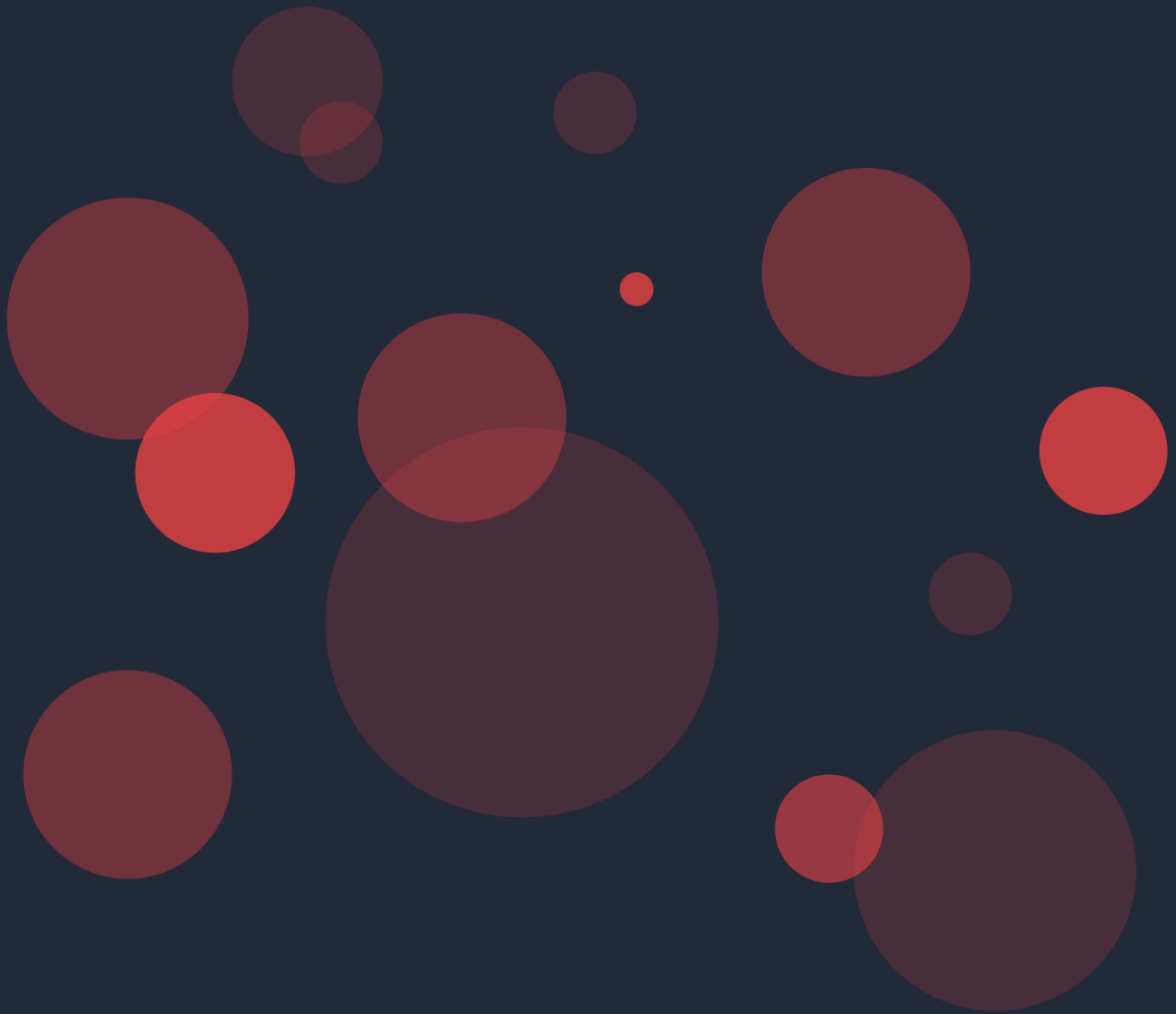


smartoptics



**ANNUAL
REPORT
2021**

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SMARTOPTICS

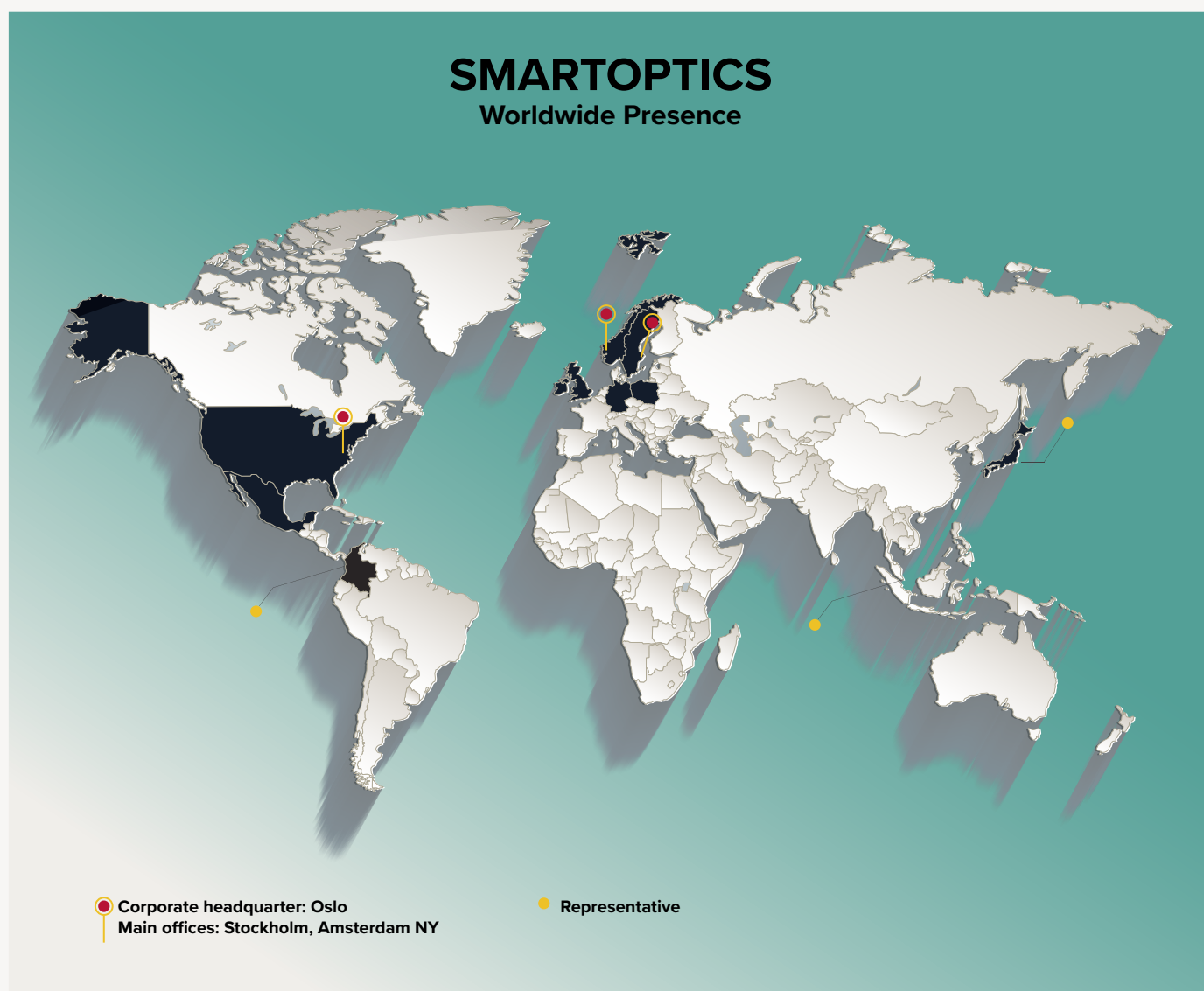
EXPANDING YOUR NETWORK HORIZONS

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.



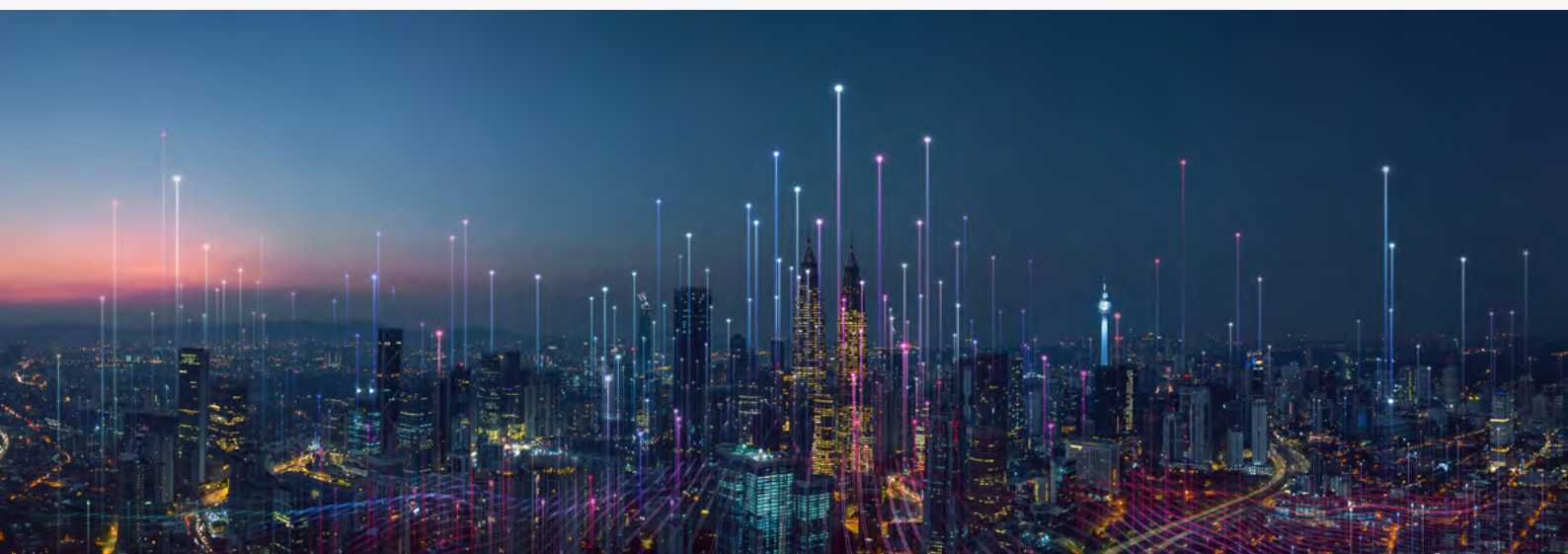
2021 IN BRIEF

HIGHLIGHTS

- Revenue of NOK 394 million (USD 45.9 million) and revenue growth in USD of 31.9%
- EBITDA margin of 13.6 % and EBIT margin of 10.1 %
- Release of new product family DCP-F and announcement of DCP-R product family
- Business with major US TowerCo ramped up during second half of year
- Growth in Communication Service Provider segment of 67% and Internet Content Provider of 54%
- Solutions business accounted for 58% of revenue, Services & Software 5% and Devices 37%

Amounts in thousands	2021 NOK	2020 NOK	Change	2021 USD	2020 USD	Change
Revenue	394 356	327 375	20.5 %	45 860	34 773	31.9 %
Gross Profit	168 473	124 513	35.3 %	19 592	13 226	48.1 %
Gross Margin	42.7 %	38.0 %	4.7 p.p	42.7 %	38.0 %	4.7 p.p
Operating cost	-114 764	-99 981	14.8 %	-13 346	-10 620	25.7 %
EBITDA	53 709	24 532	118.9 %	6 246	2 606	139.7 %
EBITDA margin	13.6 %	7.5 %	6.1 p.p	13.6 %	7.5 %	6.1 p.p
EBIT	39 657	15 116	162.3 %	4 612	1 606	187.2 %
EBIT margin	10.1 %	4.6 %	5.4 p.p	10.1 %	4.6 %	5.4 p.p
Net income	30 542	13 339	129.0 %	3 552	1 417	150.7 %
Basic earnings per share	0.326	0.148				

The 2020 USD amounts are translated with a USD/NOK rate of 9.4146 and the 2021 USD amounts are translated with a USD/NOK rate of 8.5991



MESSAGE FROM THE CEO

WE ARE ON ROUTE TOWARD OUR TARGET

2021 was very significant year for Smartoptics with several key milestones achieved. We were listed on Euronext Growth in Oslo on June 3rd and welcomed many new shareholders. The listing of Smartoptics provided a healthy capital injection into the company, which has been very helpful in our continued growth journey. 2021 is our fifth consecutive year with high growth and our CAGR over the period is 28% (when measured in USD) all organically.

The financial development of the company has been very positive. We grew the revenue substantially and posted above 10% EBITDA-margin every quarter of the year. In addition, we generated some NOK 11.7 million in operating cash flow during the year. Cash flow has been impacted by a increase in inventory.

EXECUTING ON OUR STRATEGY

Smartoptics is well under way to reaching our strategic objective to grow the company to become a recognized leader in Open optical Networking solutions. In 2021, we have received orders from- and delivered network solutions to larger customers than ever before, and we have established new partnerships with important stakeholders in our industry. The endorsement of our strategy from customers and partners is strong.

Disaggregation of the optical network means redefining which functions of the network, hardware and software, belongs in which layer of the network. This major trend allows Smartoptics to focus on products that solves many critical, but not all network problems. We have since several year put focus on our Open Line System product offering with associated Software and service products. The introduction of network equipment such as routers and switches with 400Gbit/s per port capabilities and new standardized 400G pluggable interfaces puts Open Line Systems in focus even more. This closer relationship between the IP layer and the optical layer is very attractive in all our target customer segments, as major operational and financial benefits are possible to achieve. Smartoptics products will be more and more relevant as this "IP over DWDM" concept becomes a standard deployment model in Access and Metropolitan Area Networks.

Our approach and position in the market are unique. Strong consolidation in the market over the past years



Magnus Grenfeldt, CEO Smartoptics Group AS

have resulted in market dominated by very large players. Larger system houses generally have their focus on the most complex areas of the networks, as well as the largest customers, such as leading hyperscale datacenter providers and tier-one network operators. Our focus is on innovation near the edge of the networks and the thousands of tier-twos and medium to small customers in our target segments, where competition also is more limited. We refer to these phenomena as "the gap". The gap becomes more and more obvious to us, as more and more customers choose to put their trust in us, Smartoptics strategy is about filling this gap.

GO TO MARKET

We have established and strengthened several partnerships, that will enable us to reach more customers over the coming years. These partnerships are mainly related to growing our addressable market and geography. We have also entered new partnerships that will complement our product offering and make us more relevant in particular for larger accounts.

The direct business of the company is however growing faster than the indirect business. This can be attributed to our success in the Communications Service Provider space, where many customers prefer a direct vendor relationship.

Our solutions, software and services business area grew by 38% compared to previous year, and now represent 63% of our revenue. This is the most profitable area of our business and will continue to be the growth engine going forward.

PRODUCT OFFERING

Through developing innovative solutions, software, and services, we broaden our addressable customer base year by year. Entering 2021, the majority of the revenue growth to date could be attributed to our offering of point-to-point networks used to interconnect datacenters in Enterprise, Cloud and Service provider networks. At the end of 2021, a new product family solving new types of network topologies and challenges (DCP-F) had been released, and yet another new product family extending our addressable market even further was announced and ordered from customers (DCP-R).

DCP-F is a very flexible Open Line System family that enables a multitude of applications, including backhaul networks for 5G and other broadband applications, in a very efficient way.

DCP-R, our third Open Line System family, allows our customers to build more advanced network topologies and architectures such as rings and mesh networks, and is particularly well suited in metro, metro-core and regional network applications. At the time of release of DCP-R, a new software suite, SoSmart, is released and will act as a network planning tool and controller of these more advanced networks.

More products were also added in the areas Layer 1 transport and optical devices, making the company more complete in our product offering.

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 at the end of 2021 compared to earlier.

SUPPLY CHAIN

Supply chain disturbances has been a reality for Smartoptics throughout the Covid-19 pandemic. In the second half of 2021, the global Semi-conductor shortage became a reality in our industry. Up to this point, disturbances were relatively manageable, while the impact of the Semi-conductor shortage was material, in particular in Q4. Long lead times, unpredictability and unreliable communications from suppliers forced us to delay planned shipments from Q4 2021 to 2022. This situation remained through Q4 and is likely to continue in 2022. Smartoptics have taken several actions to secure components throughout 2021, and despite the challenges and complexity, we managed to deliver results at the higher end of the guidance range for the year across all key metrics: revenue growth, gross margin, and EBITDA margin.

MARKET OUTLOOK

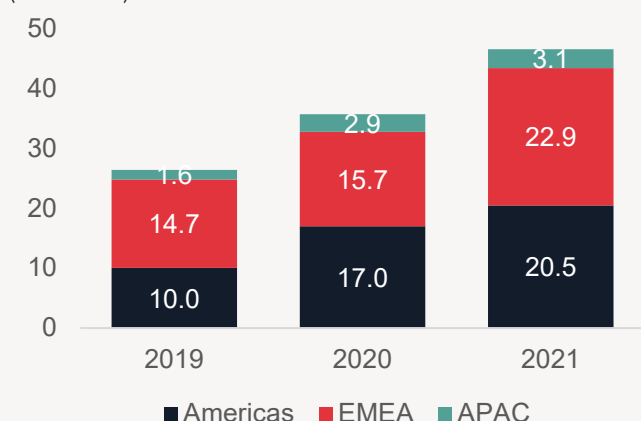
The ever-growing demand for bandwidth is continuing to fuel demand for our products.

I expect continued strong market trends for fiberoptic equipment to continue long-term, driven by the introduction of new bandwidth hungry applications such as 5G and a continuous increase of datacenter capacity around the world. 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

(USD million)



Smartoptics' core markets are Americas, EMEA and parts of APAC. All markets have grown steadily the last three years. Within EMEA, the strongest markets are Nordics, DACH (Germany, Austria and Switzerland), Benelux and UK & Ireland. Americas is predominantly USA.

The growth in EMEA and Americas is largely driven by successes with larger customers, as well as new sales partnerships. The overall success stems from successful product launches. Smartoptics' products has been very well received by customers.

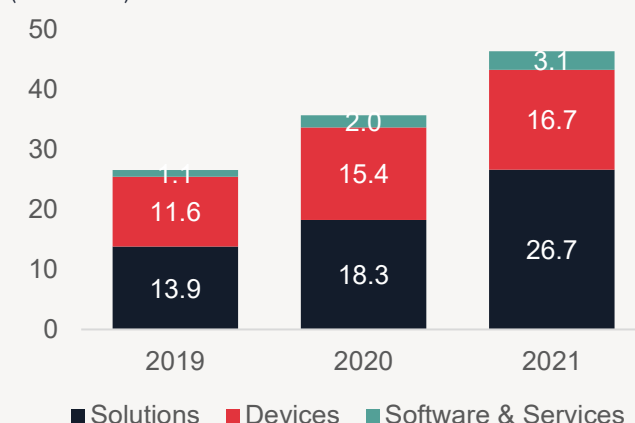
In Americas Smartoptics has managed to win business with a large tower company in 2021, resulting in orders for about USD 10 million during the year. The application is mobile backhaul for the roll-out of the 5G networks. The roll-outs of the 5G networks are expected to last several years.

In EMEA the success has been driven by several wins with smaller to medium size network and telecom operators, as well as continued strong base business with Enterprises.

Revenue is based upon "Revenue from contracts with customers".

REVENUE BY BUSINESS AREA

(USD million)



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-M family, DCP-F family, Transponders and Muxponders, as well as transceivers included in a complete customer project.

Solutions has grown, on average, by 39% per year between 2019 and 2021.

Software and Services are closely related to Solutions, as customers buy a complete solution including a service and software package. There is a recurring element in Services and Software through customers having quarterly or yearly service and software subscriptions and renewals.

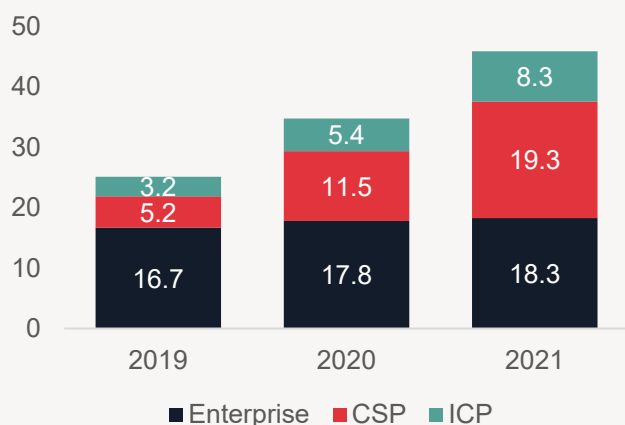
Software and Services has grown, on average, by 68% per year between 2019 and 2021, driven by product launches in solutions and change of business model splitting hardware and software.

Optical devices are transceivers, accessories sold independent of the DCP systems. Devices has grown, on average, by 20% per year, between 2019 and 2021.

Revenue split is an estimate, based upon product types.

REVENUE BY CUSTOMER TYPE

(USD million)



Smartoptics customers are divided into three segments:

- Communication Service Providers (CSP)
- Internet Content Providers (ICP)
- 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 average growth between 2019 and 2021 was 92% per year, demonstrating success with this strategy.

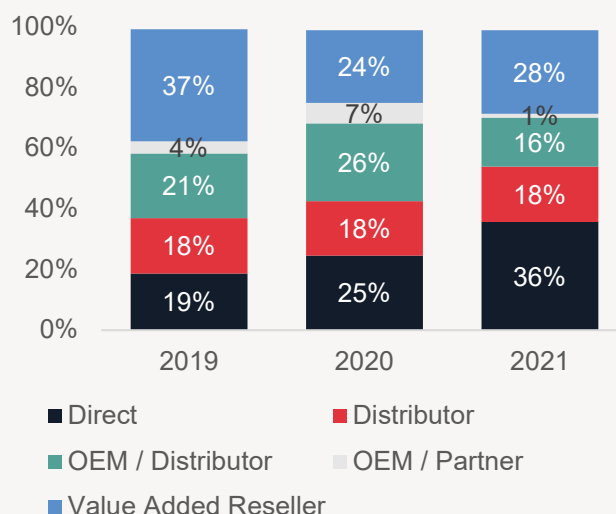
ICPs are Internet content, public cloud computing, or neutral co-location providers. This segment has also shown strong growth between 2019 and 2021, growing by 60% per year.

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 is not included. Typical customers are within Banking, Government, Utilities and Education.

The Enterprise segment has been growing with 5% per year and has provided a good base to build upon. Smartoptics has traditionally been focused on the Enterprise, while new products focus on the other two segments.

Revenue split is an estimate, by categorizing of Smartoptics' customers.

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, whic sometimes includes several products and several vendors, while at other times just Smartoptics products.

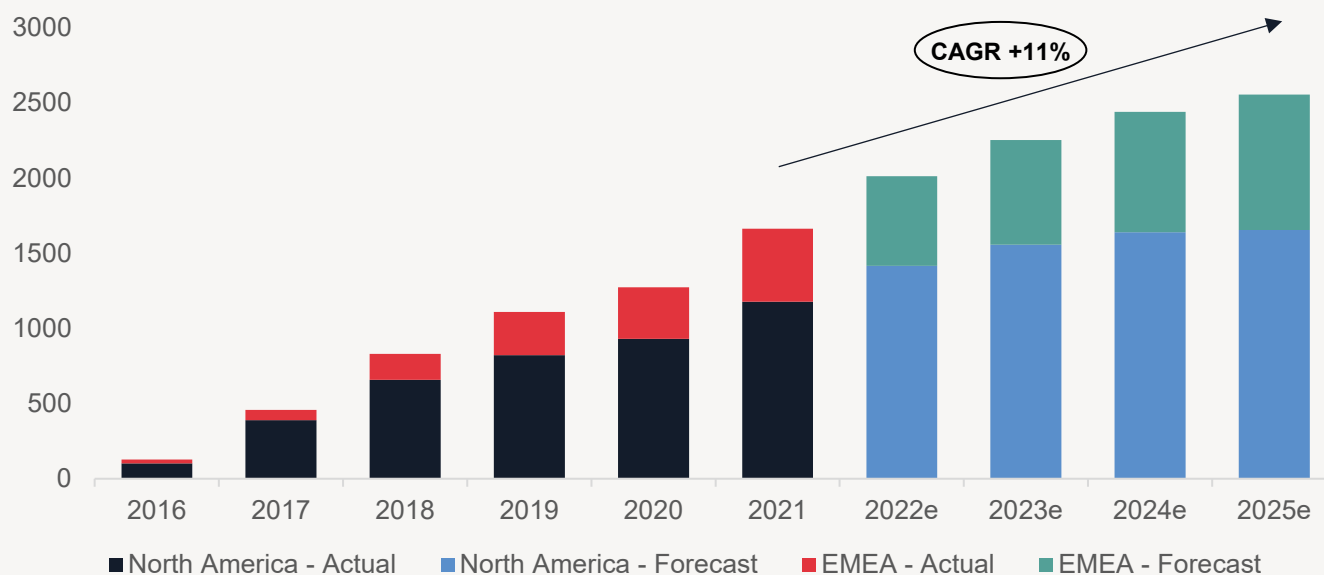
Distributors are similar to Value Added Resellers, but are usually larger and have a broader offering to a larger customer base. They are also less involved in the design of the solutions for the end customer.

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 of Smartoptics' customers.

MARKET DEVELOPMENT

(USD million)



The graph above illustrates the Compact Modular Market size for North America and EMEA. Data is collected from Signal.AI's report dated March 2022.

The Worldwide Optical Equipment market is worth about USD 15 billion and grows about 3% per year. The market can be divided into various subsegments – based on product type, customer type, application, and geography.

Smartoptics products are designed for Metro applications, meaning within a city or between two nearby cities. The products are designed for open and disaggregated networks. Open means that the products can interoperate with almost any other vendors products and function well in a mixed vendor eco system. Disaggregation means that not only one vendor delivers the total network solutions.

Smartoptics also addresses key applications in the networks, where Smartoptics are market leading both in functionality, performance and cost, which the essence of disaggregation, that vendors deliver a limited set of network functionalities, where they have the best solution. For the customer, the network solution comes together and yields higher performance at a lower cost point, as well as ability to continuously upgrade step by step.

The best representation of market is what is called the Compact Modular market. According to optical industry analyst Signal.AI, "Compact Modular Equipment" is designed specifically for use in open & disaggregated hardware applications"

The Compact Modular market is estimated to 2.3 billion in 2021, world-wide, whereof USD 1.7 billion in North America and EMEA. The market size is expected to increase to USD 3.8 billion in 2025, world-wide, whereof USD 2.6 billion in North American and EMEA.

The North American and EMEA annual market growth rate is expected to be 11% per year, between 2021 and 2025, creating a very healthy underlying environment for Smartoptics. Both underlying market growth and increase of market share is contributing to Smartoptics overall revenue growth.

The forecast from Signal.AI is dated March, 2022.

CUSTOMERS

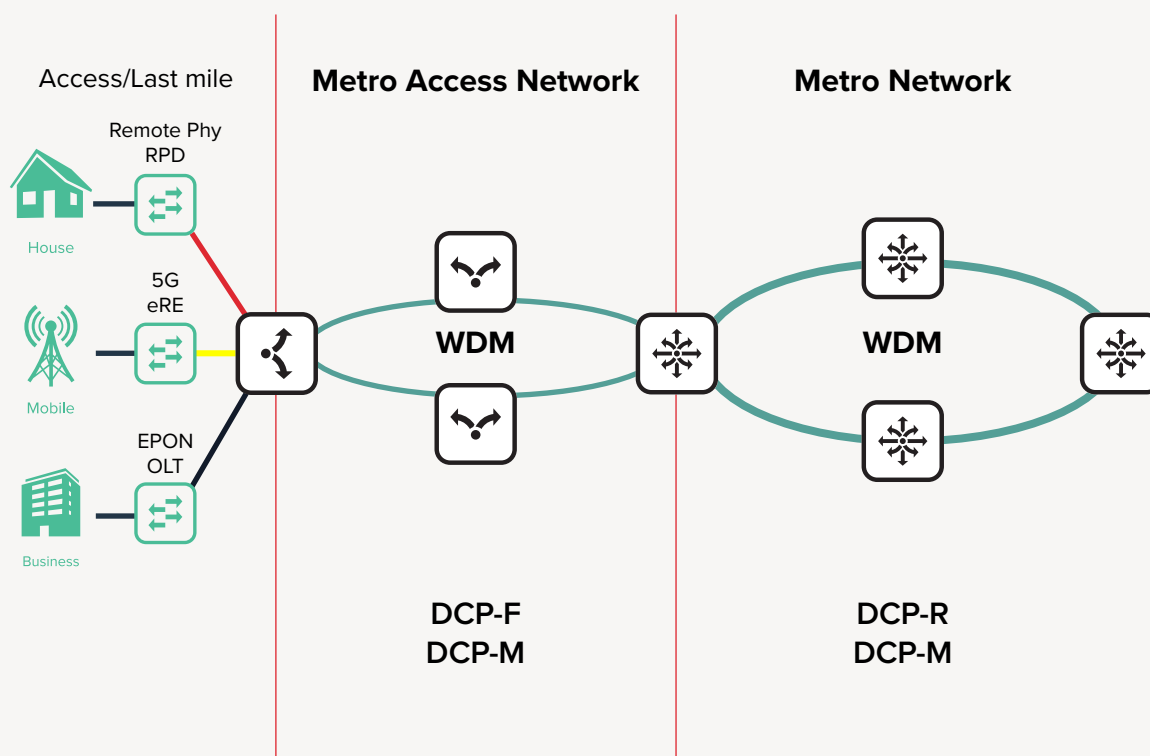
OVERVIEW CUSTOMER TYPE

CUSTOMERS

Smartoptics' products and solutions are, used by a wide variety of customers in different segments. Key customer segments include Internet Content Providers, Enterprise Data Center Interconnect and Communication Service Providers and examples of application areas in the various segments are shown in the figure below.

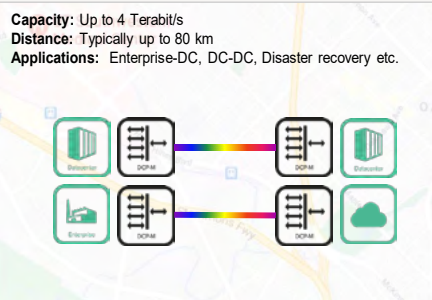
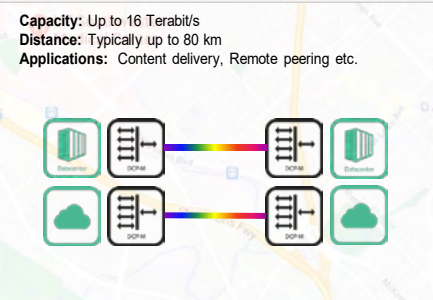
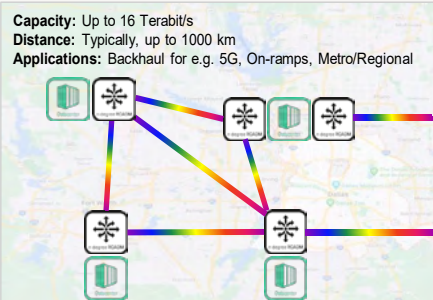
Enterprises and Government entities use Smartoptics' products to boost the bandwidth transported over optical fibers when interconnecting data centers. Using the technology offered by Smartoptics they can transport up to

16 Tbit/s over one fiber pair, and mix and match Ethernet traffic with e.g. storage specific protocols like FiberChannel. 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.



The ever-growing demand for bandwidth creates a need for Internet Content Providers to deliver bandwidth at a very attractive cost per bit when interconnecting their data centers. A preferred way of achieving this is to deploy IP over DWDM solutions, hence removing transponders and decreasing cost in the transport layer. Smartoptics innovative and fully open DCP platform not only allows these deployment but, the platforms software automation is design to simplify IP over DWDM deployments.

Communication service providers use Smartoptics product to build cost efficient dedicated networks for their needs to connect major points of presence in metropolitan areas and to build backhaul networks for e.g. 5G and broadband roll outs. By the addition of several new products in the DCP-F and DCP-R family, the scope of the CSP offering is dramatically enhanced

Enterprise Data Center Interconnect	Internet Content Providers (ICPs)	Communication Service Providers (CSPs)
<p>Capacity: Up to 4 Terabit/s</p> <p>Distance: Typically up to 80 km</p> <p>Applications: Enterprise-DC, DC-DC, Disaster recovery etc.</p> 	<p>Capacity: Up to 16 Terabit/s</p> <p>Distance: Typically up to 80 km</p> <p>Applications: Content delivery, Remote peering etc.</p> 	<p>Capacity: Up to 16 Terabit/s</p> <p>Distance: Typically, up to 1000 km</p> <p>Applications: Backhaul for e.g. 5G, On-ramps, Metro/Regional</p> 
<ul style="list-style-type: none">• Unique & certified solution for storage networks• Lowest cost N x 100Gbit/s Transport• Unprecedented ease of use and automation	<ul style="list-style-type: none">• Lowest cost N x 100Gbit/s Transport• Future proof. Ready for N x 400Gbit/s• Data center-style products and APIs	<ul style="list-style-type: none">• Unique innovation at the edge of network• Truly open optical layer for all applications• Modern SW allowing simplified roll out



PRODUCTS

OVERVIEW PORTFOLIO

DISAGGREGATED NETWORKS AND OPEN LINE SYSTEMS

Until recently, all optical networks were built using dedicated, monolithic, optical transport systems originating from the telco world. However, an open architectural approach is increasingly being applied to optical networking, using embedded WDM, i.e. pluggable optics in standard switches, in combination with open, optical 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 standardized 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.

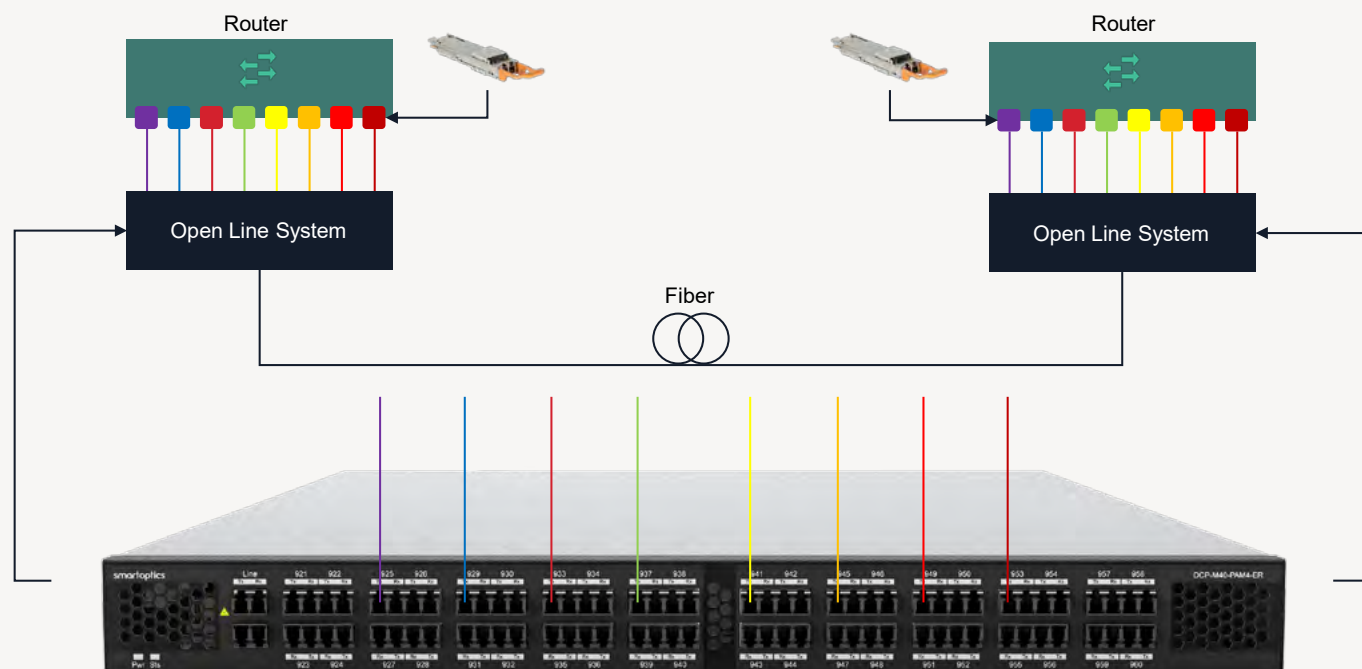


Figure 1. The Open Optical Networking Model

Open Line Systems are of interest both to enterprises for e.g. data center interconnect (DCI) applications and to more traditional telecom operators for metro access 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.

PRODUCTS

Smartoptics product portfolio is divided into Optical Systems and Optical Devices.

The Optical Systems portfolio consists of the Dynamic Connectivity Platform (DCP).

The DCP platform uses an open architecture the functionality of once monolithic optical transport systems can be disaggregated, using embedded transceivers, open line systems and SDN control, resulting in a much better price/performance. Smartoptics has therefore developed the Dynamic Connectivity Platform (DCP) for active open line systems of all types, may they be simple point-to-point links or advanced, ROADM-based, ring and mesh networks. To fit all the varying needs of an open line system, the DCP

platform comes in three flavors – the DCP-M, the DCP-R and the DCP-F families – each optimized for a particular type of optical network.

THE DCP 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 the Dynamic Connectivity Platform (DCP) as a multipurpose basis, supporting the optical networking needs of both enterprises and operators.

The DCP platform comes in 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 (embedded) or controlled by use of either a command line interface or the REST/NetConf protocols, interfacing with standard SDN architectures as defined by the Open ROADM MSA.

Open Line Systems are of interest both to enterprises for e.g. data center interconnect (DCI) applications and to more traditional telecom operators for metro access and metro/ regional networks.

With an open architecture the functionality of once monolithic optical transport systems can be disaggregated,

using embedded transceivers, open line systems and SDN control, resulting in a much better price/ performance.

The DCP products belong to three separate but closely related families, each optimized for a given network and customer situation:

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 ROADM-based network topology 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 and be 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.



Figure 2. 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)

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 Soft-

ware Suite for open network management includes the following building blocks:

The 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).

PRODUCTS

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

The SoSmart Planner – An optical planning and simulation tool with the same GUI as the SoSmart Manager and using the open-source module GNPpy 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 API:s, 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 NetConf, and the SoSmart Software Suite can be extended to also control other optical network elements with relevant open API:s.

OPTICAL DEVICES

Smartoptics offers a comprehensive portfolio of Optical Devices, consisting of optical transceivers supporting spe-

eds up to 400G. the portfolio focuses on delivering high end transceivers used in many applications. Examples of host interfaces for the transceiver's routers, switches and base stations. In addition to the transceivers Smartoptics offers a complete portfolio of passive WDM filters, where applications span from data center interconnect to pure access network deployment for operators.

Through the Optical Device 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 costs and creating better scalability for network owners.

SERVICES

Services consists of product related software and technical support services. Example of services that smartoptics offers are; Complete care, advanced product replacement and extended warranty.



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, 2021



HARALD K. BERG
BOARD MEMBER

BORN
1967

BOARD MEMBER SINCE
2013

OTHER CURRENT ASSIGNMENTS

Chairman of the Board of K-Spar Industrier AS, Chairman of the Board of Villa Biermann AS, Chairman of the Board and Managing Director of Fountain Ventures AS, Member of Strategic Advisory Board of Commaxx Group

EDUCATION

MBA in Finance from Université de Fribourg in Switzerland

HOLDINGS IN SMARTOPTICS GROUP

17 871 773 shares, as of December 31, 2021



KARL THEDEÉN
BOARD MEMBER

BORN
1963

BOARD MEMBER SINCE
2019

OTHER CURRENT ASSIGNMENTS

CEO of Outpost24 AB, Board member of Semcon AB

EDUCATION

MSc. in Systems Engineering from the Royal Institute of Technology

HOLDINGS IN SMARTOPTICS GROUP

463 078 shares, as of December 31, 2021

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, 2021



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, 2021

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, 2021



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

2021

HOLDINGS IN SMARTOPTICS GROUP

No holdings as of December 31, 2021



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, 2021

BOARD OF DIRECTORS REPORT

SMARTOPTICS GROUP OVERVIEW

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 group has three main product categories.

Optical 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.

Optical 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 stations. 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.

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

LOCATIONS

The employees of the group are in Norway, Sweden, United Kingdom, Germany, Poland and the United States. The company operates from Ryensvingen 7, 0680 Oslo.

Finance and logistics are located in Oslo (Smartoptics AS), while company management, product development of solutions business and solutions systems production are located in Kista, Sweden (Smartoptics Sverige AB). Outside the Nordics the employees primarily work with sales and technical sales support.

FINANCIAL REVIEW

FINANCIAL RESULTS OF 2021

The Smartoptics Group's revenues amounted to NOK 394 million in 2021, an increase of 20.5% from 2020. The revenue growth was all organic. The revenue growth is driven by success within Solutions and Software & Services business. The Solutions business grew by 33.7% and Software and Services grew by 103.3%. Behind the success are significant customer wins throughout Europe and in North America.

Gross profit was NOK 168.5 million, resulting in a gross margin of 42.7 %. The gross margin improved by 4.7 %-points compared to 2020. The improvement is a result of business mix shift toward higher share of Solutions and Software & Services.

Operating costs amounted NOK 114.8 million. The operating costs have increased as a result of a growing organization. Smartoptics Group had 75 employees at year end 2021. About 82% of the operating costs are related to employees and consultants.

EBITDA was NOK 53.7 million and EBITDA-margin 13.6%.

The increase in EBITDA is driven by revenue growth and increasing gross margin, while at the same time growing the operating costs slightly slower.

Depreciation and Amortization was NOK 14.1 million. Amortization is related to capitalization of employee costs within key projects in research and development. The capitalized amount for the year is NOK 2.9 million. Depreciation is primarily related to production equipment, lab instruments used for development and office equipment.

EBIT was NOK 39.7 million and EBIT-margin 10.1%.

Net financial items were NOK -2.6 million, of which interest payments accounted for NOK -1.4 million and net translation differences NOK -1.3 million.

Net income was NOK 30.5 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 24.5 million.

FINANCIAL POSITION AND CASH FLOW

Total non-current assets amounted to NOK 69.2 million at the end for 2021. This mainly consists of capitalized research and development costs (NOK 8.0 million) as well as deferred tax asset (NOK 28.7 million).

Total current assets amounted to NOK 270.0 million at the end of 2021. Current assets consist predominantly of inventory, trade receivables and cash. Cash position was NOK 82.7 million, up from NOK 39.7 million same time 2020.

The group had total equity of NOK 204.2 million, corresponding to an equity ratio of 60.2% and the end of the year. The increase in equity ratio is an effect of the new equity raised in conjunction with the listing on Euronext Growth on June 3rd 2021 as well as continued profitability.

Total liabilities amounted to NOK 135 million at the end of the year. Current liabilities was NOK 90.0 million and non-current liabilities was NOK 45.1 million. The group had NOK 17.5 million in interest bearing debt. Current liabilities consist of mainly trade payables (NOK 54.8 million) and deferred revenue (NOK 12.1 million). Trade payables increases a function of 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 NOK 11.7 million. This EBITDA of NOK 53.7 million contributed positively, while increasing working capital contributed negatively. Wor-

king capital is defined as trade receivables plus inventory, less trade receivables and deferred revenue. Working capital grew by 129.3 % 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 operate 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 the customers. However, during the past years Smartoptics has significantly improved its competitive position.

GEOPOLITICAL RISK

The war in Ukraine has 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 American and in Asia. Rising tension between major powers in the world could negatively impact these global supply chains.

COVID-19

Smartoptics has had limited impact from Covid-19 during 2021. During 2020 the ordering pattern and the supply chain did show notable effects from lock-downs. Early in 2021 some of the effects from 2020 created a slightly changed business pattern, creating a stronger business momentum. During 2021 most of the direct effects from Covid-19 have eased off, while secondary effects like shortage of components have arisen.

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 NOK 82.7 million in cash at the end of the year. In addition, the group has an undrawn credit facility of NOK 26 million.

INTEREST RATE RISK

Long-term borrowings amounted to NOK 17.5 million per year end 2021. There are two loans with Innovasjon Nor-

ge. These are dominated in NOK. These loans will be fully amortized in 2026. The group has no other interest-bearing debts.

EXCHANGE RATE RISK

Smartoptics operate on a global basis, with a majority of the customers 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, EUR and GBP. Currency fluctuations will have an impact on profitability, through increasing or decreasing operating costs.

SEMICONDUCTOR SUPPLY SHORTAGE

Smartoptics sources components to manufacture of its product on the open market. Component demands are driven by forecasts and upon receipt of customer's purchase orders. Assembly of the electronical components and circuit boards is done by Smartoptics manufacturing partners. The products in the Optical Systems category are assembled and tested in Sweden before shipped to customers globally.

During 2021, the semiconductor market experienced a significant shortage, known as the semiconductor shortage. Increased demands in consumer goods, vehicles and a global economic recovery have triggered an unprecedented supply shortfall across semiconductor commodities.

Smartoptics has spent considerable resources and put an array of measures in place to mitigate the impact of the semiconductor shortage, nevertheless the revenue during 2021 was impacted as parts of the backlog was moved into 2022. It is difficult to predict when the situation will be normalized, but a common assumption is that the shortage is expected to last throughout 2022.

Smartoptics is monitoring the situation very closely and is continuously taking actions as the semiconductor shortage unfolds.

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 75 full-time employees and the parent company has 2 employees. Of the 75 full-time employees in the group 16 were women and 59 were men. For the parent company both employees are men. The board of directors consists of three persons, all male. 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

OUR CODE OF CONDUCT

Smartoptics' stakeholders have high expectations of how we behave as a business and how our employees behave when representing the company. These stakeholders include our owners, employees, customers and our suppliers. This is our Code Of Conduct. It is important because it provides clear instructions about what we can and can't do, and also sets the expectations on what external stakeholders can expect from us in terms of how we conduct our business. The Code of Conduct shall be applied throughout the company's operations, including in the management, development, production, supply, sales and support of Smartoptics' solutions, products, and services worldwide.

The Code Of Conduct is a starting point for our journey to become a recognized role model for companies in our business and of our size. Taking Corporate Social Responsibility seriously shouldn't be a luxury that only large companies can afford.

GUIDING PRINCIPLES

Smartoptics Code of Conduct is based on the UN Global Compact framework and specifically its ten guiding principles. Smartoptics has not negotiated a Collective Bargain Agreement with any union, however employees at the two main sites enjoy benefits very similar to what is normally included in such agreements.

HUMAN RIGHTS

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.

LABOUR

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

10. Businesses should work against corruption in all its forms, including extortion and bribery.

LABOR STANDARDS

Smartoptics offers a fair and equal opportunity working environment. Working hours, wages and benefits are all according to Environment acts or better.

CHILD LABOR AVOIDANCE

No person shall be employed who is below the minimum legal age for employment.

ELIMINATION OF DISCRIMINATION

All employees shall be treated with respect and dignity. All kinds of discrimination based on partiality or prejudice is prohibited, such as 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. Employees with the same qualifications, experience and performance shall receive equal pay for equal work with respect to those performing the same jobs under similar working conditions.

Physical or verbal abuse, bullying or other unlawful harassment and any threats or other forms of intimidation shall be prohibited.

FAIR EMPLOYMENT CONDITIONS

Employees shall understand their employment conditions.

All employees must be provided with a written document that outlines the basic terms and conditions of employment in a language understandable to them. Pay and terms shall be fair and reasonable, and comply at a minimum with applicable laws or industry standards, whichever is higher. Working hours shall comply with applicable laws. Vacation is regulated by respective local vacation acts.

FAIR, SAFE AND HEALTHY WORKING CONDITIONS

The health and safety of our employees will be prioritized. We will have HSE-rounds with the dedicated safety representative. HSE-rounds include emergency plans, control of fire equipment, work environment – both physical and psychosomatic – etc. to ensure a healthy and safe work environment. Necessary steps will be taken accordingly to findings during HSR-rounds.

We shall provide support to employees to maintain a balance between work and personal life.

MANAGEMENT SYSTEM

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

ETHICS

Smartoptics has a zero-tolerance policy towards any form of corruption and financial irregularity, for example bribery, kickbacks, facilitation payments, fraud, embezzlement, and money laundering.

BRIBES AND KICKBACKS

No employee of Smartoptics may demand, accept and/or offer to give to any representative of a business partner or third party, any kind of bribe, kickback or any other unlawful or unethical benefit.

GIFTS AND ENTERTAINMENT

Gifts and entertainment given or offered to a third party in the course of employment shall be modest, appropriate and business related, comply with applicable laws and conform to the recipient's organization's policies or rules and be fully disclosed and transparent. Cash or cash equivalents may never be offered, accepted or requested.

PUBLIC OFFICIALS

Stricter rules apply when we interact with government entities and their employees or representatives. Normally nothing of value should be promised, offered, or provided to a public official, either directly or indirectly.

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.

CONFLICT MINERALS

Smartoptics does not produce products containing minerals from the Democratic Republic of Congo or other conflict areas.

OUR CODE OF CONDUCT CONT.

Employees or business partners may report suspected violations of the law or of this Code of Conduct to the CEO of Smartoptics.

A whistle blower function is available. Einar Caspersen (attorney at law, Schjødt Oslo and member of the board of directors at Smartoptics) may be contacted for this purpose.

OUR QUALITY POLICY

Our Quality policy represents our overall direction and philosophy related to quality.

Through this policy we express what is truly important to the organization's success. The policy is supported by quality objectives and KPIs to monitor and guide us in achieving them.

We shall exceed our customer's expectations through:

- Delivering high quality products
- Higher CSR standards than comparable companies
- Supporting our customers better than competition

ENVIRONMENTAL POLICY

- We develop our products with the objective to minimize their environmental impact in their lifetime.
- We follow the European Union's WEEE-regulation, regarding destruction and disposal of our products.
- In the process of procuring materials and technology for our business, we always strive to select the ones that have the lowest environmental impact.
- Customers and partners are provided advice on handling, transport, storage and disposal of our products in the most environmentally-friendly way.
- We communicate our environmental policy and information about environmental issues to all our employees.

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.

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 5 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 24.5 million in the parent company to other equity.

OUTLOOK

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

THE SMARTOPTICS SHARE INDEXED DEVELOPMENT



At the end of 2021 Smartoptics Group AS had 96 286 593 shares issued. The company also has 2 084 061 share warrants outstanding. The company was listed on Euronext Growth on June 3rd 2021, having the ticker SMOP. The listing price of the shares was 10.38 NOK and the closing price on December 30th was 10.498 NOK.

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 Dec 30th 2021 was 10.498 NOK.

The Smartoptics share is a part of Euronext Growth Allshare index. This index declined by 4.2% during the period June 3rd - December 30th, while the Smartoptics share during the same period increased by 1.1%.

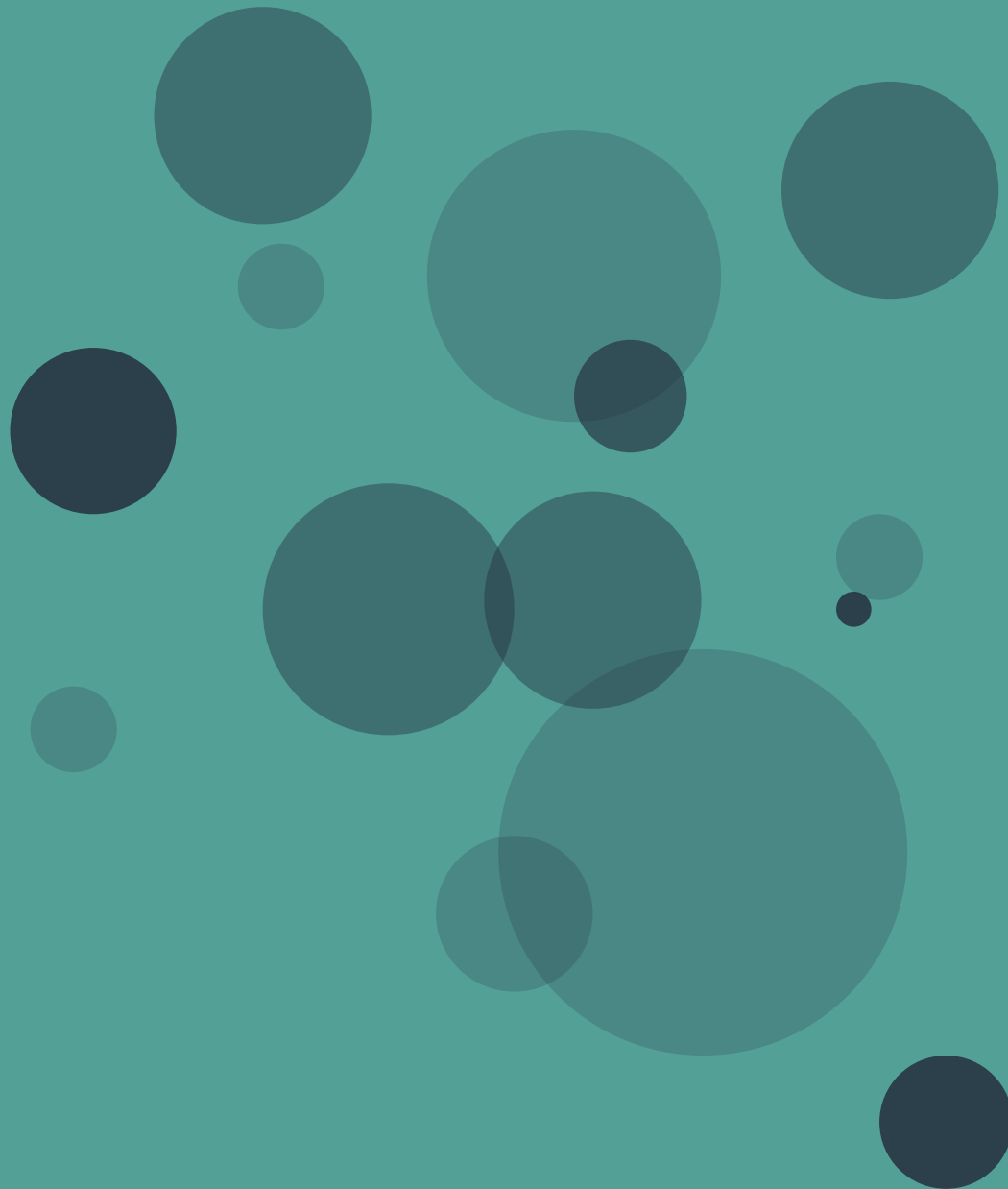
25 April 2022
Oslo, Norway

Thomas Ramm
Chairman of the Board

Harald Kristofer Berg
Board member

Karl Thedéen
Board member

Magnus Grenfeldt
Chief Executive Officer



FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

Consolidated statement of profit or loss		2021	2020
Amounts in NOK 1.000	Notes		
Revenue from contracts with customers	3	393 940	325 916
Other operating income	3	416	1 459
Total revenue and other operating income		394 356	327 375
Direct cost of sales		-225 883	-202 862
Employee benefit expenses	4	-94 347	-73 135
Other operating expenses	5	-20 418	-26 846
Total operating expenses		-340 647	-302 843
Amortization of intangible assets	9	-3 497	-2 861
Depreciation	10, 11	-10 555	-6 555
Total depreciation and amortization		-14 052	-9 416
Operating profit/(loss)		39 657	15 116
Financial income	6	156	389
Financial expenses	6	-1 431	-1 662
Net foreign exchange gains (losses)	6	-1 275	-353
Net financial items		-2 550	-1 627
Profit/(loss) before income tax		37 107	13 490
Income tax	7	-6 565	-151
Profit/(loss) for the year		30 542	13 339

Earnings per share in NOK			
Basic earnings per share	8	0.326	0.148
Diluted earnings per share	8	0.326	0.148

Consolidated statement of comprehensive income			
Profit/(loss) for the year		30 542	13 339
Other comprehensive income		0	0
Exchange differences on translation of foreign operations		562	474
Total comprehensive income for the year		31 104	13 813
Total comprehensive income is attributable to:			
Owners of Smartoptics Group AS		31 104	13 813

Consolidated statement of financial position		31/12/2021	31/12/2020	01/01/2020
Amounts in NOK 1.000	Notes			
Assets				
Non-current assets				
Intangible assets	9	7 976	8 228	9 008
Property, plant and equipment	10	12 272	6 665	4 861
Right-of-use assets	11	20 294	4 077	6 839
Non-current receivables against related party	18	0	414	524
Deferred tax assets	7	28 698	35 236	34 869
Total non-current assets		69 240	54 620	56 101
Current assets				
Inventories	22	106 675	69 517	40 868
Trade receivable	14	68 899	52 369	41 823
Receivable to related party	18	0	3 877	3 707
Other current assets	13	11 742	8 816	11 131
Cash and cash equivalents	15	82 725	39 688	18 427
Total current assets		270 041	174 268	115 955
Total assets		339 281	228 888	172 056
Equity and liabilities				
Equity				
Share capital	16	1 926	1 804	1 794
Share premium	16	126 177	37 180	35 690
Other paid in capital	8	1 501	0	1 500
Foreign currency translation reserves		1 131	569	95
Retained earnings		73 438	61 796	48 457
Total equity		204 171	101 348	87 536
Non-current liabilities				
Lease liabilities (non-current portion)	11, 17	13 726	1 431	3 479
Contract liabilities (non-current portion)	3	13 878	11 188	6 366
Other non-current liabilities	17	15 208	19 167	10 000
Total non-current liabilities		42 812	31 785	19 845
Current liabilities				
Lease liabilities (current portion)	11, 17	6 894	2 721	3 360
Trade payable	19	54 814	34 480	20 090
Contract liabilities (current portion)	3	12 166	8 360	4 978
Current tax liabilities	7, 19	519	1 598	1 359
Other current liabilities	17, 19	17 905	48 596	34 889
Total current liabilities		92 298	95 755	64 675
Total liabilities		135 110	127 540	84 520
Total equity and liabilities		339 281	228 888	172 056



25 April 2022
Oslo, Norway

Thomas Ramm
Chairman of the Board

Harald Kristofer Berg
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 difference reserves	Retained earnings	Total equity
Amounts in NOK 1,000							
Equity at 1 January 2020	21	1 794	35 690	1 500	95	48 457	87 536
Profit/loss for the year						13 339	13 339
Currency translation differences					473		473
Total comprehensive income/loss for the year					473	13 339	13 812
Issuance of shares	16	9	1 491	-1 500			0
Equity at 31 December 2020		1 804	37 180	0	569	61 796	101 348
Profit/loss for the year						30 542	30 542
Currency translation differences					562		562
Total comprehensive income/loss for the year					562	30 542	31 104
Issuance of shares	16	122	99 570				99 692
Issuance of share warrants	4, 8			1 501			1 501
Transaction costs on equity issues	16		-10 574				-10 574
Dividend	16					-18 900	-18 900
Equity at 31 December 2021		1 926	126 177	1 501	1 131	73 438	204 171



Consolidated cash flow statement		2021	2020
Amounts in NOK 1.000		Notes	
Cash flows from operating activities			
Profit/(loss) before income tax		37 107	13 490
Adjustments for:			
Taxes paid	7	0	-239
Depreciation and amortization	9, 10	14 052	9 416
Net interest	6	1 275	217
Change in inventory	23	-37 157	-28 650
Change in trade receivable	14	-16 530	-10 546
Change in contract liabilities (deferred revenue)	3	6 496	8 204
Change in trade payable	13	20 334	14 390
Change in other current assets and other liabilities	19	-14 041	8 302
Interest received	6	156	0
Net cash inflow from operating activities		11 692	14 582
Cash flows from investing activities			
Payment for property, plant and equipment	10	-10 027	-4 301
Payment for development cost	9	-2 929	-2 243
Other investing activities		414	0
Net cash (outflow) from investing activities		-12 542	-6 545
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares	16	89 118	0
Net proceeds from issuance of warrants	16	1 501	0
Dividend paid out	16	-18 900	0
Downpayment of credit facility	17	-18 567	7 769
Proceeds from new borrowings	17	0	10 111
Repayment of borrowing	17	-1 667	-833
Paid interest on borrowing	17	-698	0
Repayments of lease liabilities	17	-6 934	-3 823
Net cash inflow from financing activities		43 853	13 223
Net increase/(decrease) in cash and cash equivalents		43 003	21 261
Cash and cash equivalents as of 1 January		39 688	18 427
Effects of exchange rate changes on cash and cash equivalents		35	0
Cash and cash equivalents as of 31 December		82 725	39 688

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 Ryensvingen 7, 0680 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 25th April 2022. The Group has implemented IFRS per 1 January 2020, as further described in note 21.

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 2021.

The consolidated financial statements are presented in Norwegian Kroner (NOK), 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 NOK. The functional currency of the parent company is NOK.

For consolidation purposes all subsidiaries with a different currency than the parent company is translated into NOK at 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.

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 po-

licies 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.

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.

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:

REVENUE RECOGNITION

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.

Revenue from the sale of products is recognized when control of the goods is transferred to the customer at an amount which Smartoptics expects to receive in exchange of the goods. The time of delivery, and the time where control of goods is transferred, is when the goods are transferred to the transport carrier. Revenue from services is recognized as the services are delivered.

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.

DEFERRED TAX ASSET

Management assesses at each reporting date if future taxable profit is probable to justify the accounting of deferred tax asset. In making this assessment management make judgement about future taxable income.

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 can be 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.

The group is selling software and service contracts with a contract period from 1 to 6 years. If the contracts are invoiced prior to the contract period, the revenue is booked in the balance and recognized according to the contract period.

INFORMATION ABOUT MAJOR CUSTOMERS

One of the Group's customers represents 16% of the total revenues for 2021. In comparison, the same customer represented 32% of the total revenue in 2020.

Revenue information	2021	2020
Amounts in NOK 1.000		
Solutions	230 047	172 033
Devices	143 960	145 335
Services	20 348	10 007
Total revenue from contracts with customers	394 355	327 375

Timing of revenue recognition	2021	2020
Amounts in NOK 1.000		
Goods transferred at a point in time	381 380	319 783
Services transferred over time	12 974	7 592
Total revenue from contracts with customers	394 356	327 375

Geographic split of revenues	2021	2020
Amounts in NOK 1.000		
EMEA	194 499	144 388
Americas	173 356	156 008
APAC	26 502	26 979
Total revenue from contracts with customers	394 356	327 375

Contract assets and contract liabilities	2021	2020
Amounts in NOK 1.000		
Contract assets	0	0
Contract liabilities (deferred revenue) - current	12 166	8 360
Contract liabilities (deferred revenue) - non-current	13 878	11 188
Total	26 044	19 547
Contract liabilities at 1 January	19 547	11 344
New contract liabilities	19 150	16 240
Revenue recognized in current year	-12 974	-7 592
Exchange differences	321	-444
Contract liabilities at 31 December	26 044	19 547

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	2021	2020
Amounts in NOK 1.000		
Wages and salaries	70 167	53 031
Social security tax	13 742	10 579
Pension costs	6 763	5 842
Other benefits	3 675	3 683
Total	94 347	73 135
Number of employees	75	66

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	2021				2020			
	Wages	Pension	Bonus	Other benefits	Wages	Pension	Bonus	Other benefits
CEO - Magnus Grenfeldt	2 052	474	1 298	64	1 953	527	1 023	77
CFO - Mikael Haag	1 402	298	463	0	1 349	429	258	0
CTO - Kent Lidström	1 148	230	511	62	1 056	354	305	52
COO - Peter Puranen*	1 026	189	240	0	967	187	235	0
COO - Carina Osmund**	55	0	0	0	0	0	0	0
CMO - Per Burman	1 170	224	359	0	475	223	352	0
Total management compensation	6 852	1 416	2 871	127	5 801	1 721	2 173	129

Board of Directors	Director fee 2021	Director fee 2020
Karl Thedeen	190	175

*Until December 2021

**From December 2021

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 2020 was SEK 500,000 and IPO bonus was SEK 800,000. The other key manage-

ment received a bonus related to 2020 of SEK 400,000 and IPO bonus of SEK 1,176,000. Bonus for 2021 to the CEO was SEK 700,000 and to other key management SEK 1,538,000 and was paid out during Q1 2022.

NOTE 5 - OPERATIONAL EXPENDITURE

Other operating expenses consists of the following	2021	2020
Amounts in NOK 1.000		
Facilities	1 508	1 415
Travel expenses	1 404	317
Marketing and representation	4 463	7 485
Other R&D and certification cost	4 177	5 339
Other operating expenses	8 865	12 290
Total other operating expenses	20 418	26 846

Specification of auditors' fees	2021	2020
Amounts in NOK 1.000		
Statutory audit	1 469	396
Other assurance services	0	0
Other non-assurance services	273	66
Tax advisory services	22	0
Total	1 764	462

NOTE 6 - FINANCIAL ITEMS

Financial income and expenses	2021	2020
Amounts in NOK 1.000		
Interest income from bank deposits	156	384
Interest income from related parties	0	0
Other financial income	0	5
Financial income	156	389
Interest expense on borrowings	331	1 446
Interest expense from related parties	0	0
Net loss on foreign exchange	1 275	353
Interest on lease liabilities	733	217
Other financial expenses	367	0
Financial expenses	2 706	2 016
Net financial items	-2 550	-1 627

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	2021	2020
Income tax payable	263	345
Change in deferred tax	6 303	-194
Total income tax expense	6 566	151
Specification of deferred tax balances	2021	2020
Temporary differences		
Property, plant and equipment	-3 896	-5 304
Inventory	-952	-2 373
Deferred revenue	-17 800	-12 984
Profit & loss account	793	992
Net temporary differences	-21 854	-19 669
Tax losses carried forward	-108 590	-141 301
Non-recognized deferred tax assets	0	414
Basis for calculating deferred tax assets	-130 444	-160 556
Carrying value deferred tax assets	28 697	35 236
Reconciliation of effective tax rate:	2021	2020
Net income/(loss) before tax	30 542	13 563
Expected income tax assessed at the tax rate for the Parent company 22 %	9 116	2 391
Difference in tax rate for foreign profit	59	-2
Adjusted for the tax effect of the following items:		
Permanent differences	-2 196	-254
Other	-414	-1 985
Income tax expense (income)	6 565	151
Effective tax rate	21.5%	1.1%

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	2021	2020
Basic earnings per share	0.326	0.148
Diluted earnings per share	0.326	0.148
Profit/(loss) for the year:		
used for calculating basic earnings per share	30 542 285	13 338 592
used for calculating diluted earnings per share	30 542 285	13 338 592
Weighted average number of shares used as the denominator in calculating basic earnings per share	93 743 910	90 184 154
Weighted average number of shares outstanding for diluted earnings per share*)	93 743 910	90 184 154
*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.

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 project totalling NOK 2.5 million.

Intangible assets		
Amounts in NOK 1,000	Product development	Total
Cost		
Cost at 1 January 2020	15 240	15 240
Additions	2 243	2 243
Disposals	0	0
Cost at 31 December 2020	17 483	17 483
Additions	2 929	2 929
Disposals	0	0
Cost at 31 December 2021	20 412	20 412
Amortization and impairment		
Accumulated at 1 January 2020	5 891	5 891
Disposals	0	0
Amortization for the year	3 048	3 048
Impairment	0	0
Accumulated at 31 December 2020	8 939	8 939
Disposals	0	0
Amortization for the year	3 497	3 497
Impairment	0	0
Accumulated at 31 December 2021	12 436	12 436
Carrying amount at 31 December 2020	8 544	8 544
Carrying amount at 31 December 2021	7 976	7 976

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 NOK 1,000	Equipment and movables	Total
Cost at 1 January 2020	13 094	13 094
Additions	4 301	4 301
Disposals	0	0
Translation difference	938	938
Cost at 31 December 2020	18 333	18 333
Additions	10 027	10 027
Disposals	0	0
Translation difference	-971	-971
Cost at 31 December 2021	27 389	27 389
Depreciations and impairment		
Accumulated at 1 January 2020	8 794	8 794
Depreciations for the year	2 875	2 875
Impairment	0	0
Disposals	0	0
Translation difference	0	0
Accumulated at 31 December 2020	11 668	11 668
Depreciations for the year	4 094	4 094
Impairment	0	0
Disposals	0	0
Translation difference	-645	-645
Accumulated at 31 December 2021	15 116	15 116
Carrying amount at 31 December 2020	6 665	6 665
Carrying amount at 31 December 2021	12 272	12 272

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 2021 the lease contract for office rental in Stockholm was renewed. The contract period is for 5 years and commenced on 1 April 2021. The office lease in Sweden has lease term of 60 months and the office lease in Norway has 36 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%.

Leasing	31/12/2021	31/12/2020
Amounts in NOK 1,000		
Buildings	16 900	2 922
Other	3 394	1 155
Total right-of-use assets	20 294	4 077
Useful life	5 years	5 years
Depreciation method	Straight-line	Straight-line
Lease liabilities		
Amounts in NOK 1,000		
Current	6 894	2 721
Non-Current	13 726	1 431
Total lease liability	20 619	4 152
Amounts recognized in the statement of profit or loss		
Depreciation of right of use asset	6 462	3 680
Interest expense	733	217
Expenses relating to short-term leases	77	85
Expenses relating to leases of low-value	65	39
Reconciliation of lease arising from financing activities		
Opening balance 1 January	4 152	6 839
Cash flow	-6 934	-3 823
New leases	22 732	625
Other non-cash changes	669	511
Closing balance 31 December	20 619	4 152

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 2021 was NOK 17.5 million. The loan has a variable interest rate which at the end of the year was 3.82%. 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	2021	2020
Amounts in NOK 1,000		
Financial assets at amortized cost		
Trade receivable	68 899	52 369
Other financial assets	0	7 043
Cash and cash equivalents	82 725	39 688
Total	151 624	99 100
Financial liabilities		
Liabilities at amortized cost		
Trade payable	54 814	34 480
Borrowings	17 500	19 167
Bank overdraft facility	0	18 567
Total	72 314	72 213

The group's exposure to various risks associated with the financial instruments is discussed in note 21 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 KNOK 63 (0.016% of total revenue) has been accounted for during 2021. No further loss provisions are made for 2021.

Trade receivable	2021	2020
Amounts in NOK 1,000		
Trade receivable	68 899	52 369
Loss allowance	0	0
Total	68 899	52 369
Balance at the beginning of the year	52 369	41 823
Provision for expected credit losses	0	0
Amounts written off during the year as uncollectable	63	0
Impairment losses reversed	0	0
Total	52 432	41 823

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	2021	2020
Amounts in NOK 1,000		
Bank deposits	82 725	39 688
Total cash and cash equivalents	82 725	39 688
Amounts in NOK 1,000		
Restricted cash included in the above:		
Withholding tax in relation to employee benefits	501	246

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 13.0 million was paid in March, 2021 and a dividend of NOK 5.9 million was paid in May, 2021

Share capital	Number of ordinary shares	Share capital
1 January 2020	89 721 076	1 794
Issued during the year	463 078	9
31 December 2020	90 184 154	1 804
Issued during the year	6 102 439	122
31 December 2021	96 286 593	1 926

#	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	Nordnet Bank AB (Nominee)	5 033 629	5.23%
5	Danske Invest Norge Vekst	3 853 564	4.00%
6	Ålandsbanken	3 700 000	3.84%
7	Arrowhead AS	1 872 303	1.94%
8	Avanza Bank AB (Nominee)	1 844 977	1.92%
9	Portia AS	1 800 000	1.87%
10	Toluma Norden AS	963 391	1.00%
10	AS Clipper	963 391	1.00%
10	Varner Invest AS	963 391	1.00%
13	Viola AS	958 477	1.00%
14	DNB Asset Management	638 796	0.66%
15	Fountain Venture AS	481 695	0.50%
15	Jakob Hatteland Holding AS	481 695	0.50%
15	Jahatt AS	481 695	0.50%
15	Bergen Kommunale Pensjonskasse	481 695	0.50%
19	Swedbank AB (Nominee)	465 478	0.48%
20	Smartoptics Group AS	355 098	0.37%
	Other	5 441 517	5.65%
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.

The group also have a bank overdraft with a limit of NOK 26 million, as of 31 December 2021 NOK 0 of this overdraft was utilized.

Pledged assets	2021	2020
Amounts in NOK 1,000		
Trade receivable	39 701	29 076
Inventory	52 996	39 247
Property, plant and equipment	617	534
Total pledged assets	93 314	68 858

In addition, bank have issued a guarantee for rent amounting to NOK 1 620 000.

Reconciliation of changes from financing cash flow 2020	Bank overdraft	Loans and borrowings	Financial lease liabilities	Total
Amounts in NOK 1,000				
Balance at 01/01/2020	20 049	10 000	6 839	36 888
Changes from financing cash flows				
Repayment of borrowings	-1 482	-833	-3 823	-6 139
Proceed from borrowings		10 000		10 000
Total changes from financing cash flows	-1 482	9 167	-3 823	3 861

Non-cash changes				
Interest expense using effective interest method			217	217
Effect of changes in foreign exchange rates			294	294
New finance lease			625	625
Total non-cash changes			1 136	1 136
Balance 31/12/2020	18 567	19 167	4 152	41 885

Non-current and current liabilities at 31 December 2021	Bank overdraft	Loans and borrowings	Financial lease liabilities	Total
Amounts in NOK 1,000				
Non-current liabilities	0	15 208	13 726	28 934
Current liabilities	0	2 292	6 894	9 186
Total	0	17 500	20 619	38 119

Reconciliation of changes from financing cash flows 2021	Bank overdraft	Loans and borrowings	Financial lease liabilities	Total
Amounts in NOK 1,000				
Balance at 01/01/2021	18 567	19 167	4 152	41 885
Changes from financing cash flows				
Repayment of borrowings	-18 567	-1 667	-6 934	-27 168
Proceed from borrowings			0	0
Interest paid			0	0
Total changes from financing cash flows	-18 567	-1 667	-6 934	-27 168
Non-cash changes				
Interest expense using effective interest method			733	733
Effect of changes in foreign exchange rates			-64	-64
Changes in fair value			0	0
New finance lease			22 732	22 732
Total non-cash changes			23 401	23 401
Balance 31/12/2021	0	17 500	20 619	38 118

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 2021				
Related party	Holding	Stake	Warrants	Ownership description
Coretech AS	31 783 599	33,01%	0	Chairman of Board, Thomas Ramm
K-Spar Industrier AS	17 871 773	18,56%	0	Board member, Harald Berg
Kløvingen AS	15 850 429	16,46%	0	Deputy Board member, Einar Caspersen
Karl Thedéen	463 078	0,48%	0	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	0	0,00%	0	COO

Transactions with related parties

Related party	Relationship	Transaction type	2021	2020
Smarter Holding AS	Parent company	Invoice for consultancy	0	550
Coretech AS	Parent company	Invoice for consultancy / travel expenses	44	1 470
Total			44	2 020

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

Balances with related parties

Related party	Relationship	Activity which caused the outstanding balance	Classification	2021	2020
Smarter Holding AS	Parent company	Loan	Short term receivables	0	3 877
Coretech AS	Company owned by Chairman	Loan	Short term receivables	0	2 751

Related party	Relationship	Activity which caused the outstanding balance	Classification	2021	2020
Smarter Holding AS	Parent company	Loan	Long term receivables	0	414



NOTE 19 - TRADE PAYABLE

	2021	2020
Amounts in NOK 1,000		
Trade payable	54 814	34 480
Other current payables, accrued expenses and public duties	16 132	31 628
Total	70 947	66 107

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)

Foreign currency is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates.

The group is exposed to currency risks both for its transaction exposure and translation exposure. The Group has subsidiaries in Sweden and the United States. The foreign currency risk relates primarily to the Group's operating activities, when revenue and expenses is denominated in a foreign currency. However, 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. Fluctuations in currency exchange rates, particularly exchange rates between NOK against USD, 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.

SENSITIVITY

The sensitivity analysis in relation to the Group's revenue and direct cost of sales, shows that the profit before tax for the financial year 2021 would be affected positively or negatively by NOK 8.4 million due to +/- 5% changes in USD with respect to the functional currency of the Group, leaving every other constant the same.

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 2021, 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.

SENSITIVITY

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents because of changes in interest rates. Based upon the sensitivity analysis for the financial year 2021, the impact on profit before tax of +/- 1.0 percentage point shift in interest rate would be a maximum increase or decrease of NOK 0.2 million, leaving all other variables constant.

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 con-

sidered 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 2021, cash and cash equivalents amounted to NOK 82.7 million.

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.

NOTE 21 - FIRST-TIME ADOPTION OF IFRS

These financial statements, for the year ended 31 December 2021, are the first the Group has prepared in accordance with IFRS. These financial statements will be published at the Group's website. For the year ended 31 December 2020, the Group prepared its financial statements in accordance with Norwegian Generally Accepted Accounting Principles (NGAAP).

The Group has prepared financial statements that comply with IFRS applicable as of 31 December 2021, together with the comparative period data for the year ended 31 December 2020, as described in general accounting principles and relevant notes.

In preparing the financial statements, the Group's opening statement of financial position was prepared as of 1 January 2020, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its NGAAP financial statements.

IFRS 1 First-Time Adoption of International Financial Reporting Standards allows first-time adopters certain exemptions from the general requirement to the retrospective application of certain IFRSs. The general requirement of IFRS 1 is full retrospective application for all standards.

THE GROUP HAS CHOSEN TO APPLY THE FOLLOWING EXEMPTIONS:

- Smartoptics has chosen to measure the right-of-use asset for the leasing agreements under IFRS 16 at an amount equal to the lease liability in accordance with IFRS 1 D9D.
- Smartoptics has decided to use the practical expedient in IFRS 15 Revenue from Contracts with Customers to not restate contracts that are completed at the transition date, 1 January 2020. IFRS 1 defines a completed contract as a contract for which the entity has transferred all of the goods or services as identified in accordance with previous GAAP.

Consolidated statement of profit or loss for 2020		NGAAP	Effect of transition to IFRS	IFRS
Amounts in NOK 1.000	Notes			
Revenue from contracts with customers		325 916		325 916
Other operating income		1 459		1 459
Total recognized revenue and income		327 375		327 375
Direct cost of sales		-202 862		-202 862
Employee benefit expenses		-73 135		-73 135
Other operating expenses	A	-30 669	3 823	-26 846
Total operating expenses		-306 666	3 823	-302 843
Amortization of intangible assets		-2 861		-2 861
Depreciation	B	-2 875	-3 680	-6 555
Total depreciation and amortization		-5 736	-3 680	-9 416
Operating profit/(loss)		14 973	143	15 116
Financial income		389		389
Financial expenses	C	-1 446	-217	-1 662
Net foreign exchange gains (losses)		-353		-353
Net financial items		-1 410	-217	-1 627
Profit/(loss) before income tax		13 563	-74	13 490
Income tax		-151		-151
Profit/(loss) for the year		13 412	-74	13 339

Consolidated statement of comprehensive income				
Amounts in NOK 1,000	Note	NGAAP	Effect of transition to IFRS	IFRS
Profit/(loss) for the year		13 412	-74	13 339
Other comprehensive income:				
Items that might be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations		-211		-211
Item that are not reclassified to profit or loss:				
Total comprehensive income for the year		13 202	-74	13 128

Consolidated balance sheet 01.01.2020		NGAAP	Effect of transition to IFRS	IFRS
Amounts in NOK 1,000	Note			
Assets				
Non-current assets				
Intangible assets		9 008		9 008
Property, plant and equipment		4 861		4 861
Right-of-use assets	D	0	6 839	6 839
Non-current receivables against related party		524		524
Deferred tax asset		34 869		34 869
Total non-current assets		49 262	6 839	56 101
Current assets				
Inventories		40 868		40 868
Trade receivable		41 823		41 823
Receivables to related party		3 707		3 707
Other current assets		11 131		11 131
Cash and cash equivalents		18 427		18 427
Total current assets		115 955		115 955
Total Assets		165 218	6 839	172 056
Equity and liabilities				
Equity				
Share capital		1 794		1 794
Share premium		35 690		35 690
Other paid in capital		1 500		1 500
Foreign currency translation reserves		95		95
Retained earnings		48 457		48 457
Total equity		87 536	0	87 536
Non-current liabilities				
Lease liabilities (non-current portion)	E	0	3 479	3 479
Deferred tax liability		0		0
Contract liabilities (non-current deferred revenue)		6 366		6 366
Other non-current liabilities		10 000		10 000
Total non-current liabilities		16 366	3 479	19 845
Current liabilities				
Lease liabilities (current portion)	E	0	3 360	3 360
Trade payable		20 090		20 090
Contract liabilities (deferred revenue)		4 978		4 978
Current tax liabilities		1 359		1 359
Other current liabilities		34 889		34 889
Total current liabilities		61 316	3 360	64 675
Total liabilities		77 682	6 839	84 520
Total equity and liabilities		165 218	6 839	172 056

Consolidated balance sheet 31.12.2020		NGAAP	Effect of transition to IFRS	IFRS
Amounts in NOK 1,000	Note			
Assets				
Non-current assets				
Intangible assets		8 228		8 228
Property, plant and equipment		6 665		6 665
Right-of-use assets	F	0	4 077	4 077
Non-current receivables against related party		414		414
Deferred tax asset		35 236		35 236
Total non-current assets		50 543	4 077	54 620
Current assets				
Inventories		69 517		69 517
Trade receivable		52 369		52 369
Receivables to related party		3 877		3 877
Other current assets		8 816		8 816
Cash and cash equivalents		39 688		39 688
Total current assets		174 268	0	174 268
Total assets		224 811	4 077	228 888
Equity and liabilities				
Equity				
Share capital		1 804		1 804
Share premium		37 180		37 180
Other paid in capital		0		0
Foreign currency translation reserves		570	-1	569
Retained earnings	H	61 869	-74	61 796
Total equity		101 423	-75	101 348
Non-current liabilities				
Lease liabilities (non-current portion)	G	0	1 431	1 431
Deferred tax liability		0		0
Contract liabilities (non-current deferred revenue)		11 188		11 188
Other non-current liabilities		19 167		19 167
Total non-current liabilities		30 355	1 431	31 785
Current liabilities				
Lease liabilities (current portion)	G	0	2 721	2 721
Trade payable		34 480		34 480
Contract liabilities (deferred revenue)		8 360		8 360
Current tax liabilities		1 598		1 598
Other current liabilities		48 596		48 596
Total current liabilities		93 034	2 721	95 755
Total liabilities		123 388	4 152	127 540
TOTAL EQUITY AND LIABILITIES		224 811	4 077	228 888

Consolidated cash flow statement for 2020	Note	NGAAP	Effect of transition to IFRS	IFRS
Amounts in NOK 1.000				
Cash flows from operating activities				
Profit/(loss) before income tax	H	13 563	-74	13 490
Adjustments for:		0		0
Taxes paid		-239		-239
Depreciation and amortization	B	5 736	3 680	9 416
Net interest income	C	0	217	217
Share-based payments expense		0		0
Change in inventory		-28 650		-28 650
Change in accounts receivable		-10 546		-10 546
Change in contract liabilities (deferred revenue)		8 204		8 204
Change in accounts payable		14 390		14 390
Change in other current assets and other liabilities		8 302		8 302
Interest received		0		0
Net cash inflow from operating activities		10 759	3 823	14 365
Cash flows from investing activities				
Payment for property, plant and equipment		-4 301		-4 301
Payment for development cost		-2 243		-2 243
Receipt of government grants		0		0
Other investing activities		0		0
Net cash (outflow) from investing activities		-6 545	0	-6 545
Cash flows from financing activities				
Net proceeds from issuance of ordinary shares		0		0
Downpayment of credit facility		7 769		7 769
Proceeds from new borrowings		10 111		10 111
Repayment of borrowing		-833		-833
Paid interest on borrowing		0		0
Repayments of lease liabilities	A	0	-3 823	-3 823
Paid interest on lease liabilities		0		0
Net cash inflow from financing activities		17 047	-3 823	13 223
Net increase/(decrease) in cash and cash equivalents		21 261		21 261
Cash and cash equivalents as of 1 January 2020		18 427		18 427
Effects of exchange rate changes on cash and cash equivalents		0		0
Cash and cash equivalents as of 31 December 2020		39 688		39 688

NOTES TO THE RECONCILIATION OF CHANGES FROM NGAAP TO IFRS:

Upon transition to IFRS, Smartoptics has implemented IFRS 16 Leases as of 1 January 2020.

A: The IFRS adjustment of NOK 3.8 million reflects the reversal of previously expensed leases under NGAAP.

B: The IFRS adjustment of NOK 3.7 million reflects the depreciation of right-of-use asset for lease under IFRS 16.

C: The IFRS adjustment of NOK 0.2 million is related to interest expense on the lease liability under IFRS 16.

D: The IFRS adjustment of NOK 6.8 million reflects the recognized right-of-use asset related to leasing of office space, cars and equipment which was accounted for as operating expenses under NGAAP.

E: The IFRS adjustments of NOK 3.5 million and NOK 3.4 million to non-current and current liabilities reflect the lease liability recognized for the leasing of office space, cars and equipment under IFRS 16. Under NGAAP no lease liability was recognized.

F: The IFRS adjustment of NOK 4.0 million reflects the recognized right-of-use asset related to leasing of office space, cars and equipment which was accounted for as operating expenses under NGAAP.

G: The IFRS adjustments of NOK 1.4 million and NOK 2.7 million to non-current and current liabilities reflect the lease liability recognized for the leasing of office space, cars and equipment under IFRS 16. Under NGAAP no lease liability was recognized.

H: The IFRS adjustment of NOK 0.1 million consists of the P&L effect of the years IFRS adjustments.

NOTE 22 - INVENTORY

Inventory at 31.12	2021	2020
Amounts in NOK 1,000		
Work in progress	1 277	0
Finished goods	105 398	69 517
Total inventory	106 675	69 517

NOTE 23 - EVENTS AFTER THE REPORTING PERIOD

The war in Ukraine has 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.

FINANCIAL STATEMENTS FOR THE PARENT COMPANY

SMARTOPTICS GROUP AS

Statement of profit or loss		2021	2020
Amounts in NOK 1.000	Notes		
Revenue		0	0
Other operating income		0	0
Total revenue and operating income		0	0
Operating expenses			
Cost of goods sold		0	0
Payroll expenses	2	4 688	0
Depreciation, amortization & impairment		0	0
Other operating expenses		839	125
Operating expenses		5 527	125
Operating Profit		-5 527	-125
Financial income and expenses			
Intercompany interest income	5	931	627
Interest income	5	89	207
Other financials income		0	5
Interest expense		0	0
Group contributions	3	33 836	0
Net financial income and expenses		34 856	839
Profit before tax			
Profit before tax		29 329	714
Tax	4	-4 784	-156
Net profit/loss for the year		24 545	558
Allocated as follows:			
Transferred to other equity	8	24 545	558
Total allocation		24 545	558

Balance sheet 31.12		2021	2020
Amounts in NOK 1.000	Notes		
Assets			
Deferred tax assets	4	23 715	28 499
Financial assets		0	0
Investment in subsidiaries	6	42 782	42 782
Non-current intercompany receivable	5	0	414
Total non-current assets		66 497	71 694
Current assets			
Receivable			
Accounts receivable		0	0
Receivable to related companies	5	76 596	16 898
Other receivable		0	2 751
Total receivable		76 596	19 649
Cash and cash equivalents	7	50 784	2 628
Total current assets		127 379	22 277
Total Assets		193 876	93 972
Equity and liabilities			
Equity			
Share capital	8,9	1 926	1 804
Share premium reserve	8	126 133	37 180
Other paid-up equity	8	1 501	0
Other equity	8	60 630	54 984
Total equity		190 188	93 968
Liabilities			
Current liabilities			
Accounts payable		0	3
Tax payable		0	0
Other current liabilities	5	3 688	0
Total liabilities		3 688	3
Total equity and liabilities		193 876	93 972



25 April 2022
Oslo, Norway

Thomas Ramm
Chairman of the Board

Harald Kristofer Berg
Board member

Karl Thedéen
Board member

Magnus Grenfeldt
Chief Executive Officer

Cash flow statement		2021	2020
Amounts in NOK 1.000	Notes		
Cash flow from operational activities			
Profit before tax		29 329	714
Taxes paid	4	0	0
Change in accounts payable		-3	1
Change in other items related to operating activities	3,5	-30 148	1 306
Net cash flow from operating activities		-822	2 021
Cash flow from investing activities			
Repayment of given loans	5	6 987	0
Issuing intercompany loans	5	-29 684	0
Net cash flow from investing activities		-22 697	0
Cash flow from financing activities			
Issuing share warrants	8,9	1 500	0
Repayment of issued loans	5	0	111
Issuing new shares	8,9	89 074	0
Payment of dividend	8	-18 900	0
Net cash flow from financing activities		71 675	111
Cash and cash equivalents at 1 January		2 628	497
Net cash flow		48 156	2 131
Cash and cash equivalents at 31 December		50 784	2 628

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.

REVENUE RECOGNITION

Revenue from the sale of goods is recognized in the income statement when delivery has taken place and when the materiality of risk and control has been transferred.

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.

Fixed assets are valued at the cost of acquisition, but are written down to the fair value if impairment is not expected to be temporary. Long-term liabilities are recorded at 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 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 1 employee in 2021 and 0 employees in 2020.

Amounts in NOK 1000	2021	2020	CEO	Board
Wages and salaries	3 128	0	Salaries and wages	2 052
Social security tax	1 101	0	Pension	474
Pension costs	459	0	Bonus	1 298
			Other benefits	64
Total	4 688	0	Total	3 888

Remuneration to the auditors	2021	2020
Statutory audit fee	298	82
Non-assurance services	260	11
Total remuneration to the auditors	558	93

NOTE 3 - FINANCIALS ITEMS

Remuneration to the auditors	2021	2020
Financial income		
Interest income	0	3
Interest income from related parties	89	204
Interest income from group companies	931	627
Other financial income	0	5
Group contributions from group companies	33 836	0
Total financial income	34 856	839

Financial expenses		
Interest expense	0	0
Interest expense from related parties	0	0
Interest expense from group companies	0	0
Total financial expenses	0	0

NOTE 4 - TAXES

Remuneration to the auditors	2021	2020
Calculation of deferred tax		
Net temporary differences	793 477	991 846
Tax loss carried forward	-108 590 258	-130 533 649
Basis for deferred tax asset in the balance sheet	-107 796 782	-129 541 803
Deferred tax asset	-23 715 292	-28 499 197
Deferred tax asset not recognized in the balance sheet	-	-
Deferred tax asset in the balance sheet	-23 715 292	-28 499 197
Basis for income tax expense, change in deferred tax and tax payable		
Result before tax	29 329 106	714 254
Permanent differences	-7 584 085	-5 038
Basis for income tax expense	21 745 021	709 216
Change in temporary differences	198 369	247 962
Change in tax loss carried forward	-21 943 390	-957 178
Taxable income (basis for payable taxes in the balance sheet)	0	0
Components of the income tax expense		
Sum payable tax	0	0
Change in deferred tax asset	4 783 905	156 028
Tax expense	4 783 905	156 028
Reconciliation of the tax expense		
Result before tax expense	29 329 106	714 254
Calculated tax	6 452 403	157 136
Tax expense	4 783 905	156 028
Difference	1 668 498	-1 108
The differences consists of:		
22% of permanent differences	-1 668 499	-1 108
Other differences	0	0
Sum explained differences	-1 668 499	-1 108
Payable taxes in the balance sheet		
Payable taxes in the balance sheet	0	0

NOTE 5 - INTERCOMPANY TRANSACTIONS AND BALANCES

Related party transactions	2021	2020
Interest income on loan to group companies	884	496
Interest income on loan to related parties	47	131
Receivable to group companies and repated parties	2021	2020
Receivable to group companies	42 760	13 076
Receivable to related parties	0	7 125
Payable to group companies and repated parties	2021	2020
Payable to group companies	3 688	0

NOTE 6 - 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 7 - CASH AND CASH EQUIVALENTS

NOK 1 000	2021	2020
Bank deposits	50 784	2 628
Restricted cash		
Total cash and cash equivalents	50 784	2 628

NOTE 8 - EQUITY

NOK 1000	Share capital	Share premium reserve	Other paid in capital	Other equity	Total equity
Equity as of 01.01.2021	1 804	37 180	0	54 984	93 968
Capital increase	122	88 952	1 501		90 575
Dividend				-18 900	-18 900
Net profit				24 545	24 545
Equity as of 31.12.2021	1 926	126 133	1 501	60 630	190 188

NOTE 9 - 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 2020	89 721 076
Issued during 2020	463 078
Shares at 31 December 2020	90 184 154
Issued during 2021	6 102 439
Shares at 31 December 2021	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	Nordnet Bank AB (Nominee)	5 033 629	5.23%
5	Danske Invest Norge Vekst	3 853 564	4.00%
6	Ålandsbanken	3 700 000	3.84%
7	Arrowhead AS	1 872 303	1.94%
8	Avanza Bank AB (Nominee)	1 844 977	1.92%
9	Portia AS	1 800 000	1.87%
10	Toluma Norden AS	963 391	1.00%
10	AS Clipper	963 391	1.00%
10	Varner Invest AS	963 391	1.00%
13	Viola AS	958 477	1.00%
14	DNB Asset Management	638 796	0.66%
15	Fountain Venture AS	481 695	0.50%
15	Jakob Hatteland Holding AS	481 695	0.50%
15	Jahatt AS	481 695	0.50%
15	Bergen Kommunale Pensjonskasse	481 695	0.50%
19	Swedbank AB (Nominee)	465 478	0.48%
20	Smartoptics Group AS	355 098	0.37%
	Other	5 441 517	5.65%
	Total number of shares	96 286 593	100.0%



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 sheets as at 31 December 2020 and 31 December 2021, the statements of profit or loss and cash flow statements for the years 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 financial positions as at 31 December 2020 and 31 December 2021 the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years 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 positions of the Company as at 31 December 2020 and 31 December 2021, and its financial performance and its cash flows for the years then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the financial statements give a true and fair view of the financial positions of the Group as at 31 December 2020 and 31 December 2021, and its financial performance and its cash flows for the years 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 laws and regulations 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. 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.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. 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 legal 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, 25 April 2022

PricewaterhouseCoopers AS

Øystein B. 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_MOBILE	2022-04-25 17:29

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