars have lease terms of 36 months. Smartoptics have short-term leases for coffee machines and inventory space, which is expensed in the profit and loss statement according to IFRS 16.5. Average incremental borrowing rate is set to 4%.

BANK GUARANTEE

Smartoptics AS has a bank guarantee to Nordea amounting to NOK 1.6 million (USD 0.16 million) to cover rent for Smartoptics Sverige AB.

NOTES FOR THE GROUP

Leasing	31/12/2022	31/12/2021	01/01/2021
Amounts in USD 1,000			
Buildings	2 149	1 916	340
Other	231	385	135
Total right-of-use assets	2 380	2 301	475
Useful life	5 years	5 years	5 years
Depreciation method	Straight-line	Straight-line	Straight-line
Lease liabilities			
Amounts in USD 1,000			
Current	674	782	317
Non-Current	1 759	1 556	167
Total lease liability	2 433	2 338	484
Amounts recognized in the statement of profit or loss			
Depreciation of right of use asset	686	753	391
Interest expense	80	85	23
Expenses relating to short-term leases	9	9	9
Expenses relating to leases of low-value	11	8	4

Reconciliation of lease arising from financing activities	2022	2021
Opening balance 1 January	2 338	484
Cash flow	-743	-807
New leases	1 084	2 646
Translation differences	-245	15
Closing balance 31 December	2 433	2 338

Maturity table schedule for lease liabilities Amounts in USD 1,000	Due within 1 year	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years
Leasing liabilities	756	681	653	319	211

NOTE 12 - SUBSIDIARIES

Investment in subsidiaries	Year of acquisition/ incorporation	Registered office	Voting share	Ownership share
Smartoptics AS	2010/2004	Norway	100%	100%
Smartoptics Sverige AB	2011/2004	Sweden	100%	100%
Smartoptics U.S Corp.	2014/2014	United States	100%	100%

NOTE 13 - FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial instrument is a contract that gives rise to both a financial asset for one entity and a financial liability or equity instrument for another entity. Financial instruments are generally recognized as soon as the group becomes a party to the terms of the financial instrument.

FINANCIAL ASSETS

Financial assets represent a contractual right by the Group to receive cash or another financial asset in the future. Financial assets include cash and cash equivalents, accounts receivable and withheld cash receivable. On initial recognition, a financial asset is measured at fair value, and classified for subsequent measurement at amortized cost; at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL). Classification depends on the business model and, for some instruments, the entity's choice. Financial assets are derecognized when the rights to receive cash from the asset have expired or when the Group transferred the asset.

FINANCIAL LIABILITIES

Financial liabilities represent a contractual obligation by the Group deliver cash in the future and are classified as either current or non-current. Financial liabilities include the convertible loan, contingent consideration, accounts payable and other financial liabilities. Financial liabilities

are initially recognized at fair value, including transaction costs directly attributable to the transaction, and are subsequently measured at amortized cost. Financial liabilities are derecognized when the obligation is discharged through payment or when the Group is legally released from the primary responsibility for the liability.

The specification given below relates to financial statement line items containing financial instruments. Information is classified and measured in accordance with IFRS 9. Financial assets, classified as current and noncurrent, represent the maximum exposure the Group has towards credit risk as at the reporting date. All financial assets and financial liabilities at FAAC and FLAC in the table have an amortized cost that approximates fair value at the balance sheet date.

LOANS FROM INNOVASJON NORGE

The Group has two non-current loans from Innovasjon Norge, one obtained in 2019 and one obtained in 2020. The loans are repaid on a quarterly basis and will be fully repaid in 2026 Q3. The total loan amount at the end of 2022 was NOK 15.2 million. The loans has a variable interest rate which at the end of the year was 5.70% and 5.95%. The financial covenant for these loans is that the group must maintain a minimum equity of 20% in relation to the total capital of the group.

Financial instruments	31/12/2022	31/12/2021	01/01/2021
Amounts in USD 1,000			
Financial assets at amortized cost			
Trade receivable	15 915	7 812	6 102
Other financial assets	-	-	821
Cash and cash equivalents	5 660	9 380	4 624
Total	21 574	17 192	11 546
Financial liabilities			
Liabilities at amortized cost			
Trade payable	5 831	6 215	4 017
Borrowings	1 543	1 724	2 233
Bank overdraft facility	-	-	2 163
Total	7 374	7 940	8 414

The group's exposure to various risks associated with the financial instruments is discussed in note 20 Financial Risk and Capital Management. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

NOTE 14 - TRADE AND OTHER RECEIVABLES

Trade receivables are initially measured at fair value. Trade receivables are non-interest bearing and trading terms range from 30 to 90 days and therefore classified as current. The receivables are subsequently measured at amortized cost using the effective interest method, if the amortization effect is material, less loss allowance.

Due to the short-term nature of the trade receivables, their carrying amount is considered to be the same as the transaction price.

LOSS ALLOWANCE AND RISK EXPOSURE

Historically Smartoptics has had negligible credit losses on trade receivables and zero has been accounted for during 2022. No further loss provisions are made for 2022.

Trade receivable	31/12/2022	31/12/2021	01/01/2021
Amounts in USD 1,000			
Trade receivable	15 915	7 812	6 102
Loss allowance	-	-	-
Total	15 915	7 812	6 102

NOTE 15 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents include bank deposits. Cash and cash equivalents in foreign currencies are translated at closing rate. The cash flow statement is presented using the indirect method.

Cash and cash equivalents	31/12/2022	31/12/2021	01/01/2021
Amounts in USD 1,000			
Bank deposits	5 660	9 380	4 624
Total cash and cash equivalents	5 660	9 380	4 624

Amounts in USD 1,000			
Restricted cash included in the above:			
Withholding tax in relation to employee benefits	50	58	29

NOTE 16 - SHARE CAPITAL AND SHAREHOLDER INFORMATION

The company has 96 286 593 ordinary shares with a par value of 0.02 NOK.

DIVIDEND

A dividend of NOK 0.50 per share has been proposed by the Board of Directors, totalling NOK 48,143,297.

Share capital	Number of ordinary shares	Share capital
1 January 2021	90 184 154	210
Issued during the year	6 102 439	14
Currency translation differences		-6
31 December 2021	96 286 593	218
Issued during the year	-	-
Currency translation differences		-23
31 December 2022	96 286 593	195

#	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	100.0%

NOTE 17 - PLEDGED ASSETS AND CHANGES IN FINANCIAL LIABILITIES

The Group has two non-current loans from Innovasjon Norge, one obtained in 2019 and one obtained in 2020. The loans are repaid on a quarterly basis and will be fully repaid in 2026 Q3.

Pledged assets	31/12/2022	31/12/2021	01/01/2021
Amounts in USD 1,000			
Trade receivable	8 453	4 502	3 388
Inventory	6 988	6 009	4 573
Property, plant and equipment	152	70	62
Total pledged assets	15 594	10 581	8 023

Reconciliation of changes from financing cash flow 2021	Bank credit facility	Loans and borrowings	Financial lease liabilities	Total
Amounts in USD 1,000				
Balance at 01/01/2021	2 105	2 173	484	4 762
Changes from financing cash flows				
Repayment of borrowings	-2 105	-189	-807	-3 101
Interest paid	-	-81	-	-81
Total changes from financing cash flows	-2 105	-270	-807	-3 183

Non-cash changes				
Interest expense using effective interest method			85	85
Effect of changes in foreign exchange rates			-70	-70
New finance lease			2 646	2 646
Total non-cash changes			2 662	2 662
Balance 31/12/2021	-	1 984	2 338	4 241

Non-current and current liabilities at 31 December 2022	Bank credit facility	Loans and borrowings	Financial lease liabilities	Total
Amounts in USD 1,000				
Non-current liabilities	-	1 120	1 759	2 879
Current liabilities	-	423	674	1 097
Total	-	1 543	2 433	3 976

Reconciliation of changes from financing cash flows 2022	Bank credit facility	Loans and borrowings	Financial lease liabilities	Total
Amounts in USD 1,000				
Balance at 01/01/2022	-	1 984	2 338	4 322
Changes from financing cash flows				
Repayment of borrowings	-	-238	-743	-981
Interest paid		-149	-	-149
Total changes from financing cash flows	-	-387	-743	-1 130
Non-cash changes				
Interest expense using effective interest method			80	80
Effect of changes in foreign exchange rates		-55	-325	-380
New finance lease			1 084	1 084
Total non-cash changes		-55	838	784
Balance 31/12/2022	-	1 543	2 433	3 977

NOTE 18 - RELATED PARTIES

SUBSIDIARIES

Balances and transactions between the Company and its subsidiaries, which are related parties to the Company, have been eliminated on consolidation, and are not disclosed in this note.

Number of shares held by the key management and BoD on 31 Dec 2022				
Related party	Holding	Stake	Warrants	Ownership description
Coretech AS	31 783 599	33.01%	-	Chairman of Board, Thomas Ramm
Kløvingen AS	15 850 429	16.46%	-	Board member, Einar Caspersen
Karl Thedéen	493 078	0.51%	-	Board member
Magnus Grenfeldt	1 852 541	1.92%	867 031	CEO
Mikael Haag	248 060	0.26%	325 136	CFO
Kent Lidström	280 075	0.29%	325 136	CTO
Per Burman	280 075	0.29%	216 758	CMO
Carina Osmund	15 100	0.02%	-	COO

Transactions with related parties				
Related party	Relationship	Transaction type	2022	2021
Coretech AS	Company owned by Chairman	Invoice for consultancy / travel expenses	21	5
Total			21	5

The amounts in the table above are presented in other operating expenses and travel expenses.

Balances with related parties						
Related party	Relationship	Activity	Classification	31/12/2022	31/12/2021	01/01/2021
Smarter Holding AS	Parent company	Loan	Short term receivables	-	-	452
Coretech AS	Company owned by Chairman	Loan	Short term receivables	-	-	321

Related party	Relationship	Activity		31/12/2022	31/12/2021	01/01/2021
Smarter Holding AS	Parent company	Loan	Long term receivables	-	-	48

NOTE 19 - TRADE PAYABLE

	31/12/2022	31/12/2021	01/01/2021
Amounts in USD 1,000			
Trade payable	5 831	6 215	4 017
Other current payables, accrued expenses and public duties	3 308	2 089	5 848
Total	9 140	8 304	9 866

NOTE 20 - FINANCIAL RISK

The Group's risk management is predominantly controlled by the Finance department under policies approved by the Board of directors. The Finance department identifies, evaluates, and hedges financial risks in close co-operation with the group's operating units.

The Group is mainly exposed to the following risks: market risk (foreign exchange risk and interest risk), credit risk and liquidity risk.

FOREIGN EXCHANGE RISK (MARKET RISK)

The group is exposed to currency risks both for its transaction exposure and translation exposure. The Group has subsidiaries in Norway, Sweden and the United States. The foreign currency risk relates primarily to when the Swedish and the Norwegian entities have transactions in USD. Since most of the commercial contracts with customers and suppliers are based in USD, the foreign exchange risk is kept to a minimum, as this natural hedge reduces the exposure to exchange rate fluctuations. In the legal entities with a functional currency that is not USD, profit and loss effect will occur in in accounts receivable, accounts payable and bank account holdings. Fluctuations in currency exchange rates, particularly exchange rates between USD against NOK, SEK, EUR and GBP, have an impact on the Group's result of operations mainly related to payroll expenses and other operating expenses. The Group does not currently hedge currency exposure with the use of financial instruments.

INTEREST RATE RISK (MARKET RISK)

The interest rate risk arises from long-term borrowings with variable rates, which expose an entity to cash flow interest rate risk. The Group's borrowings and receivables are carried at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

During 2022, the Group's borrowings are denominated in NOK with a corresponding interest in NOK. The borrowings comprise of loans with variable rates (as described in note 17 Borrowings and securities/pledges) and no hedging instruments are currently being used. Management is comparing the interest rate on debts on a regular basis in relation to its effects on profitability.

CREDIT RISK

Credit risk is the loss that the Group would suffer if a counterparty fails to perform its financial obligations. Should a counterparty fail to honor its obligations under its agreements with the entity, this could impair the group's liquidity and cause losses, which in turn could have an adverse effect on the Group's business, results of operations, cash flows, financial condition and/or prospects.

The Group is exposed to credit risk from its operating activities. The credit risk primarily relates to its trade receivables.

The Group has established procedures for credit evaluation of new customers and the risk that customers do not have the financial means to meet their obligations is considered low. Outstanding customer receivables are monitored on a regular basis and any overdue receivables are followed up closely internally. Overall, the group has experienced limited losses from trade receivables.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's objective is to maintain sufficient cash and availability of funding through an adequate amount of credit facilities to meet obligations when due.

Smartoptics' management monitors forecasts of the group's liquidity reserve, and cash and cash equivalents based on expected cash flows. The Group keeps track of the liquidity requirements to ensure that there is sufficient cash to meet operational needs. Recurring revenues are invoiced in advance. In addition, the group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

As of 31 December 2022, cash and cash equivalents amounted to USD 5.7 million.

The group had a bank credit facility with a limit of NOK 26 million (USD 2.6 million), as of 31 December 2022 NOK 0 (USD 0) of this credit facility was utilized.

CAPITAL RISK MANAGEMENT

The Group defines capital as equity, including other reserves. The Group's main objective when managing capital is to ensure the ability of the Group to continue as a going concern and to meet all requirements imposed by external financing agreements in the form of covenants.

Considering all available information about the future of Smartoptics' operations, the management concludes that it is appropriate to assume the Group's ability to continue as a going concern. There are no circumstances that would cast any doubts on this conclusion as of the reporting period.

Maturity table schedule for borrowings Amounts in USD 1,000	Due within 1 year	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years
Loan principal	423	423	423	275	-
Loan Interest	81	56	26	16	-
Total	504	479	449	290	-

NOTE 21 - INVENTORY

Smartoptics uses weighted average calculations when measuring acquisition costs and the value of the inventory. Work in progress (WIP) is the value of products that are in production. It might take 2-12 weeks until the product is finished. Smartoptics recognize the costs of goods sold when the finished goods and systems are ready to be shipped to the customer.

Inventory at 31.12	31/12/2022	31/12/2021	01/01/2021
Amounts in USD 1,000			
Work in progress	284	145	-
Finished goods	15 140	11 951	8 100
Total inventory	15 423	12 095	8 100

NOTE 22 - EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the group after the reporting period.

FINANCIAL STATEMENTS FOR THE PARENT COMPANY

SMARTOPTICS GROUP AS

Statement of profit or loss		2022	2021
Amounts in NOK 1.000	Notes		
Revenue		-	-
Other operating income		-	-
Total revenue and operating income		-	-
Operating expenses			
Cost of goods sold		-	-
Payroll expenses	2	7 025	4 688
Depreciation, amortization & impairment		-	-
Other operating expenses	3	1 247	839
Operating expenses		8 272	5 527
Operating Profit		-8 272	-5 527
Financial income and expenses			
Intercompany interest income	4	2 013	931
Interest income	4	-	89
Other financials income		-	-
Interest expense		-	-
Group contributions	5	86 660	33 836
Net financial income and expenses		88 673	34 856
Profit before tax		80 401	29 329
Tax	6	-17 688	-4 784
Net profit/loss for the year		62 712	24 545
Allocated as follows:			
Transferred to other equity	7	14 569	24 545
Dividend	7	48 143	-
Total allocation		62 712	24 545

FINANCIAL STATEMENTS FOR THE PARENT COMPANY

Balance sheet 31.12		2022	2021
Amounts in NOK 1.000	Notes		
Assets			
Deferred tax assets	4	6 027	23 715
Financial assets		-	-
Investment in subsidiaries	8	42 782	42 782
Non-current intercompany receivable	5	-	-
Total non-current assets		48 809	66 497
Current assets			
Receivable			
Accounts receivable		-	-
Receivable to related companies	5	193 769	76 596
Other receivable		-	-
Total receivable		193 769	76 596
Cash and cash equivalents	9	20 454	50 784
Total current assets		214 222	127 379
Total Assets		263 031	193 876
Equity and liabilities			
Equity			
Share capital	10,11	1 926	1 926
Share premium reserve	10	126 133	126 133
Other paid-up equity	10	1 501	1 501
Other equity	10	75 199	60 630
Total equity		204 758	190 188
Liabilities			
Current liabilities			
Accounts payable		12	-
Tax payable		-	-
Other current liabilities	4,10	58 262	3 688
Total liabilities		58 273	3 688
Total equity and liabilities		263 031	193 876



19 April 2023
Oslo, Norway

Thomas Ramm
Chairman of the Board

Sara Heiner Asplund
Board member

Einar Caspersen
Board member

Karl Thedéen
Board member

Magnus Grenfeldt
Chief Executive Officer

FINANCIAL STATEMENTS FOR THE PARENT COMPANY

Cash flow statement		2022	2021
Amounts in NOK 1.000	Notes		
Cash flow from operational activities			
Profit before tax		80 401	29 329
Taxes paid	4	-	-
Change in accounts payable		12	-3
Change in other items related to operating activities	3,5	-80 229	-30 148
Net cash flow from operating activities		183	-822
Cash flow from investing activities			
Repayment of given loans	5	0	6 987
Issuing intercompany loans	5	-30 513	-29 684
Net cash flow from investing activities		-30 513	-22 697
Cash flow from financing activities			
Issuing share warrants	8,9	-	1 501
Repayment of issued loans	5	-	-
Issuing new shares	8,9	-	89 074
Payment of dividend	8	-	-18 900
Net cash flow from financing activities		-	71 675
Cash and cash equivalents at 1 January		50 784	2 628
Net cash flow		-30 330	48 156
Cash and cash equivalents at 31 December		20 454	50 784

NOTES FOR THE PARENT COMPANY

SMARTOPTICS GROUP AS

NOTE 1 – ACCOUNTING PRINCIPLES

Smartoptics Group AS is a Norwegian company. The financial statements have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting principles in Norway.

The Financial Statements are prepared on the basis of going concern.

INTEREST INCOME

Interest income are recognized in the income statement when they are earned.

FOREIGN CURRENCY

Monetary items, receivables and liabilities in the balance sheet denominated in other currencies than NOK are recorded at the year end exchange rates.

TAXES

The tax expense in the income statement consists of tax payable for the period and changes in deferred tax. Deferred tax and deferred tax assets are calculated at 22 % based on the temporary differences which exist between accounting and tax values, and any tax loss carried forward at the end of the financial year.

Temporary differences which are reversed or may be reversed in the same period, have been offset and are presented net. Deferred tax assets regarding net tax-reducing differences that have not been offset and deferred tax asset regarding tax losses carrying forward, are recognized on the balance sheet to the extent that the tax benefit is assumed to be utilized through future taxable profit.

Deferred tax and deferred tax assets that can be capitalized are presented net on the balance sheet.

Tax reduction by intra-group contributions given and tax on intra-group contributions received, reported as a reduction of cost or directly against equity, are recognized directly towards tax on the balance sheet.

Deferred tax/deferred tax assets are calculated at nominal value.

CLASSIFICATION AND ASSESSMENT OF BALANCE SHEET ITEMS

Current assets and current liabilities normally consists of items that are due within one year after the balance sheet day, plus items related to the inventory cycle. Other items are classified as fixed assets/long-term liabilities.

Current assets are valued at the lowest value off acquisition cost and fair value. Current liabilities are recognized at their nominal value at the time.

RECEIVABLES

Accounts receivable and other current receivables are recorded on the balance sheet at nominal value less provisions for doubtful debts. Provisions for doubtful debts are calculated on the basis of an individual assessment. For the remaining receivables, a general provision is estimated based on the expected loss.

SUBSIDIARIES

Subsidiaries are valued according to the cost method in the company accounts. The investment has been assessed at acquisition cost for the shares unless impairment has been necessary. Impairment to fair value has been effectuated when impairment is not expected to be temporary and when it's considered necessary according to good accounting practice. Impairments are reversed when the basis for write-downs is no longer present.

Dividends, group contributions and other distributions are recognized as financial income in the same year as it is allocated in the giver's accounts. If the dividend/group contribution exceeds the share of earnings earned after the acquisition date, the excess part represent repayment of invested capital, and the distributions are deducted from the value of the investment in the balance sheet of the parent company.

PENSIONS

For defined contribution plans, the company pay contributions to an insurance company. The company has no further payment obligation after the deposits have been paid. Deposits are classified as salary and personnel costs. Any prepaid deposits are capitalized as assets (pension funds) in case that the deposit can be refunded or reduce future payments.

USE OF ESTIMATES

The Management have used estimates and assumptions which has an impact on the income statement and the valuation of assets and liabilities, as well as uncertain assets and liabilities on the balance sheet date during the preparation of the annual accounts in accordance with generally accepted accounting principles.

CASH FLOW STATEMENT

The cash flow statement is based on the indirect method. Cash and cash equivalents includes cash, bank deposits and other short-term liquid investments

NOTE 2 - PAYROLL EXPENSES

The company has not given loans or security to the CEO, the board or other related parties. The CEO is remunerated from the subsidiary Smartoptics Sverige AB. The company is not required to provide an occupational pension scheme. The company had on average 2 employee in 2022 and 1 employees in 2021.

Amounts in NOK 1000	2022	2021
Wages and salaries	4 597	3 128
Social security tax	1 633	1 101
Pension costs	795	459
Total	7 025	4 688

Management compensation	2022				2021			
	Wages	Pension	Bonus	Other benefits	Wages	Pension	Bonus	Other benefits
CEO - Magnus Grenfeldt	2 024	491	-	68	1 098	281	699	37
CFO - Mikael Haag	1 379	304	-	-	748	178	357	-
Total management compensation	3 404	795	-	68	1 846	459	1 056	37

Board of Directors	Director fee 2022	Director fee 2021
Thomas Ramm, Chairperson	450	-
Karl Thedéen, Board Memeber	225	190
Sara H. Asplund, Board Memeber	225	-
Einar Caspersen, Board Member	225	-

NOTE 3 - OPERATIONAL EXPENSES

Remuneration to the auditors	2022	2021
Statutory audit	419	298
Other non-audit services	202	260
Tax advisory services	35	-
Total remuneration to the auditors	656	558

NOTE 4 - INTERCOMPANY TRANSACTIONS AND BALANCES

Related party transactions	2022	2021
Interest income on loan to group companies	2 013	931
Interest income on loan to related parties	-	89

Receivable to group companies and repated parties	2022	2021
Receivable to group companies	193 769	76 596

Payable to group companies and repated parties	2022	2021
Payable to group companies	10 493	3 688

NOTE 5 - FINANCIALS ITEMS

Financial Income	2022	2021
Interest income from related parties	-	89
Interest income from group companies	2 013	931
Group contributions from group companies	86 660	33 836
Total financial income	88 673	34 856

NOTE 6 - TAXES

Remuneration to the auditors	2022	2021
Calculation of deferred tax		
Net temporary differences	635	793
Tax loss carried forward	-28 031	-108 590
Basis for deferred tax asset in the balance sheet	-27 396	-107 797
Deferred tax asset	-6 027	-23 715
Deferred tax asset not recognized in the balance sheet	-	-
Deferred tax asset in the balance sheet	-6 027	-23 715
Basis for income tax expense, change in deferred tax and tax payable		
Result before tax	80 401	29 329
Permanent differences	-	-7 584
Basis for income tax expense	80 401	21 745
Change in temporary differences	159	198
Change in tax loss carried forward	-80 559	-21 943
Taxable income (basis for payable taxes in the balance sheet)	-	-
Components of the income tax expense		
Sum payable tax	-	-
Change in deferred tax asset	17 688	4 784
Tax expense	17 688	4 784
Reconciliation of the tax expense		
Result before tax expense	80 401	29 329
Calculated tax	17 688	6 452
Tax expense	17 688	4 784
Difference	-	-1 668
The differences consists of:		
22% of permanent differences	-	-1 668
Other differences	-	-
Sum explained differences	-	-1 668

NOTE 7 - EQUITY

NOK 1000	Share capital	Share premium reserve	Other paid in capital	Other equity	Total equity
Equity as of 01/01/2022	1 926	126 133	1 501	60 630	190 188
Capital increase					
Dividend				-48 143	-48 143
Net profit				62 712	62 712
Equity as of 31/12/2022	1 926	126 133	1 501	75 199	204 758

Dividend of NOK 0.5 per share is purposed by the Board of Directors. Total of NOK 48 143 297

NOTE 8 - SUBSIDIARIES

Company	Office	Ownership	Voting share
Smartoptics AS	Oslo, Norway	100%	100%

In addition to Smartoptics owned by Smartoptics Group AS there are two additional subsidiaries wholly owned by Smartoptics AS

Company	Office	Ownership	Voting share
Smartoptics Sverige AB	Stockholm, Sweden	100%	100%
Smartoptics US Corp	New York, United States	100%	100%

NOTE 9 - CASH AND CASH EQUIVALENTS

NOK 1 000	2022	2020
Bank deposits	20 454	50 784
Total cash and cash equivalents	20 454	50 784

NOTE 10 - SHARE CAPITAL AND SHAREHOLDER INFORMATION

	Number of shares	Nominal value	Total carrying amount
Ordinary shares	96 286 593	0.02	1 925 732

	Number of shares
Shares at 1 January 2021	90 184 154
Issued during 2021	6 102 439
Shares at 31 December 2021	96 286 593
Issued during 2022	-
Shares at 31 December 2022	96 286 593

#	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	100.0 %

NOTE 11 - EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the group after the reporting period.



To the General Meeting of Smartoptics Group AS

Independent Auditor's Report

Opinion

We have audited the financial statements of Smartoptics Group AS, which comprise:

- the financial statements of the parent company Smartoptics Group AS (the Company), which comprise the balance sheet as at 31 December 2022, the statement of profit or loss and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- the consolidated financial statements of Smartoptics Group AS and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other 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 opinion.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.



In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to: <https://revisorforeningen.no/revisjonsberetninger>

Oslo, 19 April 2023

PricewaterhouseCoopers AS

Øystein Sandvik
State Authorised Public Accountant
(This document is signed electronically)

Revisjonsberetning

Signers:

<i>Name</i>	<i>Method</i>	<i>Date</i>
Sandvik, Øystein Blåka	BANKID	2023-04-19 17:49



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