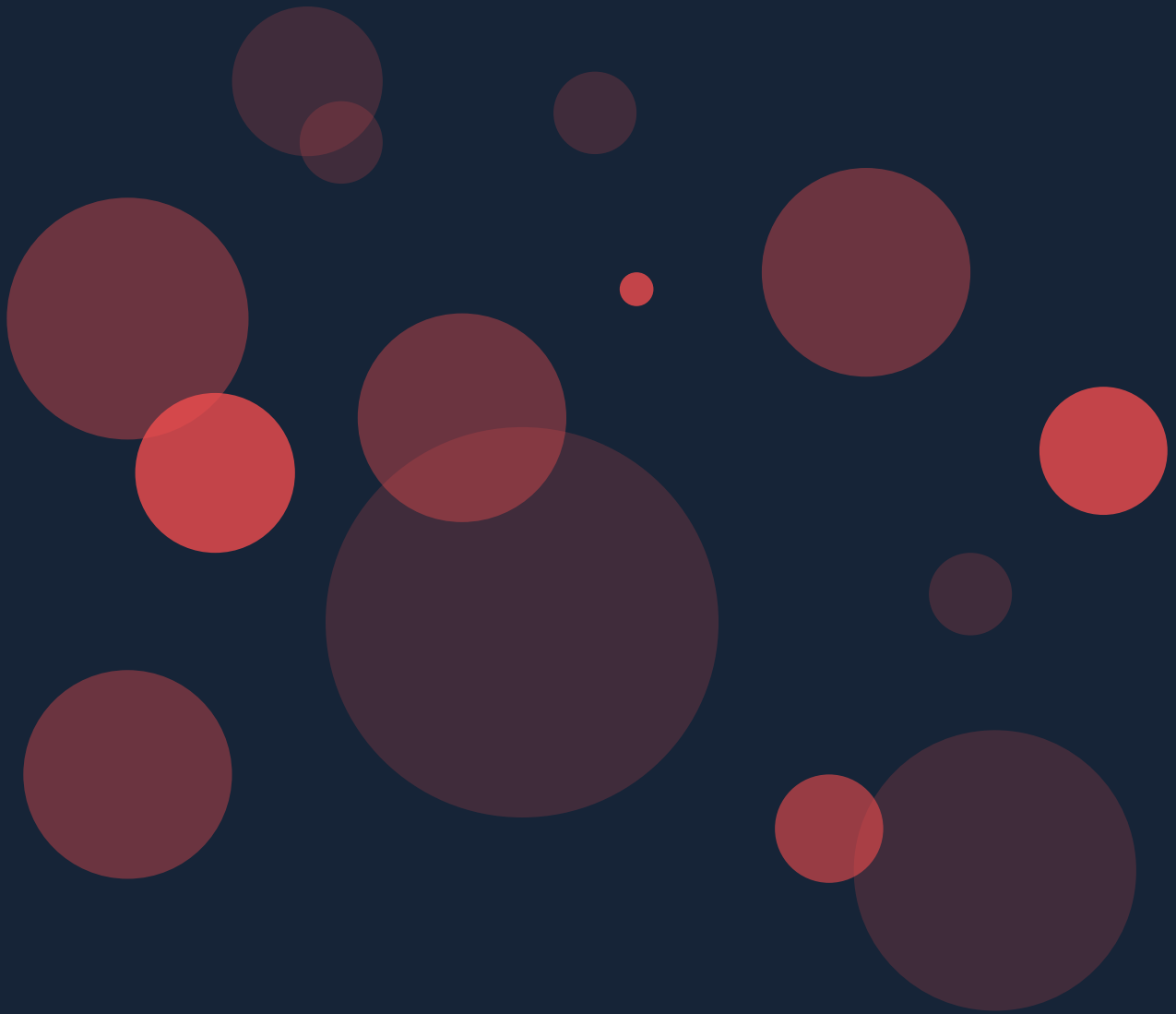


smartoptics



**QUARTERLY
REPORT Q4
2021**

QUARTERLEY REPORT Q4 2021

SMARTOPTICS GROUP

OSLO, FEBRUARY 11, 2022

Smartoptics Group AS today reported its financial results for the period ending December 31, 2021. Smartoptics Group provides innovative communication solutions based upon optical technology for the new era of open networking. The company 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, worldwide. Smartoptics Group leverages modern software design principles and expand network horizons by having an open networking approach. This allows the customers the freedom to remain flexible and reduce costs. The products are in-house developed, by a unique and world recognized team, and consists of hardware and software, enhanced through associated services.



FINANCIAL HIGHLIGHTS

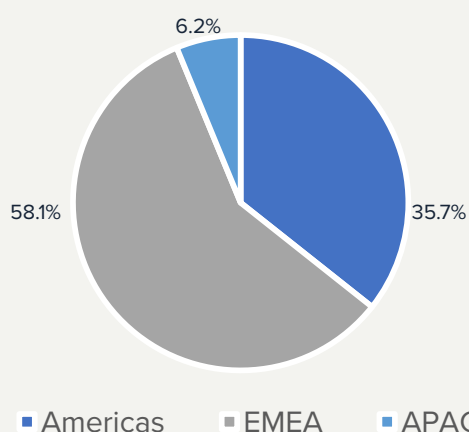
OCTOBER - DECEMBER 2021

- Revenue of USD 12.5 million (Oct-Dec), a growth of 7.4% (11% constant currencies) compared to same period 2020. USD 5.0 million of revenue delayed to 2022.
- Gross Margin of 44.3 % (Oct-Dec), compared to 36.3% in Q4 2020 (Oct-Dec).
- Adjusted EBITDA of USD 1.5 million and 11.7% EBITDA margin (Oct-Dec), compared to USD 1.0 million and 8.9% same period 2020.
- Operating Cash Flow was USD 2.1 million (Oct-Dec), compared to USD 1.4 million same period 2020.

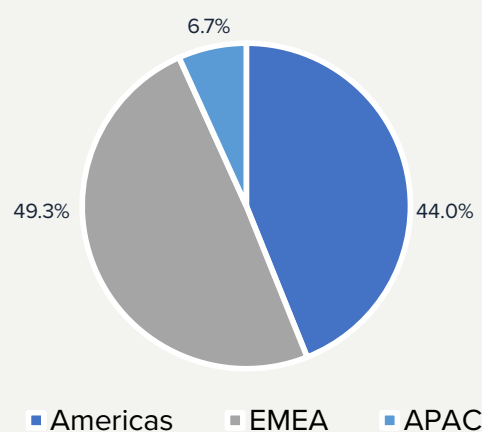
JANUARY - DECEMBER 2021

- Revenue of USD 45.9 million (Jan-Dec). Growth of 31.3% compared to same period 2020.
- Gross Margin of 44.1 % (Jan-Dec), compared to 38.8% same period 2020.
- Adjusted EBITDA of USD 5.4 million and 11.8% EBITDA margin (Jan-Dec), compared to USD 2.4 million and 6.8% same period 2020.
- Operating Cash Flow was USD 1.7 million (Jan-Dec), compared to USD 1.0 million same period 2020.

GEOGRAPHICAL SPLIT OF REVENUE Q4 2021



GEOGRAPHICAL SPLIT OF REVENUE 12M 2021



Amount in kUSD	Q4 2021	Q4 2020	Change	12M 2021	12M 2020	Change
Recognized Revenue	12 503	11 643	7.4%	45 866	34 934	31.3%
Gross Profit	5 539	4 277	31.0%	20 218	13 546	49.2%
Gross margin %	44.3%	36.3%	8.0 p.p	44.1%	38.8%	5.3 p.p
Adjusted EBITDA	1 466	1 038	41.3%	5 430	2 373	128.8%
Adjusted EBITDA %	11.7%	8.9%	2.8 p.p	11.8%	6.8%	5.0 p.p
EBIT	1 246	880	41.7%	4 767	1 755	171.6%
EBIT %	10.0%	7.6%	2.4 p.p	10.4%	5.0%	5.4 p.p
Operational cash flow	2 050	1 400		1 736	1 022	
Earnings per share in USD	0.009	0.009		0.040	0.018	

All figures are presented on a consolidated basis for the Group in USD as the presenting currency. The financial figures are prepared in accordance with the Norwegian Generally Accepted Accounting Principles (NGAAP).

CEO COMMENTS TO THE Q4 REPORT

2021 represents a solid proof point of our strategic objective, to become a recognized leader in open optical networking solutions, by leveraging new trends in how open and disaggregated networks should be built. Through developing innovative solutions, software, and services, we broaden our addressable customer base year by year. The recent years' consolidation in the industry has created a gap the optical networking market, where Smartoptics with innovative technology and flexible customer approach can fill the gap with our unique product and service offerings.

The revenue growth for the full year 2021 was 31.3% compared to 2020. I'm very pleased with this strong performance, which was slightly better than our initial expectations for the year. Orders booked in 2021 increased by 39% compared to 2020 and we have received major orders from larger accounts in the communication service provider and internet content provider market. The order back-log is at an all time high. Our solutions, software and services business area grew by 46% compared to previous year, and now represent 65% of our revenue. This is the most profitable area of our business and will continue to be the growth engine going forward. Finally, we're seeing an increasing rate of endorsement of our open and disaggregated approach from customers, partners, and competitors. Smartoptics has clearly defined our market segment, and our leading position is recognized worldwide.

The fourth quarter of 2021 was a continuation of the growth journey that Smartoptics is on since 2017. The period was characterized by high business activity. We are winning new business with our existing product offering as well as our newer products designed for a multitude of applications including 5G mobile backhaul.

The revenue growth in Q4 was negatively impacted by supply chain constraints caused by the ongoing semi-conductor crisis. The revenue growth in the fourth quarter was 7.4% (11.0% in constant currencies) compared to the fourth quarter of 2020. About USD 5.0 million of revenue has been postponed into 2022 due to the supply chain constraints. The postponed revenue is related to orders booked in Q3 2021, that under normal circumstances would have been delivered to customers in Q4. We are expecting these orders to be shipped during the first half of 2022.



Magnus Grenfeldt, CEO

The gross margin strengthened to 44.3% during the fourth quarter and the EBITDA for the quarter was USD 1.5 million, equal to an EBITDA-margin of 11.7%. Operating cash flow in the quarter was positive USD 2.1 million. The operating cash flow was negatively impacted by inventory build-up, as an effect of shortages of certain components.

Despite the semi-conductor crisis and supply chain challenges, 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.

I expect continued strong market trends for fiberoptic equipment to continue long-term, driven by an ever-increasing demand for bandwidth globally. Our position in the market is continuously improving and our target to grow to USD 100 million in revenue by 2025/2026 remains firm.

Smartoptics' average annual revenue growth in the period 2017-2021 was 28%. The coming years, I expect a similar revenue development.

Continued revenue growth is expected to lead to improved profitability, and we reiterate the ambition to reach 15-18% EBITDA margin when revenue has reached USD 100 million.

As discussed throughout the year 2021, the ongoing global semiconductor crisis may also put pressure on the gross margin in 2022 (between 1-3 percentage points). This is an effect of higher prices for certain components. However, actions already taken to mitigate potential gross margin decline have resulted in better-than-expected gross margin and EBITDA in the fourth quarter of 2021.

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FINANCIAL REVIEW

ALL NUMBERS ARE PRESENTED IN THOUSANDS OF US DOLLAR AND THOUSANDS OF NOK.

CONSOLIDATED PROFIT AND LOSS STATEMENT Q4

		kUSD		kNOK	
		2021	2020	2021	2020
		Oct - Dec	Oct - Dec	Oct - Dec	Oct - Dec
Invoiced revenue		12 654	11 643	110 351	109 095
Deferred revenue	1	-151	-448	-1 317	-4 041
TOTAL Recognized Revenue		12 503	11 643	109 035	105 053
COGS		-6 964	-7 416	-60 730	-66 911
Gross Profit		5 539	4 227	48 305	38 142
Gross Margin %		44.3%	36.3%	44.3%	36.3%
Operating Expenses	2, 10	-4 073	-3 189	-35 519	-28 778
EBITDA		1 466	1 038	12 786	9 364
EBITDA Margin %		11.7%	8.9%	11.7%	8.9%
Depreciation and Amortization	3	-220	-158	-1 917	-1 426
EBIT		1 246	880	10 868	7 938
EBIT Margin %		10.0%	7.6%	10.0%	7.6%
Net Financial Items	4	-121	-108	-1 057	-974
Earnings before tax		1 125	772	9 812	6 963
EBT Margin		9.0%	6.6%	9.0%	6.6%
Estimated tax		-248	-5	-2 159	-48
Earnings after tax		878	766	7 653	6 915
Exchanges rates		8.7205	9.0231		
Shares outstanding		96 286 593	89 721 076	96 286 593	89 721 076
Earnings per share		0.009	0.009	0.079	0.077

REVENUE

Recognized Revenue grew by 7.4% in Q4 2021 to USD 12.5 million compared to USD 11.6 million Q4 2020. Constant currency growth was 11.0%. For the full year 2021 Recognized Revenue grew by 31.3% to USD 45.9 million compared to USD 34.9 million in 2020.

Revenue pushed ahead due to component shortage situation is about USD 5.0 million during the quarter.

ORDER BOOKING

Orders booked was USD 12.5 million during Q4 2021, an increase of 14.0% compared to Q4 2020. For the full year the order booking was USD 52.5 million, an increase of 39% compared to the same period 2020.

GROSS PROFIT

COGS (Cost of Goods Sold) was USD 7.0 million in Q4 2021, resulting in a Gross Profit of USD 5.5 million. Gross Margin was 44.3%, up from 36.3% in Q4 2020.

OPERATING EXPENSES

Operating Expenses was USD 4.1 million in Q4 2021, compared to USD 3.2 million in Q4 2020. Operating Expenses is increasing primarily due to continued increase of R&D resources and Sales resources.

Salaries and consultant costs is the largest cost component in Operating Expenses, representing about 73% of the Operating Expenses in Q4 2021.

EBITDA

Adjusted EBITDA in Q4 2021 was USD 1.5 million (Adjusted EBITDA Margin of 11.7%) compared to USD 1.0 million (8.9%) in Q4 2020.

The increase in EBITDA is a result revenue growth and improved Gross Margin. The revenue growth was primarily driven by stronger solutions and software & services revenue. The Gross Margin improvement was an effect of business mix and effects from pricing management.

NET FINANCIALS

Interest payments and currency effects are the main components of Net Financials. Currency effects arises as underlying reporting is done in NOK, while the communication of the financial results is done in USD. Cash, Receivables and Payables all have a currency component.

Most of the Revenue and COGS is in USD. The company policy is not to engage in any currency hedging, as the company has a natural hedge in having both Revenue and COGS to a very large extent in USD.

CASH FLOW

The Operating Cash Flow was USD 2.1 million for Q4 2021 compared USD 1.4 million same period 2020.

The Operating Cash Flow was negatively impacted by build-up of working capital (increased inventory), as shortage of certain components prevented customer deliveries.

The Smartoptics group has a deferred tax asset which consists of historical net operating losses, and amounts to NOK 35 million. The estimated tax expense for the group is less than this asset, therefore the cash flow effect from taxes is negligible for 2021.

OUTLOOK

Annual growth rates going forward will likely resemble the past five years' performance, which had an average revenue growth rate of 28%.

Long term ambition to reach USD 100 million in 2025/26 timeframe is maintained.

Supply constraints expected to continue during first half of 2022.

CONSOLIDATED BALANCE SHEET

	kUSD		kNOK	
	2021	2020	2021	2020
	Dec 31.	Dec 31.	Dec 31.	Dec 31.
Non-Current Assets	6 266	6 583	55 267	56 504
Capitalized Development Cost	904	1 040	7 976	8 930
Deferred Tax Asset 5	3 968	4 053	34 999	34 786
Property Plant and Equipment	1 394	676	12 291	5 801
Financial Assets	0	814	0	6 987
Other Non-Current Assets	0	0	0	0
Current Assets	30 935	18 830	272 828	161 614
Inventory	11 988	8 103	105 725	69 545
Accounts Receivables	8 207	6 112	72 384	52 461
Prepaid Expenses	1 349	949	11 895	8 148
Cash and Cash Equivalents	9 391	3 628	82 824	31 134
Other Current Asset	0	38	0	325
TOTAL Asset	37 201	25 413	328 094	218 118
TOTAL Equity 9, 11	24 238	12 201	213 764	104 716
Non-Current Liabilities	3 558	3 537	31 378	30 355
Liabilities to Financial Institutions 6	1 984	2 233	17 500	19 167
Deferred Revenue 1	1 574	1 304	13 878	11 188
Other Non-Current Liabilities	0	0	0	0
Current Liabilities	9 406	9 676	82 953	83 047
Liabilities to Financial Institutions 6	0	2 163	0	18 567
Deferred Revenue 1	1 379	974	12 166	8 360
Accounts Payable	6 208	4 010	54 750	34 418
Public Duties 7	49	945	432	8 115
Other Current Liabilities	1 769	1 583	15 605	13 588
TOTAL Liability	12 964	13 213	114 331	113 402
TOTAL Liability and Equity	37 201	25 413	328 094	218 118
Exchange rates	8.8194	8.5828		

CONSOLIDATED CASH FLOW STATEMENT

Q4 (OCTOBER - DECEMBER)

		kUSD		kNOK	
		2021	2020	2021	2020
		Oct - Dec	Oct - Dec	Oct - Dec	Oct - Dec
Cash at the Beginning of Period		8 533	1 503	74 312	14 192
EBITDA		1 466	1 038	12 786	9 364
Changes in Accounts Receivables		1 020	-63	8 022	4 640
Changes in Accounts Payable		2 589	1 066	23 228	6 625
Changes in Inventory		-3 746	-1 586	-33 955	-8 029
Changes in Deferred Revenue	1	126	566	1 421	3 390
Other Working Capital Changes	8	595	380	5 249	2 268
Cash Flow from Operating Activities		2 050	1 400	16 751	18 257
Changes in Non-Current Assets		-247	-450	-2 404	-2 077
Other Changes		0	0	19	16
Cash Flow from Investing Activities		-247	-450	-2 385	-2 062
Changes in short term financing	6	0	866	0	6 322
Changes in long term financing		-73	158	-417	-417
Interest paid		-36	-39	-313	-367
Cash Flow from Financing Activities		-109	986	-729	5 538
Dividend	9	0	0	0	0
New shares issued		0	0	0	0
Translation Differences		-835	189	-5 124	-4 791
Net Cash Flow		859	2 122	8 512	16 942
Cash at the End of Period		9 391	3 628	82 824	31 134

CONSOLIDATED PROFIT AND LOSS STATEMENT

Q1 - Q4 (JANUARY - DECEMBER)

		kUSD		kNOK	
		2021	2020	2021	2020
		Jan - Dec	Jan - Dec	Jan - Dec	Jan - Dec
Invoiced revenue		46 596	35 852	400 686	336 023
Deferred revenue	1	-730	-918	-6 278	-8 648
TOTAL Recognized Revenue		45 866	34 934	394 408	327 375
COGS		-25 649	-21 387	-220 555	-202 862
Gross Profit		20 218	13 546	173 853	124 513
Gross Margin %		44.1%	38.8%	44.1%	38.0%
Operating Expenses	2, 10	-14 788	-11 173	-127 162	-103 804
Adjusted EBITDA		5 430	2 373	46 691	20 709
EBITDA Margin %		11.8%	6.8%	11.8%	6.4%
Depreciation and Amortization	3	-479	-618	-4 123	-5 736
EBIT		4 767	1 755	40 992	14 973
EBIT Margin %		10.4%	5.0%	10.4%	4.6%
Net Financial Items	4	135	-106	1 162	-1 410
Earnings before tax		4 902	1 649	42 154	13 563
EBT Margin		10.7%	4.7%	10.7%	4.1%
Estimated tax		-1 078	-16	- 9 274	-151
Earnings after tax		3 824	1 633	32 880	13 412
Shares outstanding		96 286 593	89 721 076	96 286 593	89 721 076
Earnings per share		0.040	0.018	0.341	0.149

CONSOLIDATED CASH FLOW STATEMENT

Q1 - Q4 (JANUARY - DECEMBER)

		kUSD		kNOK	
		2021	2020	2021	2020
		Jan - Dec	Jan - Dec	Jan - Dec	Jan - Dec
Cash at the Beginning of Period		3 628	2 094	31 134	18 431
EBITDA		5 516	2 419	47 416	22 342
Changes in Accounts Receivables		-1 713	-1 359	-16 550	-10 620
Changes in Accounts Payable		2 198	1 728	20 332	14 330
Changes in Inventory		-3 993	-3 259	-37 137	-26 904
Changes in Deferred Revenue	1	675	988	6 496	8 197
Other Working Capital Changes	8	-947	504	-7 991	4 098
Cash Flow from Operating Activities		1 736	1 022	12 567	11 444
Changes in Non-Current Assets		-589	-594	-5 592	-5 055
Other Changes		0	0	156	23
Cash Flow from Investing Activities		-589	-594	-5 436	-5 032
Changes in short term financing	6	-2 163	-114	-18 567	-1 482
Changes in long term financing		-249	1 097	-1 667	9 167
Interest paid		-81	-154	-698	-1 446
Cash Flow from Financing Activities		-2 494	829	-20 931	6 238
Dividend	9	-2 231	0	-18 900	0
New shares issued		11 159	0	95 662	0
Translation Differences		-1 817	278	-11 271	53
Net Cash Flow		5 763	1 534	51 690	12 703
Cash at the End of Period		9 391	3 628	82 824	31 134

SHARE INFORMATION

AT THE END OF Q4 2021, SMARTOPTICS GROUP AS HAD 96 286 593 SHARES

TABLE OF THE 20 LARGEST SHAREHOLDERS AS 31ST OF DECEMBER 2021

#	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%

NOTES

GENERAL

Smartoptics Group AS is a Norwegian company and the parent company of the Smartoptics Group. The Financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. The group consists of Smartoptics Group AS and the wholly owned subsidiaries Smartoptics AS, Smartoptics Sverige AB and Smartoptics US Corp. The numbers in this report have not been audited and may be subject to change.

EXCHANGE RATES

The interim financial statements are all translated from NOK to USD. For the Profit and Loss statement average exchange rate for the period is used. For the Balance sheet, the monthly ending exchange rate is used. The Cash Flow statement is translated using both the average exchange rates for Balance sheet items and the monthly ending exchange rate for Profit and Loss statement items.

Profit and Loss	2021	2020
Jan - Mar	8.5140	9.4887
Apr - Jun	8.3658	10.0190
Jul - Sep	8.7612	9.1275
Oct - Dec	8.7205	9.0231
Balance Sheet	2021	2020
Mar 31.	8.5137	10.6006
Jun 30.	8.5729	9.6654
Sep 30.	8.7095	9.4392
Dec 31.	8.8194	8.5828

NOTE 1 - DEFERRED REVENUE

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

NOTE 2 – RESEARCH AND DEVELOPMENT

Parts of the development cost is capitalized and depreciated over 5 years. The principle is to capitalize no more than 30% of direct salary costs in selected development projects. Capitalization for the period Oct - Dec was USD 129 thousand.

NOTE 3 – DEPRECIATION AND AMORTIZATION

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

NOTE 4 – FINANCIAL ITEMS

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

NOTE 5 – DEFERRED TAX ASSETS

Deferred tax assets consist of historical net operating losses and amounts to NOK 35 million.

NOTE 6 – LIABILITIES TO FINANCIAL INSTITUTIONS

There are two loans from Innovasjon Norge of combined NOK 17.5 million, and a credit line with Nordea of NOK 26 million. As of 31st December 2021, NOK 0 of the credit line from Nordea was utilized.

NOTE 7 – PUBLIC DUTIES

Under the Covid-19 relief measures the Swedish Government has allowed for postponing of payment of Social Charges. The social charges were paid back in full as of 30th June 2021.

NOTE 8 – OTHER WORKING CAPITAL CHANGES

Other Working Capital Changes relates to pre-payments of certain components and inventory, pay-out of sales commission for the second quarter of 2021 and down-payment of postponed Social Charges in Sweden.

NOTE 9 – 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.

NOTE 10 – IPO BONUS

A one-time management bonus for successful listing of the company equal to NOK 1.6 million (USD 0.18 million) is recognized during Q2. Adjusted EBITDA presented does not include this cost.

NOTE 11 – EMPLOYEE STOCK OPTION PROGRAM

Employee stock option programmes active at the time of this report's publication are:

Number of Warrants	Corresponding number of shares	Proportion of total shares	Exercise price (NOK)	Expiration period
2 601 092	2 601 092	2.7%	12.98	June 2024



smartoptics

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