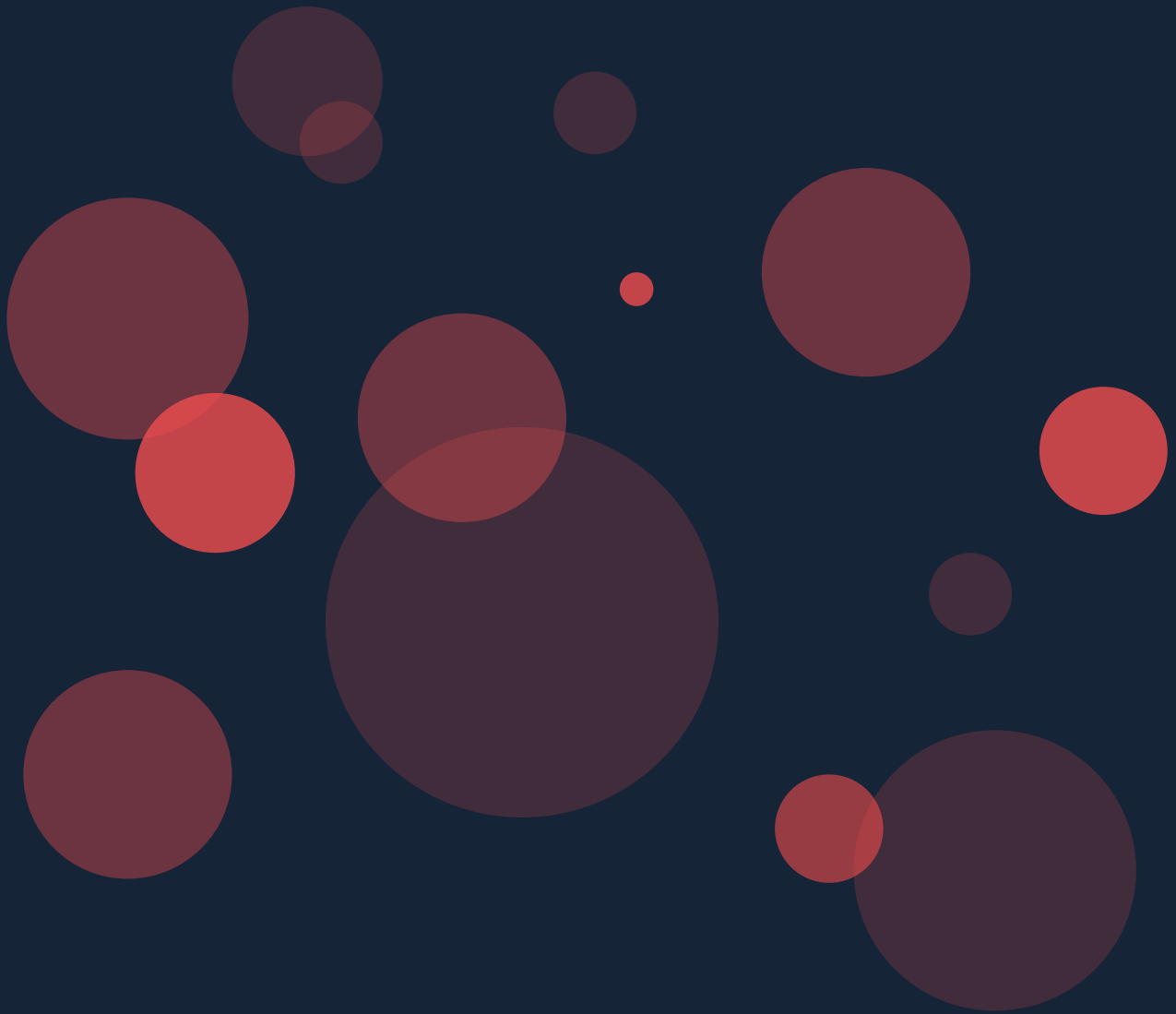


smartoptics



**QUARTERLY  
REPORT Q1  
2022**

# FINANCIAL HIGHLIGHTS

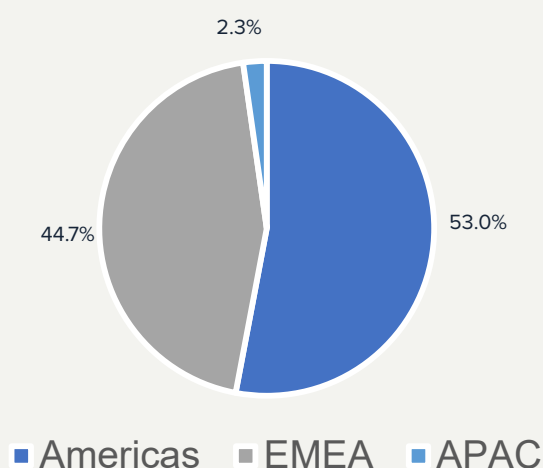
OSLO, MAY 4, 2022

Smartoptics Group AS today reported its financial results for the period ending March 31, 2022. 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.

## JANUARY - MARCH 2022

- Revenue of USD 11.8 million, a growth of 18.3% compared to same period 2021
- Gross Margin of 42.9 %, compared to 44.0% same period 2021, impacted by component spot purchases
- EBITDA of USD 1.8 million and 15.2% EBITDA margin, compared to USD 1.5 million and 15.1% same period 2021
- Operating Cash Flow of USD -3.8 million, compared to USD 0.7 million same period 2021, as Trade Receivables were up due to late-in-period Revenue and Trade Payables were down
- Adoption of IFRS as accounting standard. Most noticeable effect is 2%-point increase in EBITDA margin due to handling of lease agreements (IFRS 16). Financial ambitions have adjusted accordingly

## GEOGRAPHICAL SPLIT OF REVENUE Q1 2022



Amount in kUSD	Q1 2022	Q1 2021	Change
Total Revenue	11 847	10 012	18.3%
Gross Profit	5 085	4 406	15.4%
Gross margin %	42.9%	44.0%	-1.1 p.p
EBITDA	1 798	1 510	19.1%
EBITDA %	15.2%	15.1%	0.1 p.p
EBIT	1 400	1 179	18.7%
EBIT %	11.8%	11.8%	0.0 p.p
Net profit after tax	649	809	-19.8%
Operating cash flow	-3 821	738	
Earnings per share	0.007	0.009	

The USD amounts are translated from NOK to USD with monthly rates published by Norges Bank - see notes for more information

# CEO COMMENTS TO THE Q1 REPORT

2022 started with yet another quarter with continued revenue growth and solid profitability, driven by the continued strong trends with increased global data traffic, streaming, 5G rollouts, cloud computing and internet of things leading to an ever-growing need for operators to increase their network capacity.

The interest in our product offering is evident from the numerous ongoing discussions with large accounts. This interest is mainly driven by a fast adoption of 400G technology and a closer integration between the IP and Optical layers (IP over DWDM). Smartoptics' unique approach in advocating this model, is now paying off in terms of attention in the market. I have never been more certain that we have a winning strategy.

The period was characterized by continued high business activity. We continued to win business with our high runner products (100G, DCP-M and DCP-F line systems) and we are seeing the demand for our newer products increasing at a high pace (400G, DCP-R open line systems and the 400G capable L1 muxponder DCP-404). Our network controller software suite SoSmart, is in final test for the first release scheduled in Q2. SoSmart will support our journey towards larger customers and more advanced network deployments, and it has been demonstrated to customers throughout the first quarter with good result.

The revenue growth for the quarter was a solid 18.3% compared to first quarter of 2021 which was boosted by business that was delayed by the outbreak of Covid-19. The gross margin in the first quarter 2022 was 42.9%, positively impacted by a business mix with higher share of software and services, while negatively impacted by shipments of products including higher cost components from spot-market purchases made in 2021. The EBITDA in the first quarter was USD 1.8 million, equal to an EBITDA-margin of 15.2%, similar to the level in the first quarter 2021. Our EBIT-margin was 11.8%, also unchanged from last years' first quarter. Operating Cash Flow was negative USD 3.8 million, due to continued high level of inventory to mitigate the semiconductor shortage and strong revenue in the last month of the quarter resulting in higher-than-normal accounts receivable, combined with a significant reduction of accounts payable.

The global shortage of semiconductors, which we highlighted in several quarterly reports throughout 2021, is



Magnus Grenfeldt, CEO Smartoptics Group AS

affecting our day-to-day operations, mainly through increased lead times both in-bound and out-bound. We see unpredictable supplier behavior and sometimes disturbances in incoming deliveries of components. We are now certain that we will need to navigate this challenging environment through 2022 and potentially first part of 2023. Customers continue to be patient and supportive, as this situation is affecting everyone.

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

For further information, please contact:

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# FINANCIAL STATEMENTS

## CONSOLIDATED PROFIT AND LOSS STATEMENT Q1

		kUSD		kNOK	
		2022	2021	2022	2021
		Jan - Mar	Jan - Mar	Jan - Mar	Jan - Mar
<b>Total revenue</b>	1	<b>11 847</b>	<b>10 012</b>	<b>104 798</b>	<b>85 228</b>
Cost of Goods Sold		6 763	5 606	59 817	47 718
<b>Gross Profit</b>		<b>5 085</b>	<b>4 406</b>	<b>44 982</b>	<b>37 510</b>
Gross Margin %		42.9%	44.0%	42.9%	44.0%
Operating Expenses		3 287	2 897	29 082	24 663
<b>EBITDA</b>		<b>1 798</b>	<b>1 510</b>	<b>15 899</b>	<b>12 846</b>
EBITDA Margin %		15.2%	15.1%	15.2%	15.1%
Depreciation and Amortization	2,3,9	398	330	3 523	2 813
<b>EBIT</b>		<b>1 400</b>	<b>1 179</b>	<b>12 376</b>	<b>10 033</b>
EBIT Margin %		11.8%	11.8%	11.8%	11.8%
Net Financial Items	4	-568	-142	-5 020	-1 209
<b>Earnings before Tax</b>		<b>832</b>	<b>1 038</b>	<b>7 357</b>	<b>8 824</b>
EBT Margin		7.0%	10.4%	7.0%	10.4%
Estimated Tax		183	228	1 618	1 941
<b>Net Profit after Tax</b>		<b>649</b>	<b>809</b>	<b>5 738</b>	<b>6 883</b>
<b>Shares outstanding</b>		96 286 593	89 721 076	96 286 593	89 721 076
<b>Earnings per share</b>		<b>\$0.007</b>	<b>\$0.009</b>	<b>kr 0.060</b>	<b>kr 0.077</b>

Consolidated statement of comprehensive income		kNOK
		2022
		Jan - Mar
Profit/(loss) for the period		5 738
Exchange differences on translation of foreign operations		533
<b>Total comprehensive income for the year</b>		<b>6 271</b>

### REVENUE

Revenue grew by 18.3% in Q1 2022 to USD 11.8 million compared to USD 10.0 million in Q1 2021.

### GROSS PROFIT

COGS (Cost of Goods Sold) was USD 6.8 million in Q1 2022, resulting in a Gross Profit of USD 5.1 million. Gross Margin was 42.9%, compared to 44.0% same period 2021. Special charge of USD 0.13 million related to higher component prices, through purchases on the spot market.

### OPERATING EXPENSES

Operating Expenses was USD 3.3 million in Q1 2022, compared to USD 2.9 million in Q1 2021. 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 90% of the Operating Expenses in Q1 2022.

### EBITDA AND EBIT

EBITDA in Q1 2022 was USD 1.8 million (EBITDA Margin of 15.2%) compared to USD 1.5 million (15.1%) in Q1 2021.

The increase in EBITDA is a result of revenue growth and improved Gross Margin. The revenue growth was primarily driven by stronger software & services revenue, as well as higher Solution revenue. The Gross Margin improvement was an effect of business mix.

EBITDA is positively affected by the adoption of IFRS (in particular IFRS 16) and is about 2%-points higher than previous accounting standards (NGAAP), as rent costs are moved to depreciation.

EBIT was USD 1.4 million, or 11.8%, compared to USD 1.2 million same period 2021. Impact of IFRS on EBIT is very small.

### 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.

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 -3.8 million for Q1 2022 compared USD 0.7 million same period 2021.

The Operating Cash Flow was negatively impacted by build-up of working capital with continued high inventory levels, as shortage of certain components prevented customer deliveries. In addition, late revenue in the quarter generated high trade receivables and reduction of trade payables contributed to higher working capital.

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

### REVENUE SPLIT

Solutions revenue accounted 63%, Devices 26% and SW & Services for 11%. Split is based upon Invoiced Revenue.

### 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 chain constraints are expected throughout 2022.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

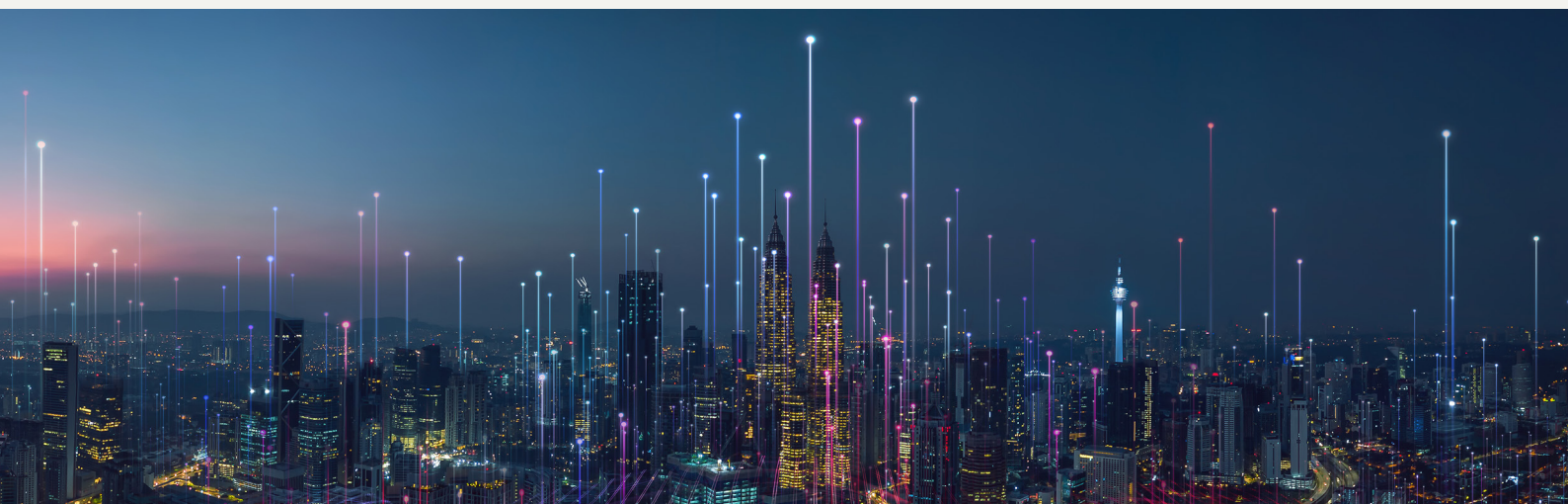
Consolidated statement of changes in equity	Note	Share capital	Share premium	Other paid in capital	Translation difference reserves	Retained earnings	Total equity
Amounts in NOK 1,000							
Balance at 1 January 2021		1 804	37 180	0	569	61 796	101 348
Profit/(loss) for the year						30 542	30 542
Currency translation differences					562		562
Total comprehensive income/(loss) for the year		0	0	0	562	30 542	31 104
Issuance of shares		122	99 570				99 692
Issuance of share warrants				1 501			1 501
Transaction costs on equity issues			-10 574				-10 574
Dividend						-18 900	-18 900
Balance at 31 December 2021		1 926	126 177	1 500	1 131	73 438	204 171
Profit/(loss) for the year						5 738	5 738
Currency translation differences					533		533
Total comprehensive income/(loss) for the year		0	0	0	533	5 738	6 271
Balance at 31 March 2022		1 926	126 177	1 500	1 663	79 176	210 442

## CONSOLIDATED STATEMENT FINANCIAL POSITION

		kUSD		kNOK	
		2022	2021	2022	2021
		Mar 31.	Mar 31.	Mar 31.	Mar 31.
<b>Non-Current Assets</b>		<b>7 412</b>	<b>9 688</b>	<b>64 840</b>	<b>82 481</b>
Intangible Assets	2	926	974	8 101	8 294
Property, Plant and Equipment	9	1 352	806	11 827	6 859
Right of Use Asset		2 039	2 958	17 833	25 185
Financial Assets		0	821	0	6 987
Deferred Tax Asset	5	3 095	4 129	27 079	35 155
<b>Current Assets</b>		<b>28 253</b>	<b>16 395</b>	<b>247 159</b>	<b>139 584</b>
Inventory		11 876	6 642	103 894	56 548
Trade Receivable		9 543	5 637	83 477	47 993
Other Current Assets		1 757	1 721	15 375	14 652
Cash and Cash Equivalents		5 077	2 395	44 412	20 392
<b>TOTAL Asset</b>		<b>35 665</b>	<b>26 083</b>	<b>311 999</b>	<b>222 065</b>
<b>TOTAL Equity</b>		<b>24 056</b>	<b>11 361</b>	<b>210 442</b>	<b>96 726</b>
<b>Non-Current Liabilities</b>		<b>5 330</b>	<b>5 714</b>	<b>46 622</b>	<b>48 651</b>
Other Non-current Liabilities		0	0	0	0
Non-current Deferred Revenue	1	1 920	1 426	16 793	12 137
Non-current Interest Bearing Debt		1 953	2 202	17 083	18 750
Non-current Lease Liability	6	1 457	2 086	12 746	17 764
<b>Current Liabilities</b>		<b>6 279</b>	<b>9 008</b>	<b>54 934</b>	<b>76 688</b>
Credit Facility		0	2 710	0	23 075
Current Lease Liability	1	623	881	5 454	7 497
Current Deferred Revenue		1 546	1 119	13 523	9 528
Trade Payable		2 852	2 657	24 953	22 623
Public Duties		486	514	4 252	4 376
Other Current Liabilities	6	772	1 126	6 752	9 588
<b>TOTAL Liability</b>		<b>11 609</b>	<b>14 722</b>	<b>101 556</b>	<b>125 339</b>
<b>TOTAL Liability and Equity</b>		<b>35 665</b>	<b>26 083</b>	<b>311 999</b>	<b>222 065</b>
Exchange rates		8.7479	8.5137		

# CONSOLIDATED CASH FLOW STATEMENT

		kUSD		kNOK	
		2022	2021	2022	2021
		Jan - Mar	Jan - Mar	Jan - Mar	Jan - Mar
<b>Cash at the Beginning of Period</b>		<b>9 380</b>	<b>3 625</b>	<b>82 725</b>	<b>31 134</b>
EBITDA		1 798	1 510	15 899	12 846
Changes in Trade Receivable		-1 730	475	-14 578	4 468
Changes in Trade Payable		-3 363	-1 353	-29 862	-11 795
Changes in Inventory		219	1 461	2 781	12 997
Changes in Contract Liabilities (Deferred Revenue)	1	513	267	4 273	2 118
Other Working Capital Changes	7	-1 257	-1 622	-11 053	-13 917
<b>Cash Flow from Operating Activities</b>		<b>-3 821</b>	<b>738</b>	<b>-32 540</b>	<b>6 718</b>
Payment for PPE and Development Costs		2,9	-189	-1 577	-2 197
Other Investing Activities		0	0	0	0
<b>Cash Flow from Investing Activities</b>		<b>-189</b>	<b>-279</b>	<b>-1 577</b>	<b>-2 197</b>
Dividend		0	-1 527	0	-13 000
New Shares Issued		0	0	0	0
Changes in Credit Facility		0	547	0	4 509
Repayments of Lease Liabilities		-207	-127	-1 759	-1 082
Repayments of Borrowing	6	228	-31	1 875	-417
Paid Interest on Borrowing	6	-21	-19	-185	-160
<b>Cash Flow from Financing Activities</b>		<b>1</b>	<b>-1 157</b>	<b>-69</b>	<b>-10 150</b>
Exchange Rate Changes		-294	-533	-4 126	-5 113
<b>Net Cash Flow</b>		<b>-4 303</b>	<b>-1 230</b>	<b>-38 312</b>	<b>-10 742</b>
<b>Cash at the End of Period</b>		<b>5 076</b>	<b>2 395</b>	<b>44 413</b>	<b>20 392</b>





# SHARE INFORMATION

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

#	Shareholders	Holding	Stake
1	Coretech AS	31 783 599	33.01%
2	K-Spar Industrier AS	17 871 773	18.56%
3	Kløvingen AS	15 850 429	16.46%
4	Nordnet Bank AB (Nominee)	5 030 720	5.22%
5	Danske Invest Norge Vekst	3 853 564	4.00%
6	Ålandsbanken	3 798 000	3.94%
7	Arrowhead AS	1 872 303	1.94%
8	Portia AS	1 800 000	1.87%
9	Avanza Bank AB (Nominee)	1 744 097	1.81%
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	Jahatt AS	655 285	0.68%
15	DNB Markets	532 500	0.55%
15	DNB NOR Bank ASA	512 426	0.53%
15	Fountain Venture	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	5 349 281	5.56%
Total number of shares		96 286 593	100.0%



# NOTES

## GENERAL

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.

Significant accounting principles and judgements are described in the Annual Financial Statements for 2021.

## EXCHANGE RATES

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

Balance Sheet	2022	2021
Mar 31.	8.7479	8.5137

Profit and loss statement	2022	2021
January	8.8450	8.5174
February	8.8651	8.4969
March	8.8367	8.5276

## 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 Jan - Mar was USD 158 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, Trade Receivables which is mostly in USD and Trade Payable which is mostly in USD.

## NOTE 5 – DEFERRED TAX ASSETS

Deferred tax assets consist of historical net operating losses and amounts to NOK 28.7 million.

## NOTE 6 – LIABILITIES TO FINANCIAL INSTITUTIONS

There are two loans from Innovasjon Norge of combined NOK 171 million, and a credit line with Nordea of NOK 26 million. As of 31st March 2022, NOK 0 of the credit line from Nordea was utilized.

## NOTE 7 – OTHER WORKING CAPITAL CHANGES

Other Working Capital Changes relates to pre-payments of certain components and inventory, pay-out of sales commission for the fourth quarter of 2021.

## NOTE 8 – 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

## NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	2022 Q1	2021 Q1	Change
Amounts in kNOK			
R&D equipment	3 636	691	2 946
Production equipment	1 381	1 099	282
Office & warehouse furniture and fixtures	1 918	543	1 375
Demo pool equipment	4 891	4 526	365
<b>Total</b>	<b>11 827</b>	<b>6 859</b>	<b>4 967</b>



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smartoptics