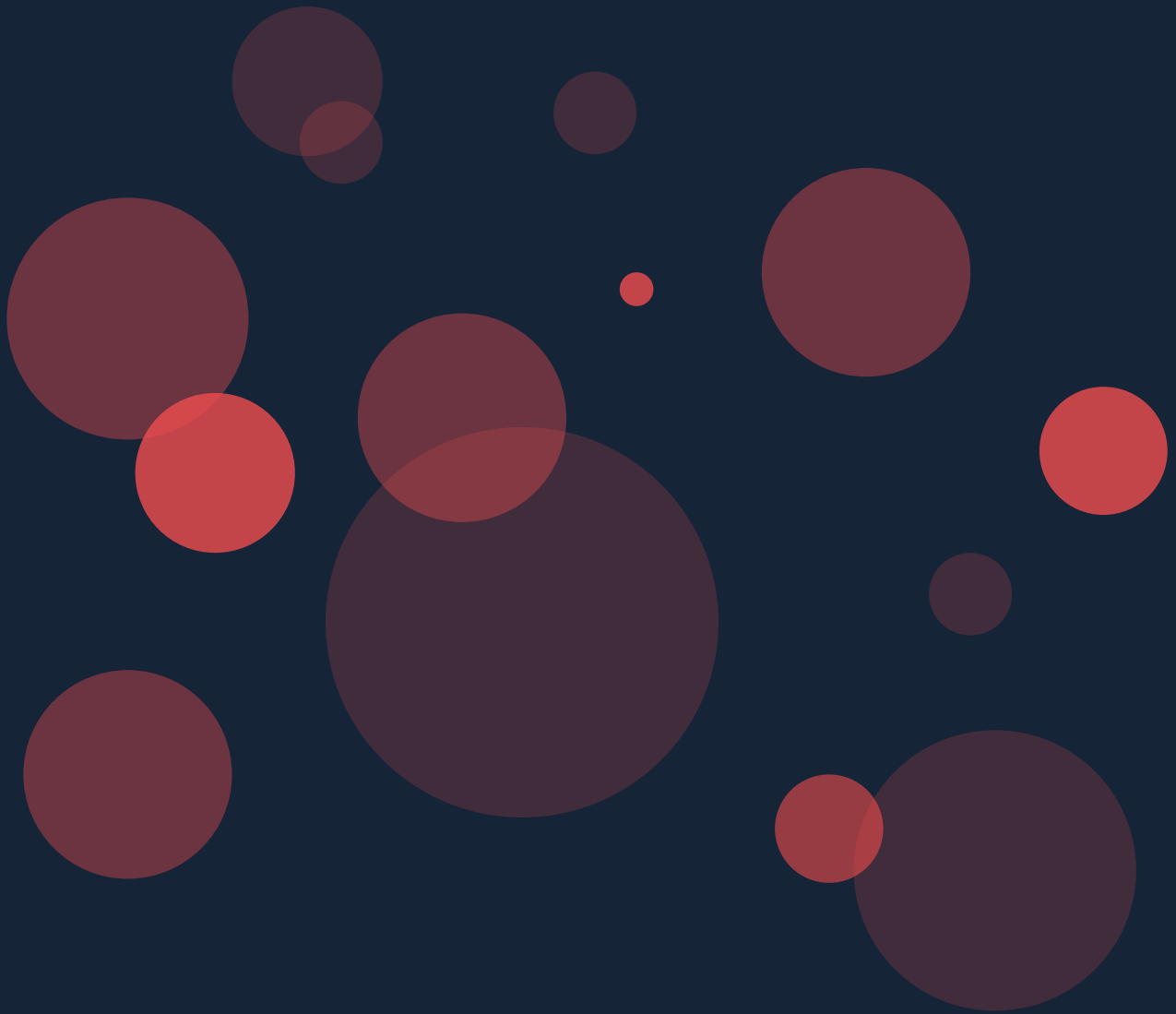


smartoptics



**QUARTERLY
REPORT Q2
2022**

FINANCIAL HIGHLIGHTS

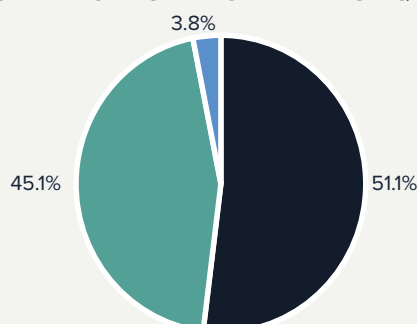
APRIL - JUNE 2022

- Revenue of USD 14.6 million, a growth of 18.1% compared to same period 2021
- Gross Margin of 47.2%, compared to 40.4% same period 2021, partly supported by non-recurring items
- EBITDA of USD 3.3 million and 22.9% EBITDA margin, compared to USD 1.7 million and 13.4% same period 2021
- EBIT of USD 3.0 million and 20.3% EBIT margin, compared to USD 1.2 million and 9.7% same period 2021
- Operating Cash Flow of USD 3.4 million, compared to USD 2.5 million same period 2021

JANUARY - JUNE 2022

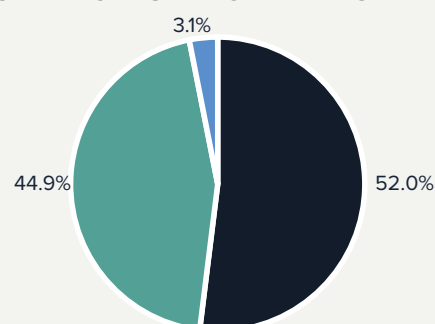
- Revenue of USD 26.5 million, a growth of 18.2% compared to same period 2021
- Gross Margin of 45.3%, compared to 42.0% same period 2021, partly supported by non-recurring items
- EBITDA of USD 5.1 million and 19.4% EBITDA margin, compared to USD 3.2 million and 14.1% same period 2021
- EBIT of USD 4.4 million and 16.5% EBIT margin, compared to USD 2.4 million and 10.6% same period 2021
- Operating Cash Flow of USD -0.4 million, compared to USD 3.3 million same period 2021

GEOGRAPHICAL SPLIT OF REVENUE Q2 2022



■ Americas ■ EMEA ■ APAC

GEOGRAPHICAL SPLIT OF REVENUE H1 2022



■ Americas ■ EMEA ■ APAC

Amount in kUSD**	Q2 2022	Q2 2021	Change	H1 2022	H1 2021	Change
Total Revenue	14 608	12 364	18.1%	26 455	22 377	18.2%
Gross Profit	6 895	4 993	38.1%	11 979	9 400	27.4%
Gross margin %	47.2%	40.4%	6.8 p.p	45.3%	42.0%	3.3 p.p
EBITDA	3 342	1 654	102.0%	5 140	3 164	62.5%
EBITDA %	22.9%	13.4%	9.5 p.p	19.4%	14.1%	5.3 p.p
EBIT	2 968	1 196	148.1%	4 368	2 375	83.9%
EBIT %	20.3%	9.7%	10.6 p.p	16.5%	10.6%	5.9 p.p
Net profit after tax	2 667	1 028	159.4%	3 316	1 837	80.5%
Operating cash flow	3 432	2 544		-388	3 282	
Earnings per share	0.028	0.011		0.034	0.020	
Average full time equivalents (FTEs)*	80.0	69.0	11.0	78.8	67.5	11.3

*FTEs does not include consultants. **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 Q2 REPORT

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

We have continued to win new business while servicing our existing customer base, consisting of hundreds of Enterprise-, Cloud- and Communication Service provider accounts, with new products offering even higher capacity in networks. Smartoptics has become a recognized player in our market. We are one of few vendors who can offer a credible solution to the emerging shift towards an open IP over DWDM networking philosophy, heavily supported by leading Router and Switch suppliers. This has resulted in a noticeably increased interest from larger customers, and the number of on-going conversations with tier-one customers has never been bigger.

During Q2 we have sharpened our strategy to meet the new realities of the company. The two most important insights and actions are:

1. The opportunity ahead is larger than we previously anticipated – strongly driven by the introduction of 400G technology and the shift towards IP over DWDM networking. Our investments are focused accordingly.
2. Our products are becoming more relevant for larger customers going forward and we will strengthen certain supporting functions in the company to better service the needs of this segment.

The implementation of our enhanced strategy is currently ongoing.

The revenue growth for the quarter was a solid 18.1% compared to the second quarter of 2021, which was boosted by business delayed by the outbreak of Covid-19. The gross margin in the first quarter 2022 was 47.2%, positively impacted by a business mix with higher share of software and services, as well as a non-recurring inventory revaluation, while negatively impacted by shipments of products including higher cost components from spot-market purchases made in 2021 and 2022. The net effect during the quarter of non-recurring item was USD 0.16 million. The EBITDA in the first quarter was USD 3.3 million, equal to an EBITDA-margin of 22.9%, up 9.5%-po



Magnus Grenfeldt, CEO Smartoptics Group AS
ints compared to second quarter 2021. Our EBIT-margin was 20.3%, up 10.6%-points from last years' second quarter. Operating Cash Flow was positive USD 3.4 million, driven by high profitability and limited change in working capital.

We have secured all critical components required in the near term. However, the global shortage of semiconductors is still affecting our day-to-day operations, mainly through increased lead times. Customers continue to be patient and supportive, as this situation is affecting everyone. Despite these challenges, feedback from customers is that we have some of the shortest lead-times in the industry for several products. Our belief is that the situation will improve further over the coming quarters.

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%.

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FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS STATEMENT Q2

		kUSD		kNOK	
		2022	2021	2022	2021
		Apr - Jun	Apr - Jun	Apr - Jun	Apr - Jun
Total revenue	1	14 608	12 364	139 387	103 473
Cost of Goods Sold		7 713	7 371	73 495	61 682
Gross Profit	10	6 895	4 993	65 892	41 790
Gross Margin %		47.2%	40.4%	47.3%	40.4%
Operating Expenses		3 552	3 339	33 502	27 925
EBITDA		3 342	1 654	32 390	13 865
EBITDA Margin %		22.9%	13.4%	23.2%	13.4%
Depreciation and Amortization	2,9	375	458	3 526	3 835
EBIT		2 968	1 196	28 864	10 030
EBIT Margin %		20.3%	9.7%	20.7%	9.7%
Net Financial Items	3	451	122	4 130	1 015
Earnings before Tax		3 419	1 318	32 994	11 045
EBT Margin		23.4%	10.7%	23.7%	10.7%
Estimated Tax		752	290	7 259	2 430
Net Profit after Tax		2 667	1 028	25 735	8 615
Shares outstanding		96 286 593	89 721 076	96 286 593	89 721 076
Earnings per share		\$0.028	\$0.011	kr 0.060	kr 0.077

REVENUE

Revenue grew by 18.1% in Q2 2022 to USD 14.6 million compared to USD 12.4 million in Q2 2021.

GROSS PROFIT

COGS (Cost of Goods Sold) was USD 7.7 million in Q2 2022, resulting in a Gross Profit of USD 6.9 million. Gross Margin was 47.2%, compared to 40.4% in 2021.

Non-recurring items has impacted Gross Profit in Q2. Net effect is positive USD 160 thousand, whereof USD 866 USD thousand is a revaluation of stock, correcting values impacted by currency effects, USD 404 thousand is related to extraordinary purchase costs (spot purchases) and USD 302 thousand is inventory write-downs of items held for product replacements and older stock.

OPERATING EXPENSES

Operating Expenses was USD 3.6 million in Q2 2022, compared to USD 3.3 million in Q2 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 Q2 2022.

EBITDA AND EBIT

EBITDA in Q2 2022 was USD 3.3 million (EBITDA Margin of 22.9%) compared to USD 1.7 million (13.4%) in Q2 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 and partly by the non-recurring items.

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 3.0 million, or 20.3%, compared to USD 1.2 million same period 2021. Impact of IFRS on EBIT is very limited.

NET FINANCIALS

Interest payments and currency effects are the main components of Net Financials. Currency effects arise 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 positive USD 3.4 million for Q2 2022 compared USD 2.5 million same period 2021.

The Smartoptics group has a deferred tax asset which consists of historical net operating losses, and amounted to NOK 28.7 million by year end 2021. 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 56%, Devices 36% and SW & Services for 8%. Split is based upon Invoiced Revenue.

OUTLOOK

Coming years annual growth rates going forward will likely resemble the past five years' performance, which had an average revenue growth rate of 28% (ranged between 17% and 33%). Long term ambition to reach USD 100 million in 2025/26 timeframe is maintained.

Supply chain constraints are expected throughout 2022 and into 2023. However, the situation is improving.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2022 Q2

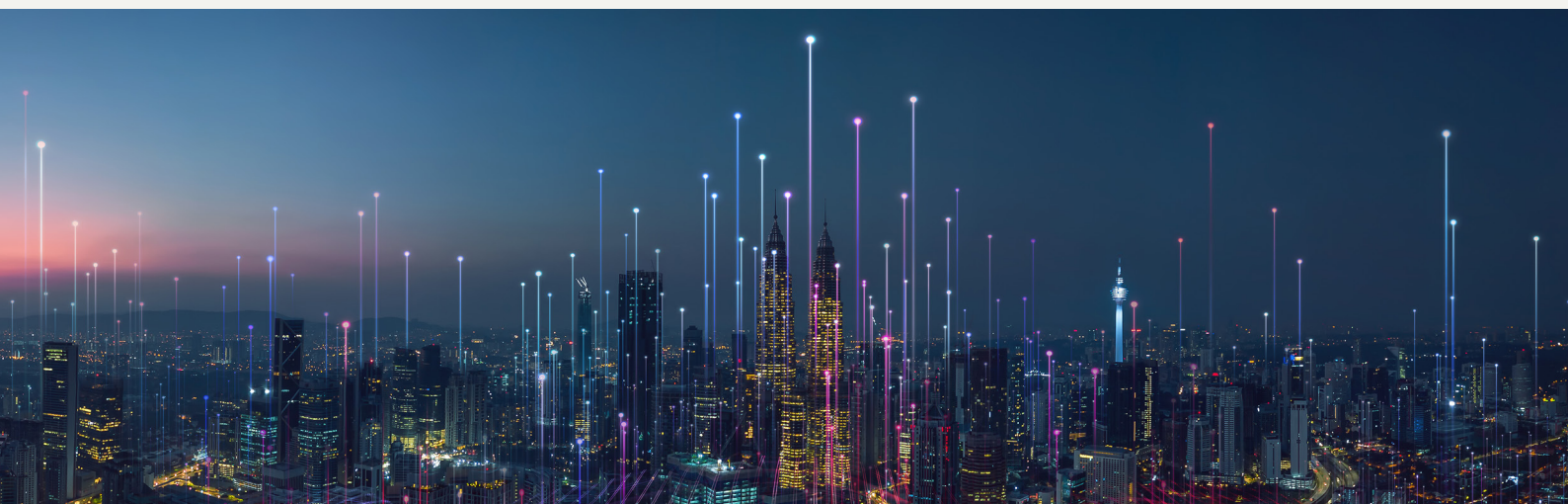
Consolidated statement of changes in equity	Share capital	Share premium	Other paid in capital	Translation difference reserves	Retained earnings	Total equity
Amounts in NOK 1,000						
Balance at 1 January 2021	1 804	37 180	0	569	61 796	101 348
Profit/(loss) for the year					30 542	30 542
Currency translation 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					31 473	31 473
Currency translation differences				78		78
Total comprehensive income/(loss) for the year	0	0	0	78	31 473	31 551
Balance at 30 June 2022	1 926	126 177	1 500	1 209	104 911	235 723

CONSOLIDATED STATEMENT FINANCIAL POSITION 2022 Q2

		kUSD		kNOK	
		2022	2021	2022	2021
		Jun 30.	Jun 30.	Jun 30.	Jun 30.
Non-Current Assets		5 809	9 281	57 877	79 568
Intangible Assets	2	826	922	8 227	7 908
Property, Plant and Equipment	8	1 301	1 216	12 959	10 426
Right of Use Asset		1 693	2 711	16 872	23 245
Financial Assets		0	349	0	2 989
Deferred Tax Asset	4	1 989	4 083	19 820	34 999
Current Assets		30 892	26 744	307 773	229 276
Inventory		13 220	6 343	131 706	54 379
Trade Receivable		10 085	6 455	100 480	55 341
Other Current Assets		1 838	1 759	18 310	15 081
Cash and Cash Equivalents		5 749	12 187	57 276	104 476
TOTAL Asset		36 701	36 025	365 650	308 844
TOTAL Equity		23 660	22 866	235 723	196 032
Non-Current Liabilities		4 848	5 479	48 304	46 970
Other Non-current Liabilities		0	0	0	0
Non-current Deferred Revenue	1	1 974	1 449	19 671	12 422
Non-current Interest Bearing Debt	5	1 673	2 139	16 667	18 333
Non-current Lease Liability		1 201	1 891	11 967	16 215
Current Liabilities		8 193	7 680	81 623	65 842
Credit Facility		0	0	0	0
Current Lease Liability		535	840	5 329	7 203
Current Deferred Revenue	1	1 427	1 097	14 219	9 408
Trade Payable		4 593	3 416	45 757	29 289
Public Duties		607	311	6 044	2 662
Other Current Liabilities	5	1 031	2 016	10 275	17 281
TOTAL Liability		13 041	13 159	129 927	112 813
TOTAL Liability and Equity		36 701	36 025	365 650	308 844
Exchange rates		9.9629	8.5729		

CONSOLIDATED CASH FLOW STATEMENT 2022 Q2

		kUSD		kNOK	
		2022	2021	2022	2021
		Apr - Jun	Apr - Jun	Apr - Jun	Apr - Jun
Cash at the Beginning of Period		5 077	2 393	44 414	20 391
EBITDA		3 342	1 654	32 390	13 865
Changes in Trade Receivable		-543	-818	-17 003	-7 348
Changes in Trade Payable		1 740	759	20 805	6 666
Changes in Inventory		-1 343	299	-27 812	2 168
Changes in Contract Liabilities (Deferred Revenue)	1	-64	2	3 573	164
Other Working Capital Changes	6	300	648	2 378	5 550
Cash Flow from Operating Activities		3 432	2 544	14 331	21 066
Payment for PPE and Development Costs	2	-57	-115	-3 216	-1 090
Other Investing Activities		0	0	1	136
Cash Flow from Investing Activities		-57	-115	-3 216	-954
Dividend		0	-704	0	-5 900
New Shares Issued		0	11 159	0	95 662
Changes in Credit Facility		0	-2 710	0	-23 075
Repayments of Lease Liabilities		-181	-248	-1 699	-2 074
Repayments of Borrowing	5	-280	-64	-417	-417
Paid Interest on Borrowing	5	-80	-26	-723	-215
Cash Flow from Financing Activities		-541	7 406	-2 839	63 981
Exchange Rate Changes		-2 163	-41	4 584	-9
Net Cash Flow		673	9 794	12 860	84 084
Cash at the End of Period		5 750	12 187	57 275	104 475



CONSOLIDATED PROFIT AND LOSS STATEMENT JAN - JUN

		kUSD		kNOK	
		2022	2021	2022	2021
		Jan - Jun	Jan - Jun	Jan - Jun	Jan - Jun
Total revenue	1	26 455	22 377	244 185	188 700
Cost of Goods Sold		14 476	12 977	133 311	109 400
Gross Profit	10	11 979	9 400	110 874	79 300
Gross Margin %		45.3%	42.0%	45.4%	42.0%
Operating Expenses		6 839	6 236	62 585	52 589
EBITDA		5 140	3 164	48 289	26 711
EBITDA Margin %		19.4%	14.1%	19.8%	14.2%
Depreciation and Amortization	2,9	773	789	7 049	6 648
EBIT		4 368	2 375	41 240	20 063
EBIT Margin %		16.5%	10.6%	16.9%	10.6%
Net Financial Items	3	-117	-20	-890	-194
Earnings before Tax		4 251	2 355	40 351	19 869
EBT Margin		16.1%	10.5%	16.5%	10.5%
Estimated Tax		935	518	8 877	4 371
Net Profit after Tax		3 316	1 837	31 473	15 498
Shares outstanding		96 286 593	96 286 593	96 286 593	96 286 593
Earnings per share		\$0.034	\$0.019	kr 0.327	kr 0.173

Consolidated statement of comprehensive income		kNOK
		2022
		Jan - Jun
Profit/(loss) for the period		31 473
Exchange differences on translation of foreign operations		78
Total comprehensive income for the year		31 551

CONSOLIDATED CASH FLOW STATEMENT JAN - JUN

		kUSD		kNOK	
		2022	2021	2022	2021
		Jan - Jun	Jan - Jun	Jan - Jun	Jan - Jun
Cash at the Beginning of Period		9 380	3 625	82 725	31 134
EBITDA		5 140	3 164	48 289	26 711
Changes in Trade Receivable		-2 273	-343	-31 581	-2 880
Changes in Trade Payable		-1 622	-594	-9 057	-5 129
Changes in Inventory		-1 124	1 760	-25 031	15 166
Changes in Contract Liabilities (Deferred Revenue)	1	449	269	7 846	2 282
Other Working Capital Changes	6	-958	-974	-8 674	-8 367
Cash Flow from Operating Activities		-388	3 282	-18 209	27 783
Payment for PPE and Development Costs		2,9	-253	-393	-4 794
Other Investing Activities		0	0	1	137
Cash Flow from Investing Activities		-253	-393	-4 793	-3 150
Dividend		0	-2 231	0	-18 900
New Shares Issued		0	11 159	0	95 662
Changes in Credit Facility		0	-2 163	0	-18 567
Repayments of Lease Liabilities		-379	-375	-3 458	-3 157
Repayments of Borrowing	5	-52	-95	1 458	-833
Paid Interest on Borrowing	5	-101	-44	-908	-375
Cash Flow from Financing Activities		-532	6 250	-2 907	53 831
Exchange Rate Changes		-2 457	-594	458	-5 122
Net Cash Flow		-3 630	8 545	-25 451	73 341
Cash at the End of Period		5 750	12 187	57 275	104 475

SHARE INFORMATION

TABLE OF THE 20 LARGEST SHAREHOLDERS AS 30TH OF JUNE 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)	4 947 182	5.14%
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	Avanza Bank AB (Nominee)	1 840 340	1.91%
9	Portia AS	1 800 000	1.87%
15	DnB NOR Bank ASA	1 268 476	1.32%
10	Toluma Norden AS	1 000 000	1.04%
10	AS Clipper	963 391	1.00%
13	Varner Invest AS	963 391	1.00%
14	Viola AS	958 477	1.00%
15	Schroders	640 000	0.66%
15	DNB Markets	502 500	0.52%
15	Bergen Kommunale Pensjonskasse	481 695	0.50%
15	Swedbank AB (Nominee)	465 478	0.48%
19	DNB Luxembourg S.A.	450 000	0.47%
20	Smartoptics Group AS	355 098	0.37%
	Other	4 620 897	4.80%
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
Jun 30	9.9629	8.5729

Profit and loss statement	2022	2021
April	8.9013	8.3713
May	9.5875	8.3042
Jun	9.7645	8.422

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 Apr - Jun was USD 149 thousand.

NOTE 3 – 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 4 – DEFERRED TAX ASSETS

Deferred tax assets consist of historical net operating losses and amounts to NOK 28.7 million. Estimated tax for the period (January to June) is NOK 8.87 million.

NOTE 5 – LIABILITIES TO FINANCIAL INSTITUTIONS

There are two loans from Innovasjon Norge of combined NOK 16.7 million, and a credit line with Nordea of NOK 26 million. As of June 30th 2022, NOK 0 of the credit line from Nordea was utilized.

NOTE 6 – OTHER WORKING CAPITAL CHANGES

Other Working Capital Changes relates to pre-payments of certain components and inventory, pay-out of sales commission for the first quarter of 2022.

NOTE 7 – 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 8 – PROPERTY, PLANT AND EQUIPMENT SPLIT

Property, plant and equipment	2022 Q2	2021 Q2	Change
Amounts in kNOK			
R&D equipment	4 156	2 356	1 800
Production equipment	1 321	1 108	214
Office & warehouse furniture and fixtures	2 285	2 042	243
Demo pool equipment	5 197	4 735	462
Total	12 959	10 241	2 719

NOTE 9 – DEPRECIATION AND AMORTIZATION SPLIT

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

Depreciation and amortization	2022 Q2	2021 Q2	2022 YTD	2021 YTD
Amounts in kNOK				
Property, plant and equipment	1 184	2 307	921	1 845
Product development	775	1 550	986	1 836
Right of use assets / leasing	1 567	3 192	1 928	2 966
Total	3 526	7 049	3 835	6 648

NOTE 10 – GROSS PROFIT ADJUSTMENTS

Non-recurring items has impacted Gross Profit in Q2. Inventory revaluation was USD +0.9 million, due to an exchange rate correction. Write-down of products either held for warranty replacements or becoming obsolete was USD -0.3 million. Extra component cost was USD -0.4 million, related to spot purchases to mitigate component shortage.



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