SmartCraft
BETTER DIGITAL TOOLS

Q2 and first half year 2022 report

SmartCraft ASA

Contents

Our passion is to simplify business for construction companies

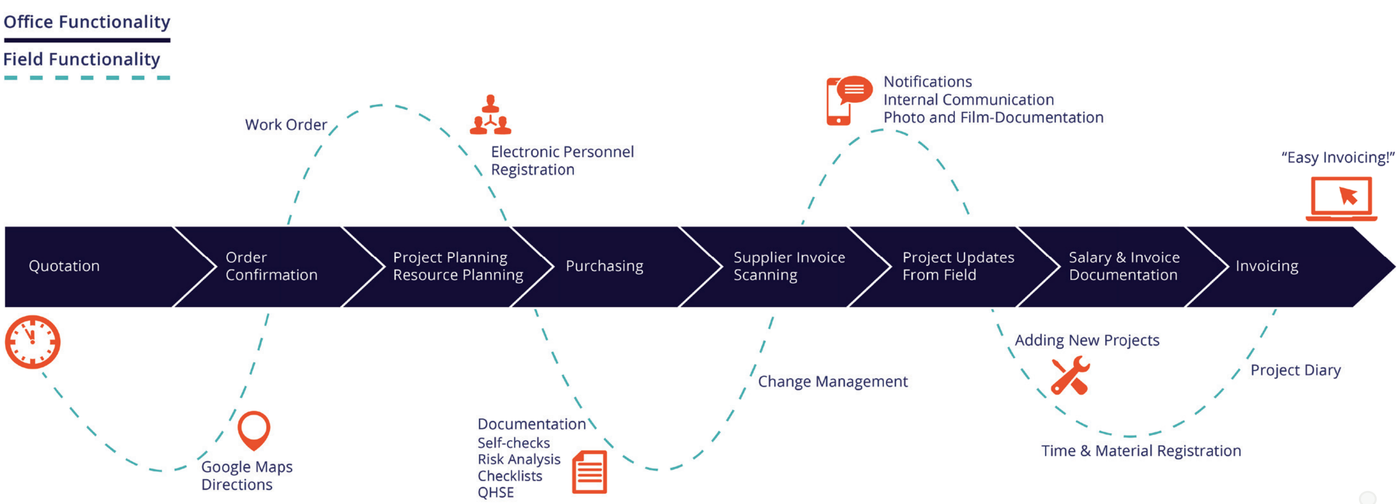
SmartCraft's mission is to streamline operations and free up time for construction companies, so they can generate additional revenue instead of spending evenings and weekends with planning, purchasing, invoicing and documentation. This is especially true for small and medium enterprises, but our specialized software is also used by large installation companies, as many of the processes in the field and in the office are the same. In the future, well-functioning and efficient processes will be necessary for craftsmen and contractors to keep up with competition. Official requirements and regulations, for example with regards to health and safety as well as quality control, become increasingly comprehensive and end-customers require more documentation of the work being done. Nevertheless, the construction industry is today one of the least digitized, however we are more convinced than ever that this will change rapidly in the years to come. Those who remain passive and stick with their analogue processes will be left behind.

Best-of-breed

We offer best-of-breed software. This means that our solutions are tailormade for each of the niches we focus on. The best solution for a plumber is not necessarily ideal for a carpenter – and electricians have their specific requirements. Since we were founded in 1987, we have followed this philosophy, which means that we over time have built deep insight and competency regarding the business models and workflows of our customers. At the same time, we increasingly collaborate across the group and solutions when it comes to customer insight, product and technology, development and sales. Our goal is always to provide the most efficient and productive solutions for our customers. We emphasize innovation and in 2021 8% of our revenue was invested in product and technology development.

The craftsman's office is in the car or outside on a construction site. Our solutions are seamlessly available on smartphones and tablets for field workers and on rich web clients at the desktop for people in the office. Hence, SmartCraft users can use digital tools throughout the day in every step of the process. All the way from producing a quotation, project planning, and work-order to project documentation, salaries and invoicing.

Adding value throughout the customer journey



Massive market and low take-rate

In our existing markets there are about 260 000 companies in the construction industry. Most of these are SME companies where our solutions are a great fit. Calculations show that the potential market size was above NOK 10 billion in the Nordics alone in 2021. This market is expected to grow annually by double digits in the period 2020-2025 and we are deeply committed to remaining a leading player and a driving force in the industry going forward.

It is essential for us to ensure that the purchase decision for new customers is easy. Our solutions are cloud based and easy to implement. Looking at the cost per month for a new SmartCraft customer, the take-rate is very low compared to the total cost base. For a customer, the return on investment is immense.

Strong growth drivers for digitalization of an attractive SME construction market

There are four main drivers for digitalization in the construction industry.

Lack of skilled workers
- Need for skilled construction workers globally
- Aging workforce and lack of recruitment

Long tail of new projects and maintenance needs in public and private sector
- High activity of new buildings
- Increasing aging buildings in need of renovation

Increasing demand for detailed digital documentation
- Regulatory offices
- Consumers

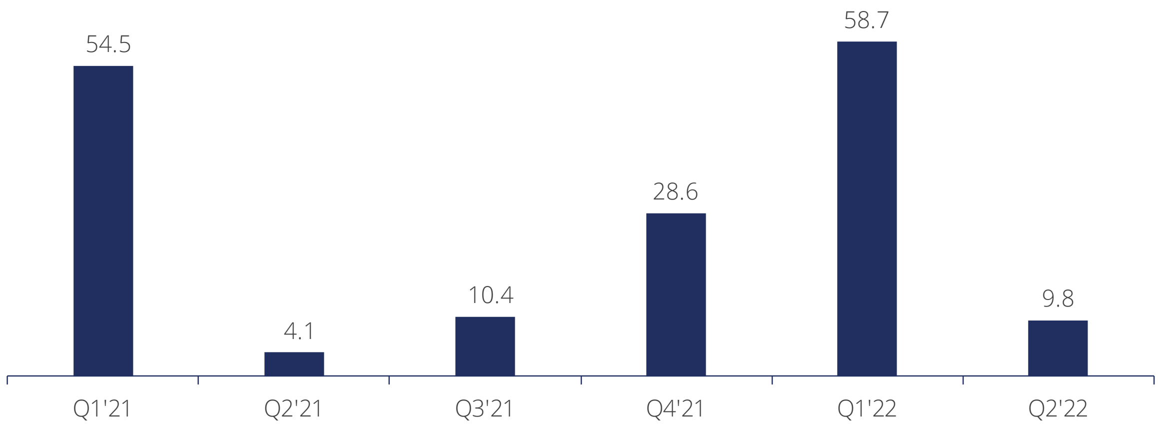
Digitally maturing users and software
- Apps and SaaS solutions drive adoption
- Younger more digital workforce

Attractive business model

The story of SmartCraft has for many years been the story of profitable growth. We love our cloud-based Software-as-a-Service model for many reasons. One being the fact that the cost of adding one additional customer or user is minimal. This, combined with an efficient sales and marketing organization and a gross margin above 90%, gives us a strong business model. We are increasing our revenue by 15-20% and expect to do so for years to come, and we have been able to combine this with an adjusted EBITDA margin around 40%. We are continuously investing in product development to secure future growth, but in the profitable growth mindset we are focusing on maintaining a high margin before any capitalization is made.

Another thing we love with our business model is the long revenue visibility and hence low risk related to our cash flows. Once onboard, our customers stay with us for many years and we see a low annual churn, which was 5% in Q2 2022.

Operating cash flow, MNOK

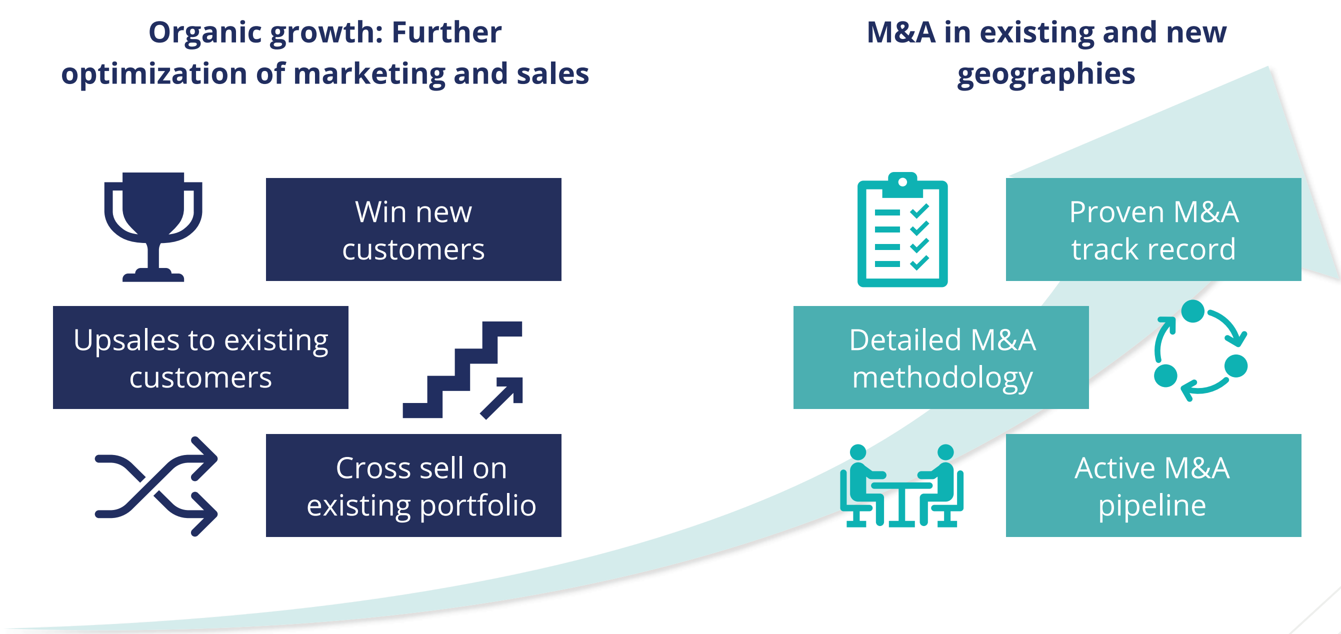


Q1 is seasonally strong as the majority of 12-months subscriptions are invoiced in January.

Significant growth ambitions

Looking ahead, we continue to follow our strategy of profitable organic growth and M&A driven consolidation. We have a strong financial foundation following the successful listing on Oslo Børs in 2021, providing a solid balance sheet and a broad, international investor base. Hence, our growth strategy is fully funded. Additionally, with an average cash conversion of 110% we are constantly increasing our M&A capabilities.

Our primary focus going forward is organic growth in the Nordics through upselling to existing customers, by winning new customers and by cross selling on our customer bases. Secondly, we are pursuing M&A opportunities both in existing and new geographies and are in dialogue with several companies. At the same time, we are patient. Capital discipline has high priority and we will only pursue the right acquisition target at the right price.



Historical key figures

Amounts in NOK (thousands)

	2021	2020	2019
ARR	266 843	204 689	144 740
Revenue	270 762	195 941	153 701
Adjusted EBITDA	108 671	80 934	55 320
Adjusted EBITDA margin	40.1%	41.3%	36.0%
R&D	21 737	11 579	8 493
Customers	≈ 11 000	≈ 8 500	≈ 8 000

Letter from the CEO

I am pleased to report that SmartCraft continues to deliver strong growth in the second quarter and the first half of 2022. Equaly important, when we sum up our first 14 months as a public company, we have delivered well on all our strategic focus areas: Strong organic growth in subscription base and revenue, steady improvement in cash-flow and profitability, and targeted acquisitions.

"We continue our strong growth journey with an organic Annual Recurring Revenue (ARR) growth of 20% for the quarter"

SmartCraft operates in a highly attractive market, providing Software-as-a-Service (SaaS) solutions directed at small and medium-sized enterprises (SMEs) in the construction industry, and we remain very positive about our future growth and opportunities. Most SME construction companies have yet to digitalize their mission critical tasks and have a lot to benefit from our solutions and the rising concerns of a slowdown in building activity are not expected to have any major effects on the demand for our services. The companies in our target group focus on smaller projects, services, maintenance and upgrades of properties.

"Our customers experience a high activity and demand evidenced by a 18% growth in transactional revenue in Q2 2022 compared to the same period in 2021"

History shows that they are fairly unaffected by macro fluctuations as there is a much higher demand than supply of their services. In Q2 2022 transactional SaaS revenue from our customers grew by 18% compared to Q2 2021. This revenue is a good representation of high activity for our customers as the revenue represents transactions like electronic invoices to customers and incoming invoices for products used in production.

In the second quarter our revenue grew by 28% to NOK 82 million compared to Q2 2021. Revenue for the first half of 2022 was NOK 161 million, representing a 31% growth compared to the same period in 2021.

"SmartCraft continues to be one of the leading SaaS companies in Europe with 96% recurring revenue and only 5% churn in the second quarter of 2022"

For a SaaS company like ours, one of the most important KPIs is the growth in Annual Recurring Revenue (ARR). During the second quarter we have taken many initiatives to further fuel growth. Several sales partnerships with electricity chains, winning the Finnish construction company Lujatalo and we have secured the acquisition of the Norwegian company Elverdi, which provides SmartCraft with a great sales tool targeted at electricians. We have also taken on significant marketing initiatives to drive organic growth further. ARR at the end of Q2 was NOK 296 million, an organic growth of 20% compared to Q2 2021. Including acquisitions, we grew ARR by 32% in the same period. The beauty of a well-run SaaS company is a high level of repetitive contractual revenue and a low level of customers leaving. SmartCraft continues to be one of the leading SaaS companies in Europe with 96% recurring revenue and only 5% churn in the second quarter of 2022.

> ***“Without the dilution effect and the marketing and personnel investments our adjusted EBITDA margin in Q2 2022 is well above 40%”***

SmartCraft has a long history of profitable growth and one of our medium-term targets is to grow margins. In Q2 we had an adjusted EBITDA margin of 36%, affected by phasing of marketing investments and lower margins in the two businesses we have acquired the last 12 months. Additionally, we have invested in certain temporary costs related to recruitment and personnel changes to optimize and synergize the organization for future scale and growth.

> ***“SmartCraft has no financial debt, we are self-funded with an average cash conversion of 110% and in a strong cash position to execute on favorable growth opportunities”***

Without the dilution effect and the marketing and personnel investments our adjusted EBITDA margin in Q2 2022 is well above 40%. The comparison figures with Q2 2021 are also negatively affected by a change in the way we accrue holiday pay in our accounts. The underlying trends for the SmartCraft group are still positive and we are well on track to deliver on our medium-term targets. We have always believed it is important to be in a solid financial position to be able to invest in organic growth and acquisitions. SmartCraft has no financial debt, we are self-funded with an average cash conversion of 110% and in a strong cash position to execute on favorable growth opportunities.

> ***“Our medium-term targets of annual organic revenue growth of 15-20% and growing EBITDA margins due to scalability of the business stay firm”***

Looking ahead, we continue to experience great demand for our solutions and with our solid financial position and great team of highly skilled people, we remain very optimistic about the future market opportunities. All in all, we are confident about achieving our medium-term targets of annual organic revenue growth of 15-20% and growing EBITDA margins due to the scalability of the business.

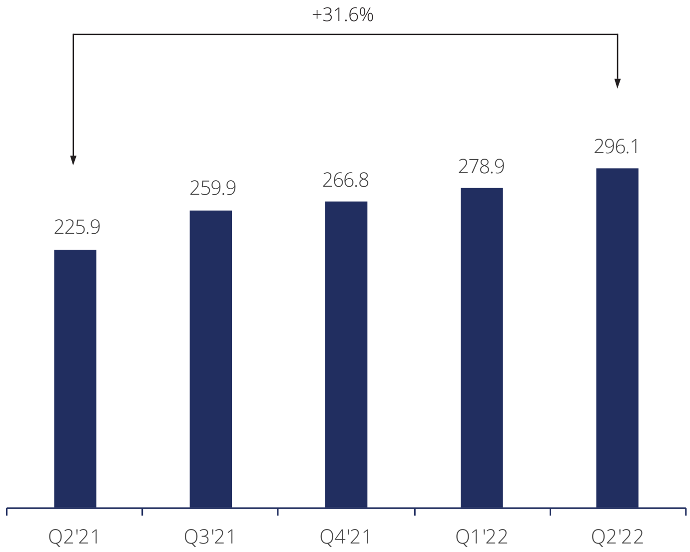
Gustav Line

Gustav Line
CEO

Q2 2022 in Brief

Quarterly financial highlights

- Maintaining high organic growth[1]
- June 30th, 2022 ARR NOK 296.1 million, 32% growth YoY
- 20% organic ARR growth YoY
- Strategic investments of ~5%-pts of margin to secure future growth and scale
- 36% adjusted EBITDA margin
- Maintaining a low churn at 5%



Development ARR per quarter (end of period, MNOK)

Amounts in NOK (millions)	**Q2'22**	**Q2'21**	**H1'22**	**H1'21**	**FY'21**
Annual Recurring Revenue	296.1	225.9	296.1	225.9	266.8
Revenue	81.6	63.9	160.6	122.9	270.8
Adjusted EBITDA	29.5	30.1	61.5	53.9	108.7
Adjusted EBITDA-margin	36.2 %	47.1 %	38.3 %	43.9 %	40.1 %
Adjusted EBITDA - capex margin	29.7 %	41.0 %	31.3 %	36.9 %	32.0 %
Churn rate (R12m)	5.4 %	6.3 %	5.4 %	6.3 %	6.3 %

1. *Organic growth is defined as growth in existing solutions adjusted for currency effects.*

Strong operational momentum

SmartCraft continued its strong momentum from the first quarter. With the Corona restrictions lifted in our region we could move more freely to customer sites and events. We used this opportunity to increase our physical sales activities like roadshows, customer events, trade fairs and customer meetings. These activities give us a good opportunity to meet our customers face-to-face after a long time with digital meetings and events and have increased our pipeline of potential new customers. This has increased our sales and marketing costs by NOK 1.1 million in the quarter and we see this as a good investment in future growth.

We have also invested in recruitment and personnel changes to optimize and synergize the organization for future scale and growth. This has resulted in temporarily higher personnel costs in Q2.

We continue to experience great demand for our solutions. Historically we see that in good times construction companies lack resources and need good systems to maximize the resources they have. Equally, when times are tough, construction companies focus on cost control and need systems to make sure they are in control of costs to keep a positive margin. Either way, they benefit from implementing SmartCraft's solutions.

> ***"In good times construction companies lack resources and need digital systems to maximize the resources they have. In tough times they need systems to focus on cost control to keep a positive margin. Either way they need SmartCraft!"***

SmartCraft is on a mission to digitalize the construction industry. We have great best-of-breed solutions to help our customers go from manual to digital processes. Additionally, we work hard to lower the investment bar, so that our customers should have predictable low monthly costs. On average our customers pay as little as NOK 7 pr. day pr. user. We believe this proves that we are affordable and that there is an upside potential in the future.

For the last four quarters we have lowered non-recurring revenue compared to the same period the previous year. In second quarter of 2022 we reduced non-recurring revenue by 26% compared to second quarter 2021. As a result, a record 96% of the revenue in Q2 2022 was recurring. The shift is a deliberate strategy for SmartCraft, aiming to increase predictability and stability for our customers as well as for SmartCraft.

> ***"Our customers should have predictable low monthly costs, hence we reduced non-recurring revenue by 26% in Q2 2022 to lower the threshold to become a customer and thus increase the ARR"***

Our annual recurring revenue (ARR) continued to grow in Q2 2022. At the end of the quarter, ARR was NOK 296 million, 32% higher than in Q2 2021. We are pleased to report a strong organic ARR growth of 20% in the second quarter 2022. The ARR growth is a result of new sales, up-sales to existing customers, price increases and lower churn.

In addition to drive ARR we work to implement churn-reducing activities like ease of information, understandable pricing, ease of on-boarding, free training and support, self-service, and guides in everything we do. We are also close to the market, making sure we include the most important requests from our customers in our development. These are some examples to show how we have further reduced our churn in Q2 2022 to 5.4%, down from the already low 6.3% in Q2 2021.

"Our low churn of 5% is a result of churn-reducing activities like ease of information, understandable pricing, ease of on-boarding, free training and support, self-service and guides."

In Q2 we have initiated several activities in order to grow and scale

- Acquisition of **Elverdi Norge AS** in June further cements our position in the electro vertical. Elverdi has a great SaaS tool which digitalizes the sales process for electricians. This results in less administration and more revenue for our customers. Additionally, as their customers get a very quick and professional response on potential jobs, they are more satisfied with the service from electricians using Elverdi. Elverdi is in an early stage of commercialization, but we believe the solution can scale with and to other parts of SmartCraft.
- Partnership with **Sikringen** is another important milestone in the electro vertical. Sikringen is an electrician-chain with over 160 member companies and 2500 electricians. The agreement ensures that our solution "Cordel Elektrokalk" is the preferred calculation tool for the members.
- **Lujatalo**, one of Finland's leading construction companies, chooses the SmartCraft solution Congrid to manage the quality and safety at its construction sites. At the full potential this agreement includes more than 100 construction sites and in terms of revenue Lujatalo becomes one of our most significant customers. This partnership strengthens our already solid foothold in the Finnish construction market as Lujatalo is one of the country's largest construction companies.
- Partnership with **Lux Fide**, an electrician-chain with 50 members and 700 electricians. The agreement ensures that the sales tool from Elverdi is the preferred solution for the member companies
- Securing the **www.smartcraft.com domain**. We reached an agreement to take over the SmartCraft domain, enabling better and more social media exposure.

Product and technology development

Early success in our ambition to utilize outsourcing

As a SaaS Solution provider, we are continuously competing for the best and the brightest talents in the developer community. To keep up with the growing demand for resources, we started exploring opportunities with outsourcing as a supportive measure during Q1. At the end of Q2, we see an early success of our strategy emerging. We managed to successfully onboard a set of developers into some of our teams and within a short amount of time they were able to become productive and integrated members of the team. This is a testament of our great team culture as well as our efforts to continuously follow best practices. We will still focus on building strong local teams, but we do see a great potential to close the gap for our future resource needs through outsourcing.

Focus on usage simplicity

SmartCraft is on a mission to digitalize the construction industry. Having solutions that continuously aim to lower the entry bar for our customers to start using digital tools is one of our focus areas. During Q2, we strengthened our product teams with several additional UX resources with the ambition to further improve our usage simplicity as well as ease of onboarding.

> ***"These efforts have already shown promising results in our mobile apps where we have seen a 20% increase in ratings as well as higher level of engagement from our users."***

These efforts have already shown promising results in our mobile apps where we have seen a 20% increase in ratings as well as higher level of engagement from our users. Moving forward, we intend to keep our focus in this area as we aim to reach new highs in our user experience.

Platform, technology and product

The construction sector has been slow to adopt technology innovations and our goal is to help speed up the transformation through smart and aligned products that keep lowering the bar for construction companies to go from manual to digital processes. Following this ambition, we acquired Elverdi in June which is a SaaS solution that digitalizes the sales process for electricians. We believe that Elverdi's solution offers great user experience and is a complement to our existing product portfolio with good alignment to our overall strategy. Additionally, Elverdi has great potential to scale with other solutions in SmartCraft.

We constantly search for areas where we can connect the dots between our solutions to provide more value to our users and customers. One such area is a highly sought-after need that involves enhancing the service level between tenants and construction professionals to manage issues and faults in apartments.

> ***"By linking our property management solution to our quality assurance solution, we have managed to create a seamless and digital issue tracking system which significantly improves communication between residents and the production office"***

By linking our property management solution to our quality assurance solution, we have managed to create a seamless and digital issue tracking system which significantly improves communication between residents and the production office. The process is simple, quick, and transparent which has brought high value for both tenants and contractors.

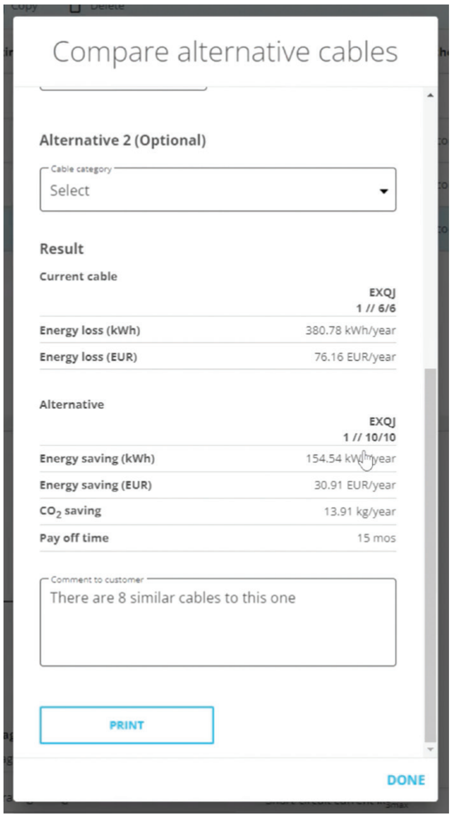
Energy savings and sustainability

During Q2, SmartCraft released a powerful tool that helps electricians to perform energy efficiency calculations. With the tool, it is possible to get suggestions on alternative cables that are more energy efficient as well as the corresponding reduction it yields in CO2 and cost savings. With current rising energy prices, it is important to provide our customers with tools that can help them make better and more informed decisions.

For example, utilizing the energy efficiency calculation for an installation of 16 charging stations for electric cars, we can see upward of 4600kWh/year in saving by choosing a better suited cable compared to the standard. This corresponds to ~58 full charges of an electric car, which approximately yields 23 000 km of driving.

"The savings correspond to 1.5 years of energy needs for an average driver of an electric car"

Our solution visualizes the financial savings as well as CO2 savings which in turn can help our customer's shift the focus from cable hardware cost towards sustainable and profitable investments.



Segments

SmartCraft is present in three geographical markets, and the revenue distribution is shown below. The acquisitions of Kvalitetskontroll in July 2021 and Elverdi in June 2022 contributed to the growth in Norway, whereas the acquisition of HomeRun in May 2021 contributed to the growth in Finland.

Geographical distribution of revenue

Amounts in NOK (millions)	Q2'22	Q2'21	H1'22	H1'21	FY'21
Norway	33.3	23.4	66.6	46.7	108.4
Sweden	35.9	31.2	69.5	60.5	126.8
Finland	12.4	9.3	24.4	15.7	35.6
Total revenues	***81.5***	***63.9***	***160.6***	***122.9***	***270.8***

SmartCraft recognizes Specialized contractors and General contractors as the operating units that form natural reporting segments.

- Specialized contractors include the customers who provide specialized services within the construction industry, e.g., electricians, plumbers, etc.
- General contractors include the customers in the construction industry providing services not defined as specialized services.

HomeRun and Kvalitetskontroll fall into the General contractors segment. Elverdi is included in the Specialized contractors segment.

Except Elverdi the Specialized contractors segment consists of our most established brands with a long history, a strong market position in their areas and high EBITDA margins. These solutions still have a share of customers with the solutions deployed on-premise. We are continuously moving these customers to a SaaS environment, which over time will enable higher revenue growth.

Distribution of revenue per segment

Amounts in NOK (millions)	Q2'22	Q2'21	H1'22	H1'21	FY'21
Specialized contractors	33.6	30.8	67.2	61.5	123.4
General contractors	47.9	33.2	93.4	61.4	147.4
Total revenue in segments	***81.5***	***63.9***	***160.6***	***122.9***	***270.8***
Organic growth in current solutions YoY					
Specialized contractors	*10.6%*	*12.8%*	*10.7%*	*11.2%*	*9.3%*
General contractors	*20.3%*	*24.5%*	*23.2%*	*23.1%*	*21.3%*

Distribution of adjusted EBITDA per segment*

Amounts in NOK (millions)	Q2'22	Q2'21	H1'22	H1'21	FY'21
Specialized contractors	15.5	17.9	33.4	33.5	64.7
General contractors	17.6	10.0	36.1	18.9	53.1
Total adjusted EBITDA in segments	***33.1***	***27.8***	***69.4***	***52.4***	***117.9***

**Excluding SmartCraft ASA*

Adjusted EBITDA margin					
Specialized contractors	*46.2%*	*58.1%*	*49.7%*	*54.4%*	*52.5 %*
General contractors	*36.6%*	*30.0%*	*38.6%*	*30.8%*	*36.0 %*

Financial Review

Amounts in NOK (thousands)	Q2'22	Q2'21	H1'22	H1'21	FY'21
Revenue from customers	81 550	63 889	160 617	122 883	270 762
Total operating revenue	***81 550***	***63 889***	***160 617***	***122 883***	***270 762***
Purchase of goods and services	6 831	5 734	13 536	10 764	22 866
Payroll and related expences	32 098	22 717	62 580	46 608	104 986
Other operating expenses	14 446	29 131	24 520	35 370	62 598
Total operating expenses	***53 375***	***57 582***	***100 636***	***92 742***	***190 450***
EBITDA	***28 175***	***6 306***	***59 981***	***30 141***	***80 312***
Adjustments of special items	1 309	23 755	1 491	23 755	28 359
Adjusted EBITDA	***29 484***	***30 062***	***61 472***	***53 897***	***108 671***
Depreciation and amortization	6 810	5 064	13 416	10 184	22 726
Operating profit (loss) before financial items and tax	***21 365***	***1 243***	***46 565***	***19 957***	***57 586***
EBITDA-margin	*34.5 %*	*9.9 %*	*37.3 %*	*24.5 %*	*29.7 %*
Adjusted EBITDA-margin	*36.2 %*	*47.1 %*	*38.3 %*	*43.9 %*	*40.1 %*

SmartCraft's consolidated revenues in Q2 2022 grew by 27.6% to NOK 81.6 million, up from NOK 63.9 million in Q2 2021. The revenue growth was driven by the acquisitions of Kvalitetskontroll (July 2021) and Elverdi (June 2022) and continued high organic growth from the Group's SaaS solutions.

The construction market continues to be strong and SmartCraft's attractive value proposition is suited to increase efficiency and professionality for our customers. During the quarter, SmartCraft has been active with regards to marketing initiatives to reach decision makers efficiently, for example through roadshows and participation in trade-fairs, which were largely put on hold during the covid period. This has had a positive effect on the pipeline for new sales for the second half of 2022.

The Group has continued its strategy to service all customers SaaS solutions on common SaaS environments.
The Group's strategy includes both migrating its remaining on-premise customers to a SaaS environment, and transitioning non-recurring revenue into a SaaS service. As an effect, non-recurring revenue continues to decrease as the migration progresses. By reducing the threshold to become a customer we increase our opportunity to grow ARR.

Organic growth in current solutions YoY	Q2'22	Q2'21	FY'21
Fixed price subscriptions	19.2%	19.5%	18.9%
Transaction priced add-on subscriptions	18.2%	28.4%	27.5%
Total recurring revenue	***19.1%***	***20.3%***	***19.7%***
Non-recurring revenue	(25.8%)	10.5%	(27.8%)
Total revenue	***16.6%***	***19.7%***	***15.8%***

The reported EBITDA in Q2 2022 was NOK 28.2 million. Adjusted EBITDA was NOK 29.5 million. The adjusted EBITDA margin for Q2 2022 was 36.2%, compared to 47.1% in Q2 2021. Note that the principles for holiday pay accruals are changed in 2022. If the same principles are applied for 2021 the Q2 2021 adjusted EBITDA is 43.7%.

The Q2 2022 adjusted EBITDA margin is affected negatively with 2.1%-points due to lower margins in the acquired companies Kvalitetskontroll and Elverdi. Additionally, we have decided to invest for future revenue growth and initiatives to scale the organization and our products. Without these one-time investments and initiatives, the adjusted EBITDA margin is well above 40% and in line with previous year. In more detail:

- Overlap of employees in certain key roles and recruitment expenses reduced the adjusted EBITDA margin with a total of 2.2%-points. These costs are expected to be of one-off nature in Q2 and not reoccur.
- Increased marketing investments, aimed at securing solid revenue growth in the second half of 2022 reduced the adjusted EBITDA margin with approx. 1.5%-point compared to both Q2 2021 and Q1 2022.
- Compared to Q2 2021, the Group also has an increased cost base related to being listed on Oslo Stock Exchange.
- Additionally, the Group has used internal personnel to migrate legacy systems/services in a project that ended in June. The benefit of this project is an expected drop in server costs.

SmartCraft plans for continuous improvement of existing solutions, and development of new solutions and add-ons. For the development of new solutions and add-ons, SmartCraft recognized NOK 5.2 million in capitalization of development costs in Q2 2022, which constitutes 6.4% of revenue. The shift from completed to new projects, turnover in employees and vacation results in a lower capitalization in Q2 than expected for the second half of the year.

The integration of the acquired businesses is on track, and we have a clear plan for increasing EBITDA margins in the acquired companies, as we have achieved in all previous acquisitions.

Depreciations and amortizations were NOK 6.8 million in Q2 2022 compared to NOK 5.1 million in Q2 2021. The increase is a result of the Group's continuous R&D activity and acquisitions.

Operating profit was NOK 21.4 million in Q2 2022 compared to NOK 1.2 million in Q2 2021. The increase relates in particular to IPO expenses in 2021. Adjusted for these expenses operating profit increased by NOK 0.6 million in Q2 2022 vs Q2 2021.

Net financial income was NOK 3.4 million in Q2 2022 compared to NOK -2.3 million in Q2 2021. While changes in currency rates is significant in both 2022 and 2021, net financial expense in Q2 2021 is mainly of interest on debt.

Cash flow

Cash flow from operating activities was NOK 9.8 million in Q2 2022 compared to NOK 4.1 million in Q2 2021. The cash flow is lower than in Q1 2022 because of normal and expected seasonal fluctuations, as Q1 has a strong cash flow driven by changes in net working capital. These changes are a result of up-front payment from customers. The Group has payment plans ranging from 1-12 months, and on average customers pay 8 months up-front. On a historical background the majority of customers on a 12-month payment plan are still invoiced in Q1, but with the migration of the remaining on-premise customers to a SaaS environment, the invoicing is distributed more evenly through the year. The VAT on invoiced amounts in Q1 is paid in Q2.

Cash flow from investing activities was NOK -20.6 million in Q2 2022, driven by net payments for acquisitions and capitalized R&D. Payments for acquisitions relates to the acquisition of Elverdi in June.

Net cash flow from financing activities was NOK -4.1 million in Q2 2022, relating mainly to the repayment of lease liabilities and repayment of two loan facilities in acquired companies.

Financial position

SmartCraft has a solid balance sheet. The Group is in a net cash position, self-funded and is well capitalized to deliver on the stated growth ambitions and M&A strategy.

Total assets amounted to NOK 941.2 million (NOK 886.2 million at the end of 2021), of which cash and cash equivalents amounted to NOK 189.3 million (NOK 156.3 million at the end of 2021). Non-current assets amounted to NOK 722.5 million (NOK 700.3 million at the end of 2021) which primarily consist of goodwill and intangible assets from the Group's R&D and acquisitions.

Total liabilities amounted to NOK 199.8 million (NOK 184.6 million at the end of 2021). The increase is related to the increase in deferred revenue.

Share information

At the end of Q2 2022 SmartCraft ASA had 171.5 million shares at par value of NOK 0.01. There have been no changes in shares or share capital in 2022.

Risk factors

Risk factors are described in the information document prepared in connection with the listing on Oslo Børs, published June 24th, 2021 and in the annual accounts for 2021, published April 26th, 2022.

Outlook

We have a very positive future outlook as the market opportunities are great. We experience a continued and strong demand for our solutions. As a specialized SaaS player within construction we have identified a market opportunity of above NOK 10 billion in the Nordics alone, and this market is growing by double digits annually.

Our main focus is organic growth in the Nordics through upsell to existing customers, by winning new customers and by cross selling on our customer bases. Additionally, we are pursuing M&A opportunities both in existing and new geographies and are in dialogue with several companies. At the same time, we are patient - capital discipline is priority number one, and we will only pursue the right acquisition target at the right price.

Our medium-term targets stay firm. SmartCraft targets 15-20% organic growth in the medium-term, and any acquisitions will come on top of that. We expect adjusted EBITDA margin in the medium-term to increase due to scalability of the business. Impact from acquired companies last 12 months and additional costs as a listed company are short-term considerations to the adjusted EBITDA margin.

We have a highly motivated and aligned organization that is well positioned with our solutions to help customers to increase their productivity and profitability. We strongly believe that construction companies that prioritize to digitalize and modernize their business processes will be the winners in this industry in the future.

Financial calendar

Quarterly reporting:

- Q3 2022: November 1st, 2022

Other market activity:

- SmartCraft arranges roadshow and attends several conferences during H2 2022.
  See smartcraft.com/investor-relations for complete list.

Condensed Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

Amounts in NOK (thousands)	Q2'22	Q2'21	H1'22	H1'21	FY'21
Revenue from customers	81 550	63 889	160 617	122 883	270 762
Total operating revenue	**81 550**	**63 889**	**160 617**	**122 883**	**270 762**
Purchase of goods and services	6 831	5 734	13 536	10 764	22 866
Payroll and related expences	32 098	22 717	62 580	46 608	104 986
Other operating expenses	14 446	29 131	24 520	35 370	62 598
Depreciation and amortization	6 810	5 064	13 416	10 184	22 726
Total operating expenses	**60 185**	**62 646**	**114 052**	**102 927**	**213 176**
Operating profit (loss) before financial items and tax	**21 365**	**1 243**	**46 565**	**19 957**	**57 586**
Financial income	4 357	36	4 992	2 979	5 615
Financial expenses	(1 007)	(2 318)	(4 179)	(9 659)	(14 334)
Financial income (expense), net	**3 350**	**(2 282)**	**813**	**(6 680)**	**(8 720)**
Profit (loss) before tax	**24 715**	**(1 040)**	**47 377**	**13 277**	**48 867**
Tax expense	5 334	1 121	9 018	3 865	12 171
Profit (loss)	**19 381**	**(2 161)**	**38 359**	**9 412**	**36 696**
Other comprehensive income					
Items that will be reclassified to profit or loss:					
Currency translation differences, net of tax	22 387	12 236	1 407	(4 473)	(17 843)
Total	**22 387**	**12 236**	**1 407**	**(4 473)**	**(17 843)**
Total comprehensive income	**41 768**	**10 075**	**39 766**	**4 939**	**18 853**

Consolidated Statement of Financial Position

ASSETS *Amounts in NOK (thousands)*	June 30th 2022	June 30th 2021	Dec 31th 2021
Deferred tax assets	-	-	-
Goodwill	503 361	448 265	491 223
Intangible assets	198 226	152 791	187 378
Right to use assets	16 438	14 367	17 009
Tangible Assets	4 454	3 657	4 732
TOTAL NON-CURRENT ASSETS	**722 478**	**619 079**	**700 341**
Inventory	71	83	73
Other current assets	8 477	4 520	4 987
Accounts Receivable	20 867	23 048	24 583
Cash and cash equivalents	189 349	138 441	156 277
TOTAL CURRENT ASSETS	**218 764**	**166 120**	**185 919**
TOTAL ASSETS	**941 242**	**785 199**	**886 261**

EQUITY AND LIABILITIES

Amounts in NOK (thousands)	June 30th 2022	June 30th 2021	Dec 31st 2021
Share capital	1 715	1 672	1 715
Share premium	605 893	527 548	605 893
Retained earnings	138 426	72 783	100 067
Other components of equity	(4 584)	7 380	(5 990)
TOTAL EQUITY	**741 450**	**609 382**	**701 685**
Non-current financial liabilities	-	-	1 158
Non-current lease liabilities	8 887	8 195	9 913
Deferred tax liabilities	33 156	26 875	34 637
Total non-current liabilities	**42 043**	**35 071**	**45 708**
Deferred revenue	81 808	60 878	59 593
Current portion of lease liabilities	7 924	6 072	6 952
Accounts payable	7 911	24 533	6 501
Taxes payable	17 318	11 362	14 216
Other current liabilities	42 788	37 901	51 607
Total current liabilities	**157 750**	**140 746**	**138 869**
TOTAL LIABILITIES	**199 792**	**175 817**	**184 576**
TOTAL EQUITY AND LIABILITIES	**941 242**	**785 199**	**886 261**

Consolidated Statement of Changes in Equity

Amounts in NOK (thousands)	Share capital	Share premium	Other components of equity	Retained earnings	Total equity
Total equity 31.12.2020	**4 497**	**244 193**	**11 853**	**63 371**	**323 914**
Profit / (-) loss for the period	-	-	-	36 696	36 696
Other comprehensive income	-	-	(17 843)	-	(17 843)
Capital decrease 21.06.2021	(3 109)	(205 864)	-		(208 973)
Capital increase 22.06.2021	284	489 219	-	-	489 503
Capital increase 05.07.2021	38	67 732	-	-	67 770
Capital increase 09.07.2021	5	10 613	-	-	10 618
Total equity 31.12.2021	**1 715**	**605 893**	**(5 990)**	**100 067**	**701 685**
Profit / (-) loss for the period	-	-	-	38 359	38 359
Other comprehensive income	-	-	1 407	-	1 407
Total equity 30.06.2022	**1 715**	**605 893**	**(4 584)**	**138 426**	**741 450**

Consolidated Cash Flow Statement

Amounts in NOK (thousands)	Q2'22	Q2'21	H1'22	H1'21	FY'21
Operating activities					
Profit before tax	24 715	(1 040)	47 377	13 277	48 867
Paid taxes	(1 559)	(903)	(7 459)	(1 695)	(5 811)
Depreciation	3 384	2 402	6 633	4 811	10 085
Amortisation of intangible assets	3 434	2 661	6 783	5 373	12 641
Accrued interest expense	-	(1 139)	-	(790)	-
Items classified as investing or financing activities	2 576	7 788	4 172	14 056*	38 759
Net cash provided from operating activities before net working capital changes	***32 550***	***9 770***	***57 506***	***35 031***	***104 540***
Working capital adjustments:					
Changes in accounts receivable	5 019	(5 734)	4 204	(6 530)	(5 837)
Changes in deferred revenue	(10 452)	(7 790)	21 538	19 251	6 572
Changes in accounts payable	231	7 633*	(1 469)	2 469*	(67)
Changes in all other working capital items	(17 524)	202	(10 517)	9 543	1 316
Net cash provided from operating activities	***9 825***	***4 081***	***71 261***	***59 763***	***106 524***
Investing activities					
Investments in tangible and intangible assets	(504)	(62)	(792)	(62)	(397)
Payments for acqusitions	(14 402)	(29 648)	(19 577)	(29 648)	(71 734)
Acquisition transaction costs	(438)	(3 343)	(438)	(3 343)	(5 775)
Payments for software development costs	(5 234)	(3 876)	(11 136)	(8 545)	(21 737)
Foreign currency effect	(29)	-	(54)	-	178
Net cash used in investing activities	***(20 607)***	***(36 929)***	***(31 995)***	***(41 598)***	***(99 465)***
Financing activities					
Cash proceeds from capital increases	-	500 000	-	500 000	551 287
Cash proceeds from loan facilities	-	-	-	-	-
Downpayment on loan facilities	(1 937)	(234 453)	(2 014)	(234 453)	(235 434)
Interest payments	(219)	(3 064)	(413)	(4 776)	(4 794)
Repayments of capital decreases	-	(208 973)	-	(208 973)	(208 973)
Repayments of lease liabilities	(1 919)	(1 381)	(3 322)	(2 868)	(6 783)
Other financial items	(19)	(3 069)*	(35)	(3 069)*	(21 407)
Net cash provided by (used in) financing activities	***(4 094)***	***49 060***	***(5 783)***	***45 861***	***73 896***
Net increase (decrease) in cash and cash equivalents	**(14 876)**	**16 212**	**33 483**	**64 026**	**80 956**
Cash and cash equivalents at the beginning of period**	200 687	122 013	156 277	77 868	79 902
Foreign currency effects on cash and cash equivalents	3 538	217	(410)	(3 453)	(4 581)
Cash and cash equivalents at end of period*	***189 349***	***138 441***	***189 349***	***138 441***	***156 277***

** In the Q2 2021 report, IPO expenses were included in account payable and net working capital. In the Q3 2021 report the cost items were reclassified as financing items.*

*** Cash and cash equivalent include restricted funds*

Explanatory Notes to the Consolidated Financial Statements

Note 1 Accounting policies

The interim report for the SmartCraft Group for 2nd quarter 2022 has been prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting policies and methods for computation have been applied as in the latest annual statement, except for the accrual of holiday pay. Where holiday pay earlier was expensed at the time the obligation arised, holiday pay are now expensed at the time holiday leave is carried out.

The effect of the change in accrual is normally higher expenses in Q2 and a similar reduction between the other quarters.

For further information on accounting policies see the Annual Report 2021.

Note 2 Revenue

Amounts in NOK (thousands)	Q2'22	Q2'21	H1'22	H1'21	Revenue recognition
Fixed price subscriptions	71 150	55 829	139 145	107 791	Over time
Transaction priced subscriptions (add-on features)	7 357	4 342	14 209	7 959	Point in time
Total recurring revenue	***78 507***	***60 171***	***153 354***	***115 750***	
Non-recurring revenue	3 042	3 718	7 264	7 134	Point in time
Total revenue	***81 550***	***63 889***	***160 617***	***122 883***	

Note 3 Earnings per share

		Q2'22	Q2'21	H1'22	H1'21	FY'21
Profit for the period due to holders of shares	TNOK	19 381	(2 161)	38 359	9 412	36 696
Profit allocated to redeemed preferance shares	TNOK	-	3 450	-	3 450	7 282
Profit allocated to common shares	TNOK	19 381	(5 610)	38 359	5 962	29 413
Average numbers of common shares		171 522 305	140 993 386	171 522 305	139 887 893	155 857 151
Earning per share	***NOK***	***0.11***	***(0.04)***	***0.22***	***0.04***	***0.19***

Alternative Performance Measures (APMs)

The following terms are used by the Group in definitions of APMs:

- **EBITDA:** Is defined as operating income before depreciation of tangible and intangible non-current assets.
- **Adjusted EBITDA:** Is defined as EBITDA adjusted for special operating items that distorts comparison, such as acquisition related expenses, listing preparation costs and other items which are special in nature compared to ordinary operational income or expenses.
- **Adjusted EBITDA margin (%):** Is defined as Adjusted EBITDA divided by sales, expressed as a percentage.
- **Adjusted EBITDA – Capex margin (%):** Is defined as Adjusted EBITDA – R&D capex divided by sales, expressed as a percentage.
- **Annual Recurring Revenue ("ARR"):** Is defined as a 12 month subscription value of the Group's customer base at the end of the reporting period. The ARR metric only includes fixed price subscriptions.
- **Recurring Revenue (%):** Is defined as subscription revenue generated over the historical period divided by sales for the same period, expressed as a percentage. Recurring Revenue includes both fixed price and transaction-based subscription revenues.
- **Average Revenue Per Customer ("ARPC"):** Is defined as the annualized monthly total operating revenue divided by the number of customers at the end of the month.
- **Churn Rate (%):** Is a measure of loss of ARR on a rolling 12-month basis, expressed as a percentage of average monthly ingoing ARR for the same 12-month period.

Amounts in NOK (thousands)	**Q2'22**	**Q2'21**	**H1'22**	**H1'21**	**FY'21**
Revenue from customers	81 550	63 889	160 617	122 883	270 762
Total operating revenue	***81 550***	***63 889***	***160 617***	***122 883***	***270 762***

Amounts in NOK (thousands)	**Q2'22**	**Q2'21**	**H1'22**	**H1'21**	**FY'21**
EBITDA	28 175	6 306	59 981	30 141	80 312
Adjustments of special items	1 309	23 755	1 491	23 755	28 359
Adjusted EBITDA	***29 484***	***30 062***	***61 472***	***53 897***	***108 671***
EBITDA-margin	*34.5 %*	*9.9 %*	*37.3 %*	*24.5 %*	*29.7 %*
Adjusted EBITDA-margin	*36.2 %*	*47.1 %*	*38.3 %*	*43.9 %*	*40.1 %*

Amounts in NOK (thousands)	**Q2'22**	**Q2'21**	**H1'22**	**H1'21**	**FY'21**
Adjusted EBITDA	29 484	30 062	61 472	53 897	108 671
Capitalized development expenses	5 234	3 876	11 136	8 545	11 579
Adjusted EBITDA - CAPEX margin	***29.7 %***	***41.0 %***	***31.3 %***	***36.9 %***	***35.9 %***

		Q2'22	**Q2'21**	**H1'22**	**H1'21**	**FY'21**
Annual Recurring Revenue (ARR) (EoP)	TNOK	296 083	225 912	296 083	225 912	266 843
Recurring revenue		96.2 %	94.2 %	95.4 %	94.3 %	94.9 %
Average Revenue per Customer (ARPC)	NOK	27 723	27 101	27 323	26 702	26 994
Churn rate (R12m) (EoP)		5.4 %	6.3 %	5.4 %	6.3 %	6.3 %

SmartCraft
BETTER DIGITAL TOOLS