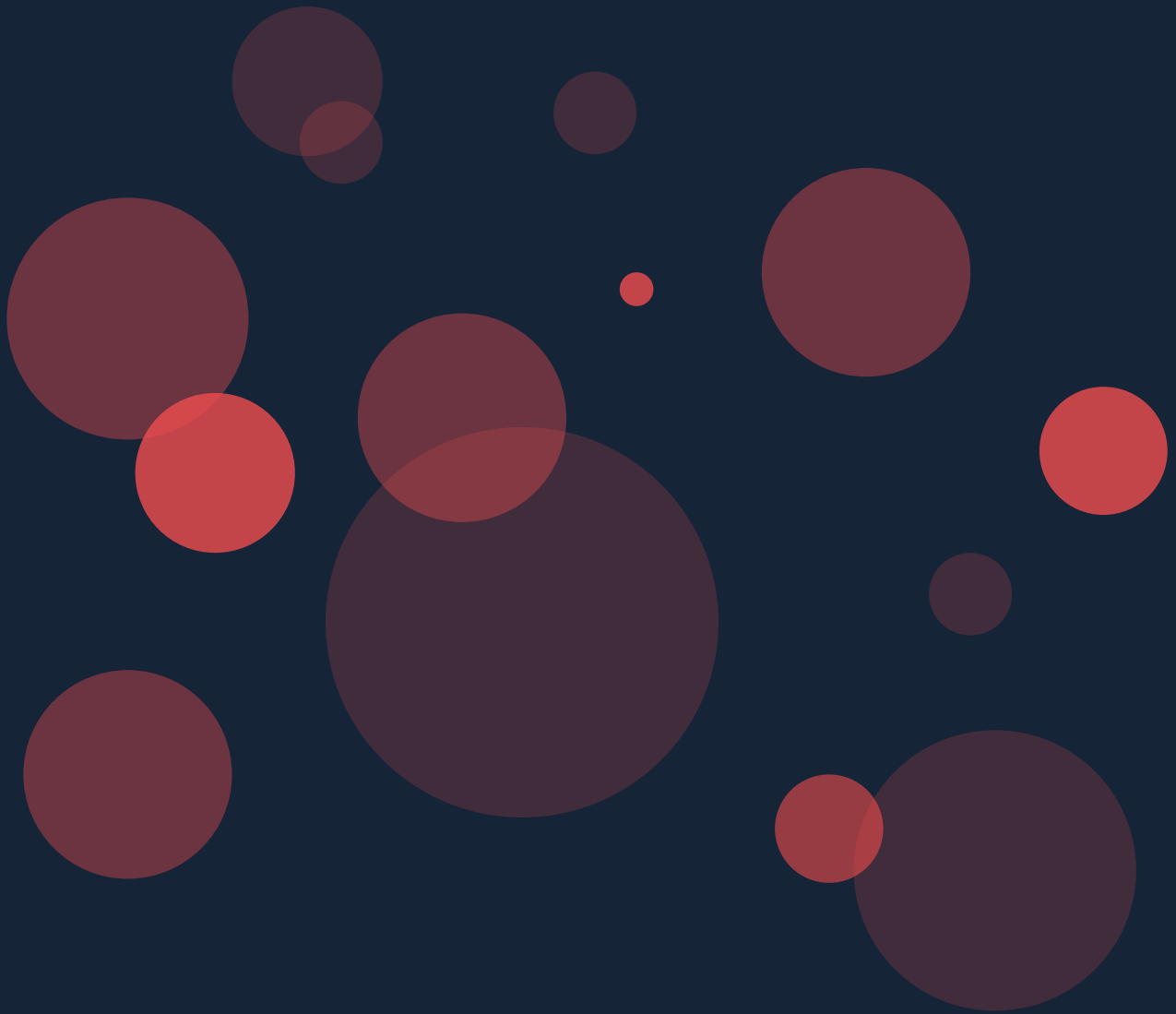


smartoptics



**QUARTERLY
REPORT Q3
2022**

FINANCIAL HIGHLIGHTS

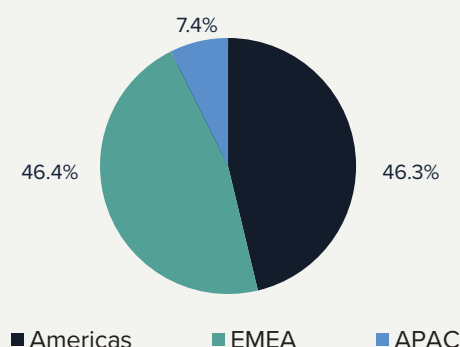
JULY - SEPTEMBER 2022

- Revenue of USD 13.6 million, a growth of 23.0% compared to same period 2021.
- Gross Margin of 48.2%, compared to 42.5% same period 2021, due to product mix, software revenue and currency.
- EBITDA of USD 3.1 million and 22.8% EBITDA margin compared to USD 1.5 million and 13.1% same period 2021. A growth of 113.4%.
- Operating profit (EBIT) of USD 2.7 million and 20.1% operating margin (EBIT margin), compared to USD 1.0 million and 9.2% same period 2021. A growth of 168.6%.
- Cash Flow from operating activities of USD 2.5 million, compared to USD -3.0 million same period 2021.

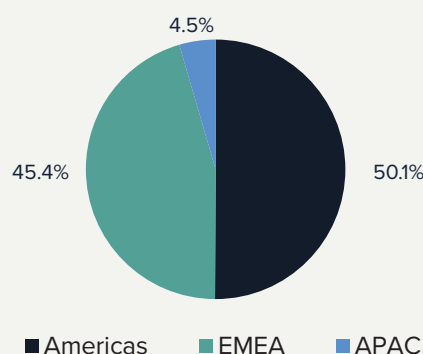
JANUARY - SEPTEMBER 2022

- Revenue of USD 40.1 million, a growth of 19.8% compared to same period 2021.
- Gross Margin of 46.3%, compared to 42.2% same period 2021, due to product mix, software revenue and currency.
- EBITDA of USD 8.2 million and 20.6% EBITDA margin, compared to USD 4.6 million and 13.8% same period 2021. A growth of 78.5%.
- Operating profit (EBIT) of USD 7.1 million and 17.7% operating margin (EBIT margin), compared to USD 3.4 million and 10.2% same period 2021. A growth of 109.4%.
- Cash Flow from operating activities of USD 2.1 million, compared to USD 0.3 million same period 2021.

GEOGRAPHICAL SPLIT OF REVENUE Q3 2022



GEOGRAPHICAL SPLIT OF REVENUE JAN-SEP 2022



Amount in kUSD**	Q3 2022	Q3 2021	Change	Jan-Sep 2022	Jan-Sep 2021	Change
Total Revenue	13 641	11 094	23.0%	40 096	33 470	19.8%
Gross Profit	6 572	4 718	39.3%	18 551	14 117	31.4%
Gross margin %	48.2%	42.5%	5.6 p.p	46.3%	42.2%	4.1 p.p
EBITDA	3 108	1 456	113.4%	8 248	4 620	78.5%
EBITDA %	22.8%	13.1%	9.7 p.p	20.6%	13.8%	6.8 p.p
Operating profit/loss (EBIT)	2 748	1 023	168.6%	7 116	3 398	109.4%
Operating margin (EBIT margin) %	20.1%	9.2%	10.9 p.p	17.7%	10.2%	7.6 p.p
Profit/loss for the period	2 460	807	205.0%	5 776	2 644	118.5%
Cash flow from operating activities	2 499	-3 025		2 110	257	
Earnings per share	0.026	0.008		0.060	0.029	
Average full time equivalents (FTEs)*	81.0	70.0	11.0	79.5	68.3	11.2

*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 Q3 REPORT

The third 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.

The growth in the third quarter was higher than previous two quarters in 2022. This development was anticipated, based on returning to a more normal seasonality in our business in 2022. We continue to win new business, while servicing our existing customer base consisting of hundreds of enterprises, cloud- and communication service providers.

We experience great interest in- and demand for the latest additions to our product offering based on 400Gbit/s technology, open line systems supporting more advanced network topologies, and the SoSmart management software suite. We have been awarded the first contracts already. A network build for a European regional government stands out as particularly interesting. The strategic importance of this project is significant. It is based on products released in 2022, and the product selection for the bespoke network build was done by one of the largest European tier 1 network operators. This win represents a solid proof point for Smartoptics strategy to develop products that allow us to compete in much larger projects and larger accounts than in the past.

The main reasons for the strong interest in our offering are the following:

- Increased interest in open optical networking, network disaggregation and IP-over-DWDM. Together resulting in lower CAPEX and massive savings in power consumption and space utilization in data centers. IP-over-DWDM is expected to significantly outgrow the total market over the coming years
- A quick transition to 400Gbit/s technology, an area in which our innovation focusing on cost efficiency has yielded exceptionally well
- The very good market position that Smartoptics has managed to build through the recent years' successful deployments of open line systems and cost efficient 100Gbit/s technology

Based on this, we are well positioned for continued strong performance. We are continuing to implement our



Magnus Grenfeldt, CEO Smartoptics Group AS

enhanced strategy developed in the first half of the year. We are continuing to invest in our product organization, sales teams and supporting functions to further increase our relevance in the market.

The revenue growth for the quarter was a solid 23.0% compared to the same quarter 2021. The outstanding revenue growth in EMEA (+52% compared to 2021) resulted in build up of a solid backlog for Americas for the coming quarters. The backlog for Americas represented 61% of the total backlog at the end of quarter three.

We continue to manage the supply situation well and have secured all critical components required in the near term. Our lead times to customers are very similar to pre-Covid conditions. Although feedback from our customers indicate that our lead times are among the best in the market, we observe slower roll out pace in larger projects where multiple technologies and vendors are involved.

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 REVIEW

CONSOLIDATED PROFIT AND LOSS STATEMENT Q3

REVENUE

Revenue grew by 23.0% in Q3 2022 to USD 13.6 million compared to USD 11.1 million in Q3 2021.

GROSS PROFIT

Direct Cost of Sales was USD 7.1 million in Q3 2022, resulting in a Gross Profit of USD 6.6 million. Gross Margin was 48.2%, compared to 42.5% in 2021.

In Q3 there were non-recurring items, where positive effects amounted to USD 239 thousand related to revaluation of inventory and negative effects amounting of USD 243 thousand related to spot purchases.

OPERATING EXPENSES

Operating Expenses was USD 3.5 million in Q3 2022, compared to USD 3.3 million in Q3 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 79% of the Operating Expenses in Q3 2022.

Operating Expenses are 3-4% lower as result of the strengthened USD during the quarter.

EBITDA AND OPERATING PROFIT

EBITDA in Q3 2022 was USD 3.1 million (EBITDA Margin of 22.8%) compared to USD 1.5 million (13.1%) in Q3 2021. A growth of 113.4%.

The increase in EBITDA is a result of revenue growth and improved Gross Margin. The revenue growth was primarily driven by stronger Solutions revenue. The Gross Margin improvement was an effect of business mix and material cost decreases.

Operating profit was USD 2.7 million, or 20.1%, compared to USD 1.0 million same period 2021. A growth of 168.6%.

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, Direct Cost of Sales and Gross Profit to a large extent in USD.

CASH FLOW

The Cash Flow from Operating Activities was positive USD 2.5 million for Q3 2022 compared USD -3.0 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 59.6%, Devices 32.2% and SW & Services for 8.2%. Split is based upon Invoiced Revenue, un-adjusted.

OUTLOOK

Ambition to reach USD 100 million in Revenue in 2025/26 timeframe is maintained.

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

FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS STATEMENT Q3

		kUSD		kNOK	
		2022	2021	2022	2021
		Jul - Sep	Jul - Sep	Jul - Sep	Jul - Sep
Total Revenue	1	13 641	11 094	137 775	96 863
Direct Cost of Sales		7 070	6 376	71 203	55 660
Gross Profit	10	6 572	4 718	66 572	41 203
Gross Margin %		48.2%	42.5%	48.3%	42.5%
Operating Expenses		3 463	3 261	34 703	28 569
EBITDA		3 108	1 456	31 869	12 634
EBITDA Margin %		22.8%	13.1%	23.1%	13.0%
Depreciation and Amortization	2,9	360	433	3 596	3 795
Operating profit/loss		2 748	1 023	28 273	8 839
Operating Margin %		20.1%	9.2%	20.5%	9.1%
Net Financial Items	3	406	11	4 358	108
Profit/loss before Income Tax		3 154	1 034	32 631	8 946
Profit Margin %		23.1%	9.3%	23.7%	9.2%
Estimated Tax		694	227	7 179	1 968
Profit/loss for the period		2 460	807	25 452	6 978
Shares outstanding		96 286 593	96 286 593	96 286 593	96 286 593
Earnings per share		\$0.026	\$0.008	kr 0.264	kr 0.072



CONSOLIDATED STATEMENT FINANCIAL POSITION 2022 Q3

		kUSD		kNOK	
		2022	2021	2022	2021
		Sep 30.	Sep 30.	Sep 30.	Sep 30.
Non-Current Assets		4 792	7 965	52 030	69 376
Intangible Assets	2	834	877	9 052	7 634
Property, Plant and Equipment	8	1 352	1 334	14 679	11 617
Right-of-Use Assets		1 442	2 465	15 658	21 465
Financial Assets		0	0	0	0
Deferred Tax Asset	4	1 164	3 291	12 642	28 660
Current Assets		30 008	27 087	325 807	235 921
Inventories		11 851	8 350	128 672	72 727
Trade Receivable		10 741	8 845	116 615	77 033
Other Current Assets		1 300	1 361	14 111	11 849
Cash and Cash Equivalents		6 116	8 532	66 409	74 312
TOTAL Asset		34 800	35 053	377 838	305 297
TOTAL Equity		24 048	22 697	261 104	197 678
Non-Current Liabilities		4 282	5 344	46 494	46 542
Other Non-current Liabilities		0	0	0	0
Contract Liabilities (Non-current)	1	1 772	1 598	19 242	13 916
Interest Bearing Debt (Non-current)	5	1 497	2 057	16 250	17 917
Lease Liabilities (Non-current)		1 013	1 689	11 002	14 709
Current Liabilities		6 469	7 013	70 240	61 077
Credit Facility		0	0	0	0
Lease Liabilities (Current)		470	805	5 106	7 010
Contract Liabilities (Current)	1	1 377	1 229	14 952	10 706
Trade Payable		3 149	3 619	34 185	31 522
Current Tax Liabilities		461	127	5 009	1 105
Other Current Liabilities	5	1 012	1 233	10 987	10 735
TOTAL Liabilities		10 752	12 356	116 734	107 619
TOTAL Liabilities and Equity		34 800	35 053	377 838	305 297
Exchange rates		10.8574	8.7096		

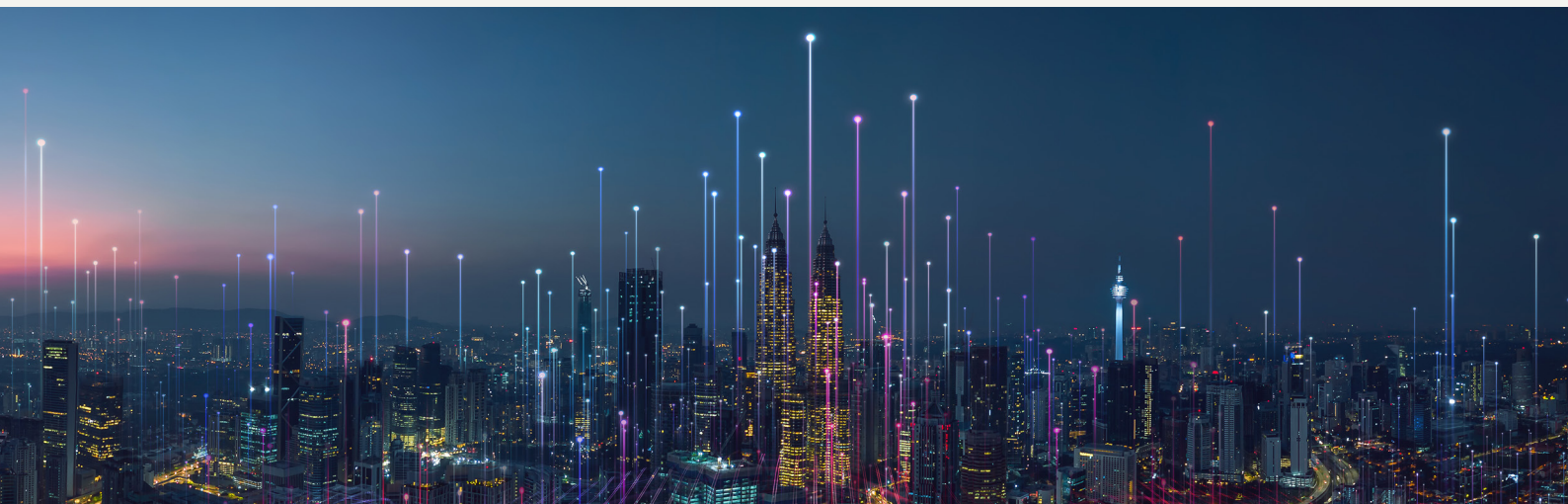
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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 period					22 476	22 476
Currency translation differences				3 635		3 635
Total comprehensive income/loss for the period	0	0	0	3 635	22 476	26 111
Issuance of shares	122	99 570				99 692
Transaction costs on equity issues		-10 574				-10 574
Dividend					-18 900	-18 900
Balance at 31 September 2021	1 926	126 177	0	4 204	65 372	197 678
Profit/loss for the period					8 066	8 066
Currency translation differences				-3 073		-3 073
Total comprehensive income/loss for the period	0	0	0	-3 073	8 066	4 993
Issuance of share warrants			1 501			1 501
Balance at 31 December 2021	1 926	126 177	1 500	1 131	73 438	204 171
Profit/loss for the period					56 926	56 926
Currency translation differences				6		6
Total comprehensive income/loss for the period	0	0	0	6	56 926	56 932
Balance at 30 September 2022	1 926	126 177	1 500	1 137	130 364	261 103



CONSOLIDATED CASH FLOW STATEMENT 2022 Q3

		kUSD		kNOK	
		2022	2021	2022	2021
		Jul - Sep	Jul - Sep	Jul - Sep	Jul - Sep
Cash at the Beginning of Period		5 750	12 168	57 274	104 475
EBITDA		3 108	1 456	31 869	12 634
Change in Trade Receivable		-655	-2 389	-16 135	-21 692
Change in Trade Payable		-1 444	203	-11 572	2 233
Change in Inventories		1 369	-2 007	3 034	-18 348
Change in Contract Liabilities (Deferred Revenue)	1	-252	281	305	2 792
Other Working Capital Changes	6	374	-568	3 877	-4 872
Cash Flow from Operating Activities		2 499	-3 025	11 377	-27 253
Payment for PPE and Development Costs	2	-263	52	-4 581	99
Other Investing Activities		0	0	0	0
Cash Flow from Investing Activities		-263	52	-4 581	99
Dividend		0	0	0	0
Net proceeds from Issuance of Shares		0	0	0	0
Downpayment of Credit Facility		0	0	0	0
Repayments of Lease Liabilities		-169	-224	-1 690	-1 966
Repayments of Borrowing	5	-176	-81	-417	-417
Paid Interest on Borrowing	5	-20	-1	-334	-11
Cash Flow from Financing Activities		-366	-307	-2 441	-2 393
Exchange Rate Changes		-1 504	-355	4 779	-617
Net Cash Flow		366	-3 635	9 1324	-30 164
Cash at the End of Period		6 116	8 532	66 409	74 312



CONSOLIDATED PROFIT AND LOSS STATEMENT JAN - SEP

		kUSD		kNOK	
		2022	2021	2022	2021
		Jan - Sep	Jan - Sep	Jan - Sep	Jan - Sep
Total revenue	1	40 096	33 470	381 960	285 564
Direct Cost of Sales		21 545	19 353	204 515	165 061
Gross Profit	10	18 551	14 117	177 446	120 503
Gross Margin %		46.3%	42.2%	46.5%	42.2%
Operating Expenses		10 302	9 497	97 288	81 158
EBITDA		8 248	4 620	80 158	39 345
EBITDA Margin %		20.6%	13.8%	21.0%	13.8%
Depreciation and Amortization	2,9	1 133	1 222	10 645	10 443
Operating profit/loss		7 116	3 398	69 513	28 902
Operating Margin %		17.7%	10.2%	18.2%	10.1%
Net Financial Items	3	289	-9	3 469	-87
Profit/loss before Income Tax		7 405	3 389	72 982	28 816
Profit Margin		18.5%	10.1%	19.1%	10.1%
Estimated Tax		1 629	746	16 056	6 339
Profit/loss for the period		5 776	2 644	56 926	22 476
Shares outstanding		96 286 593	92 639 084	96 286 593	92 639 084
Earnings per share		\$0.060	\$0.029	kr 0.591	kr 0.243

Consolidated statement of comprehensive income		kNOK
		2022
		Jan - Sep
Profit/loss for the period		56 926
Exchange differences on translation of foreign operations		6
Total comprehensive income/loss for the period		56 932

CONSOLIDATED CASH FLOW STATEMENT JAN - SEP

		kUSD		kNOK	
		2022	2021	2022	2021
		Jan - Sep	Jan - Sep	Jan - Sep	Jan - Sep
Cash at the Beginning of Period		9 380	3 625	82 724	31 134
EBITDA		8 248	4 620	80 158	39 345
Change in Trade Receivable		-2 928	-2 732	-47 716	-24 572
Change in Trade Payable		-3 067	-391	-20 629	-2 896
Change in Inventories		244	-247	-21 998	-3 182
Change in Contract Liabilities (Deferred Revenue)	1	196	550	8 151	5 075
Other Working Capital Changes	6	-584	-1 543	-4 797	-13 240
Cash Flow from Operating Activities		2 110	257	-6 832	531
Payment for PPE and Development Costs	2,9	-516	-342	-9 375	-3 188
Other Investing Activities		0	0	1	137
Cash Flow from Investing Activities		-516	-342	-9 374	-3 051
Dividend		0	-2 231	0	-18 900
Net Proceeds from Issuance of Shares		0	11 159	0	95 662
Downpayment of Credit Facility		0	-2 163	0	-18 567
Repayments of Lease Liabilities		-549	-599	-5 149	-5 122
Repayments of Borrowing	5	-228	-176	1 042	-1 250
Paid Interest on Borrowing	5	-121	-46	-1 241	-385
Cash Flow from Financing Activities		-897	5 943	-5 348	51 438
Exchange Rate Changes		-3 961	-930	5 237	-5 739
Net Cash Flow		-3 264	4 928	-16 317	43 178
Cash at the End of Period		6 116	8 532	66 409	74 312

SHARE INFORMATION

TABLE OF THE 20 LARGEST SHAREHOLDERS AS 30TH OF SEPTEMBER 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	4 906 557	5.10%
5	Danske Invest	3 853 564	4.00%
6	Ålandsbanken Fonder	3 798 000	3.94%
7	Rasmussengruppen AS	2 758 477	2.86%
8	Avanza Bank AB	2 040 644	2.12%
9	Magnus Grenfeldt	1 857 489	1.93%
10	John Even Øveraasen	1 857 352	1.93%
11	Toluma Norden AS	1 000 000	1.04%
12	Varner AS	963 391	1.00%
13	AS Clipper	963 391	1.00%
14	Schroders	640 000	0.66%
15	Karl Thedéen	493 078	0.51%
16	Bergen Kommunale Pensjonskasse	481 695	0.50%
17	Paul Joseph	310 075	0.32%
18	Glinvest AS	291 092	0.30%
19	Kent Lidström	280 762	0.29%
20	Per Burman	280 075	0.29%
	Other	4 005 150	4.16%
Total number of shares		96 286 593	100.00%

ALTERNATE PERFORMANCE MEASURES (APM'S)

SMARTOPTICS HAS THE FOLLOWING APMS:

GROSS MARGIN (GROSS PROFIT DIVIDED BY TOTAL REVENUE)

Gross Margin	2021	2021	2022	2021
Amounts in USD 1,000	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep
Total Revenue	13 641	11 094	40 096	33 470
Gross Profit	6 572	4 718	18 551	14 117
Gross Margin	48.2 %	42.5 %	46.3 %	42.2 %

EBITDA (EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION)

EBITDA	2021	2021	2022	2021
Amounts in USD 1,000	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep
Operating Profit	2 748	1 023	7 116	3 398
Depreciation and Amortization	360	433	1 133	1 222
EBITDA	3 108	1 456	8 248	4 620

EBITDA MARGIN (EBITDA DIVIDED BY TOTAL REVENUE)

EBITDA Margin	2021	2021	2022	2021
Amounts in USD 1,000	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep
EBITDA	3 108	1 456	8 248	4 620
Total Revenue	13 641	11 094	40 096	33 470
EBITDA Margin	22.8 %	13.1 %	20.6 %	13.8 %

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
Sep 30	10.8574	8.7096

Profit and loss statement	2022	2021
Jul	10.00	8.78
Aug	9.71	8.85
Sep	10.27	8.65

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 Jul - Sep was USD 208 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 September) is NOK 7.18 million.

NOTE 5 – LIABILITIES TO FINANCIAL INSTITUTIONS

There are two loans from Innovasjon Norge of combined NOK 16.2 million, and a credit line with Nordea of NOK 26 million. As of September 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 second 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 Q3	2021 Q3	Change
Amounts in NOK 1,000			
R&D equipment	5 316	3 221	2 095
Production equipment	1 353	1 143	211
Office & warehouse furniture and fixtures	2 357	2 133	224
Demo pool equipment	5 652	5 120	532
Total	14 679	11 617	3 061

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	Q3-2022	Q3-2021	YTD 2022	YTD 2021
Amounts in NOK 1,000				
Property, plant and equipment	1 191	1 099	3 568	2 944
Product development	775	874	2 325	2 710
Right of use assets / leasing	1 559	1 822	4 751	4 789
Total	3 526	3 795	10 645	10 443

NOTE 10 – GROSS PROFIT ADJUSTMENTS

In Q3 there were non-recurring items, where positive effects amounted to USD 239 thousand related to revaluation of inventory and negative effects amounting of USD 243 thousand related to spot purchases.



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