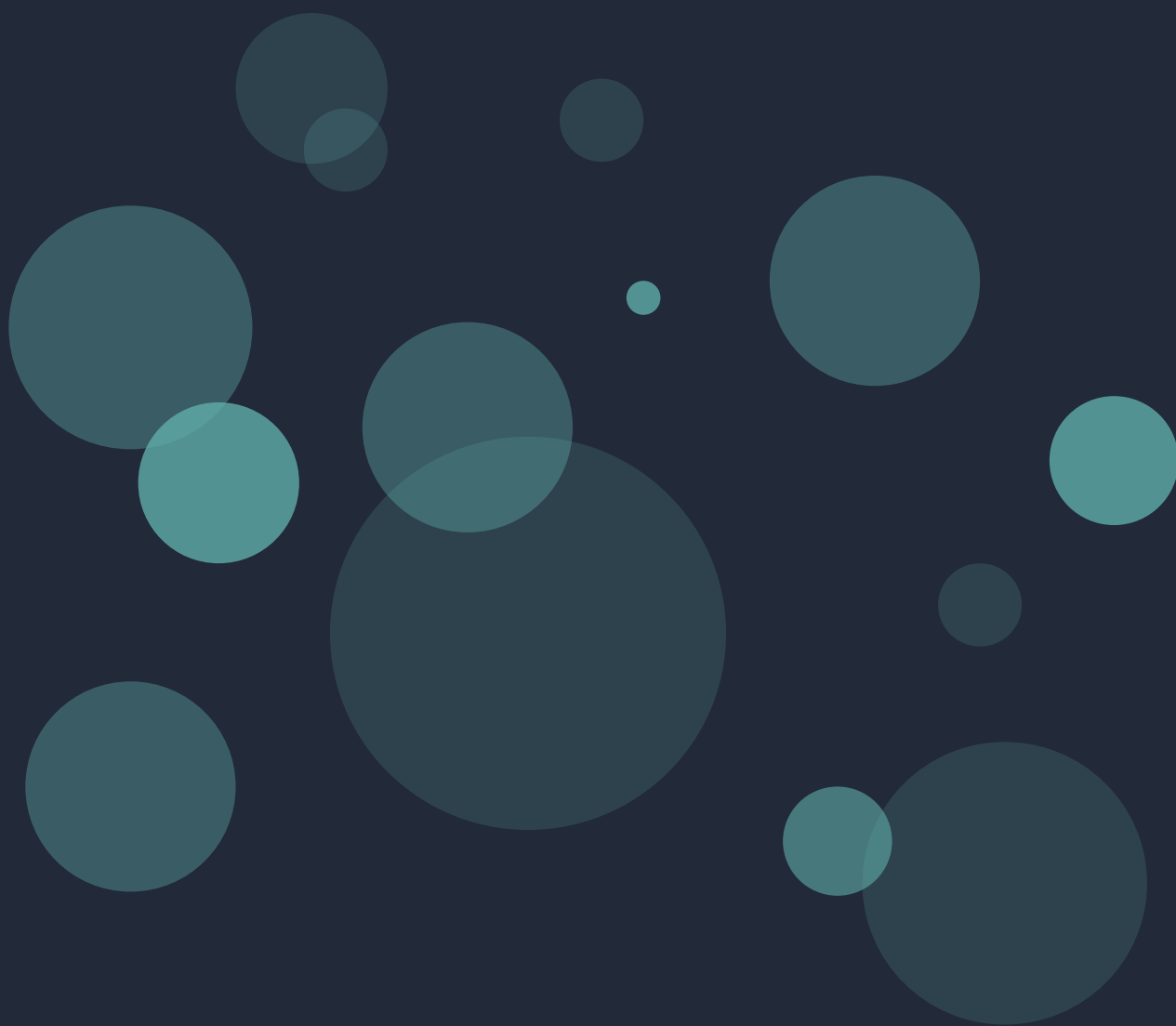


smartoptics



**ANNUAL
REPORT
2023**

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SMARTOPTICS

EXPANDING YOUR NETWORK HORIZONS

Smartoptics provides innovative optical networking solutions for a new era of open networking. We focus on solving network challenges and increasing the competitiveness of our customers. Our customer base includes cable and telecom operators, cloud providers, Internet exchanges, governments and thousands of enterprises.

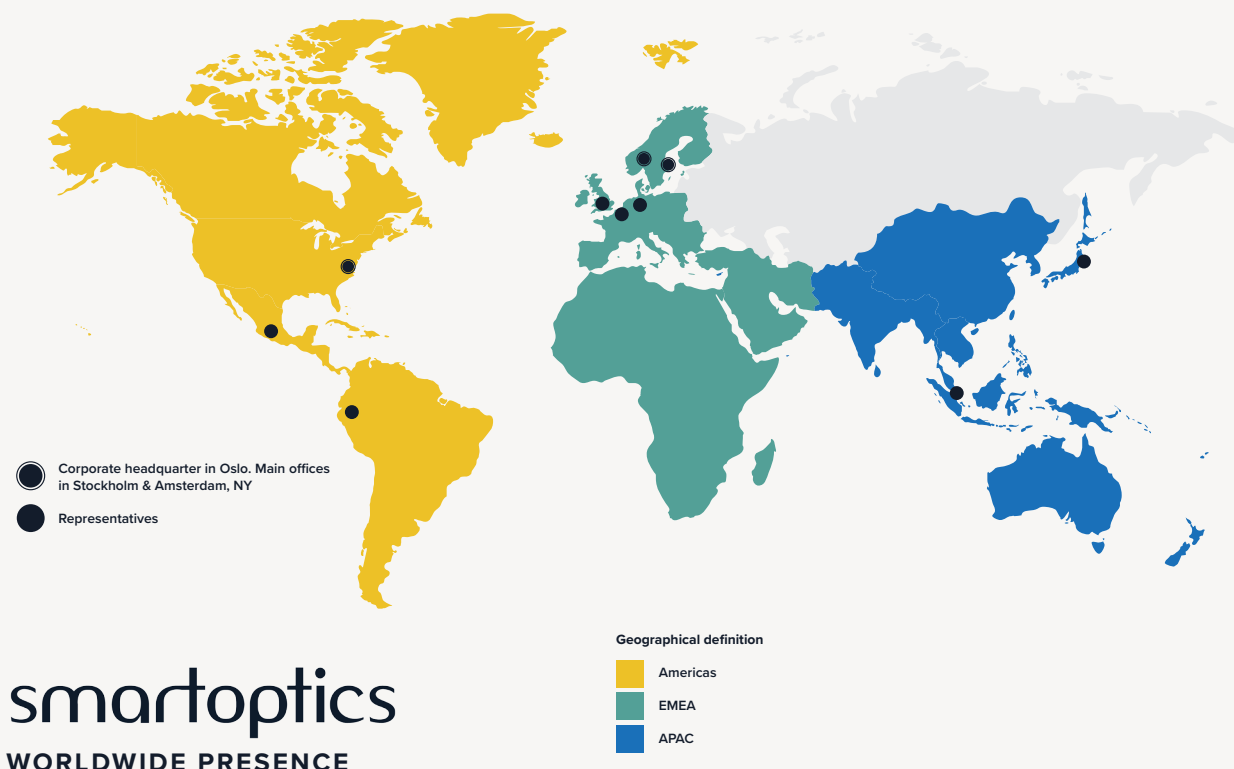
At Smartoptics, we leverage modern software design principles and expand network horizons by taking an open approach in everything we do. This empowers our customers to break free from unwanted vendor lock-in, remain flexible and minimize costs.

Our solutions based on open networking standards and protocols are used in metro and regional network

applications as well as in metro access networks. The products we deliver are based on in-house developed hardware and software and enhanced by associated services.

Smartoptics is a Scandinavian company founded in 2006. We partner with leading technology and network solution providers and hold numerous certifications and approvals from major switching and storage solution providers such as Brocade, Cisco and Dell. We have a global reach through our salesforce and more than 100 business partners including distributors, OEMs and VARs.

As a challenger, we take pride in our open approach, smart design principles and ambitious customer service.

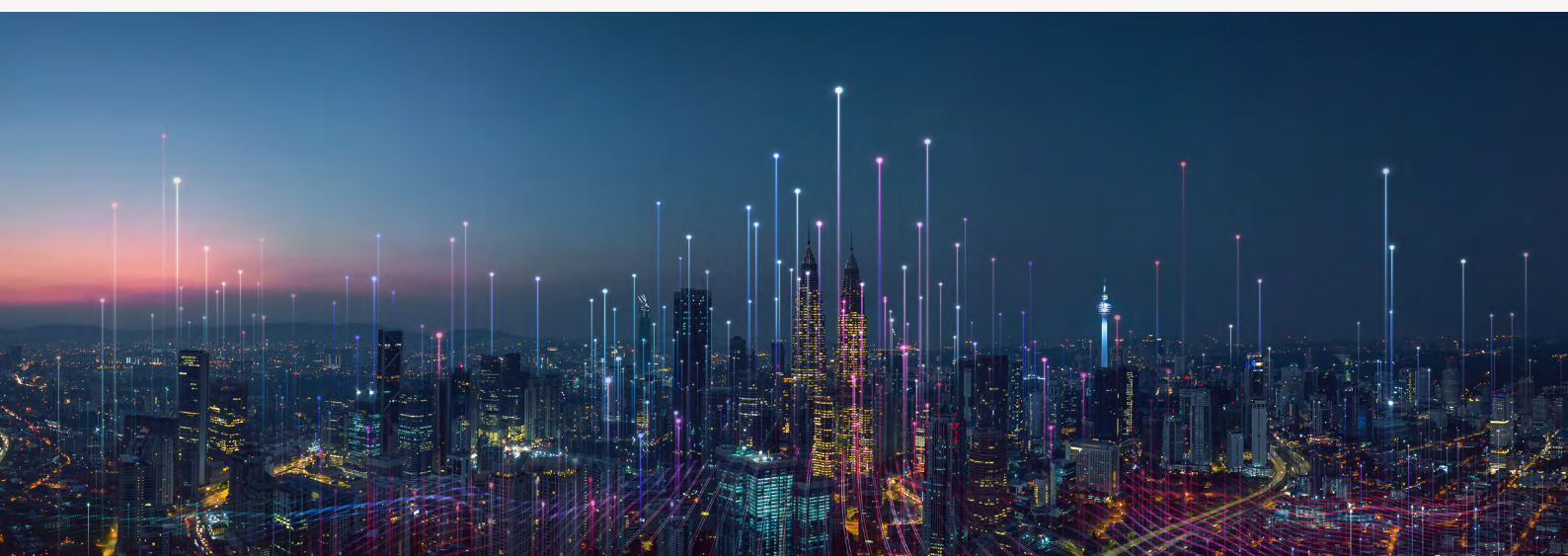


2023 IN BRIEF

HIGHLIGHTS

- Gross margin 50.0% (+5.8%-points compared to 2022)
- Revenue of USD 58.5 million and revenue growth in USD of 2.0% compared to 2022
- EBITDA margin of 18.5% (-0.4%-points compared to 2022)
- Operating margin of 15.3% (-0.9%-points compared to 2022)
- Significantly enhanced SoSmart Software Suite and the release of DCP-1203

Amounts in USD thousands	2023	2022	Change
Revenue	58 504	57 366	2.0 %
Gross profit	29 270	25 352	15.5 %
Gross margin	50.0 %	44.2 %	5.8 %
Operating cost	-18 469	-14 520	27.3 %
EBITDA	10 801	10 832	-0.4 %
EBITDA margin	18.5 %	18.9 %	-0.4 %
Operating profit	8 942	9 300	-3.9 %
Operating margin	15.3 %	16.2 %	-0.9 %
Profit & loss for the year	7 471	6 789	10.0 %
Basic earnings per share	0.078	0.071	
FTEs	107	83	28.9 %



MESSAGE FROM THE CEO

ANOTHER STRONG YEAR FOR SMARTOPTICS

In 2023, Smartoptics continued to deliver on our strategic objective, to become a recognized leader in open optical networking solutions. We continue to leverage and drive trends in how cost-efficient, flexible, open, and disaggregated networks should be built. Our innovative product offering, particularly in the areas Solutions, Software and Services are continuously developed to broaden the addressable market for the company.

The market sentiment in 2023 was weaker than previous years because of the general economic softness curbing the investment spend in the industry. This particularly affected our business related to 5G roll out in North America, which represented nearly 15% of our revenue in 2022, reduced to a minimum in 2023. The company has no other dependencies on 5G related business. Despite this, we delivered growth year over year, which proves our attractiveness within our core business segment: Smaller communication service providers, enterprises and internet content providers. The revenue growth for the full year 2023 was 2.0% compared to 2022.

Despite limited revenue growth and a growing organization, our EBITDA margin remained strong with 18.5% in 2023 compared to 18.9% in 2022. Our operating cash flow was also significantly improved in 2023 compared to 2022. All in all, this means that the financial performance of the company is in line with our long-term aspirations.

During 2023, we have taken important steps to further improve the way we are positioned for profitable growth in the years to come. The underlying demand, driven by the ever-growing demand for bandwidth and continuous needs to upgrade and expand networks remain strong. In 2024 we expect several factors to contribute to accelerated growth.



Magnus Grenfeldt, CEO Smartoptics Group AS

Markets to regain momentum in 2024 - Signals from industry majors and market analysts indicate that the US market is set return to growth, particularly in the second half of 2024.

New product launches through 2024 - We have planned major product launches in 2024, significantly improving our competitiveness in the more advanced parts of our addressable markets, as we to a much larger degree than before will be able to serve large, regional network deployments.

New markets contributing to growth - We have seen meaningful revenue from LATAM as of the second half of 2023 and continued good traction in selected markets of APAC. This trend is expected to continue in 2024.

Attracting major accounts - Through broadened product offering – both software and hardware, and strengthened organization, we are becoming a much more relevant vendor for large network operators. The quality of our dialogue with such major accounts is continuously improving, and we target to secure major accounts in 2024.

LETTER FROM THE CEO

Our continuously expanded customer base implies an increasing base of recurring software and service revenue and upsell opportunities. The strong core business of Smartoptics is demonstrated by the increased number of ordering customers in all markets. New customers represented 14% of our revenue in the year.

The dialogue with larger accounts is primarily driven by our ability to improve cost efficiency, innovation, and responsiveness to rapidly changing requirements and customer expectations. Specifically, IP-over-DWDM and adoption of 400Gbit/s (and emerging 800Gbit/s technology), enables lower CAPEX and OPEX for customers. These topics will continue to be the center of such discussions over the foreseeable future. Adding to this, I'm exceptionally pleased with the fact that the newly released products continue to come hot out of the gate and are in high demand from day one, and the fact that our Software suite SoSmart is now developed to a point where it contributes greatly to our attractiveness, particularly for larger network deployments and with larger accounts. All in all, these factors result in additional confidence in the second half of 2024.

On this positive backdrop, assuming the market sentiment in our main markets return to normal during 2024, we

maintain our long-term ambitions of growing our revenue up to USD 100 million by 2025/2026 and continue to produce strong profitability with an EBITDA margin of 17-20% and EBIT margin of 13-16%.

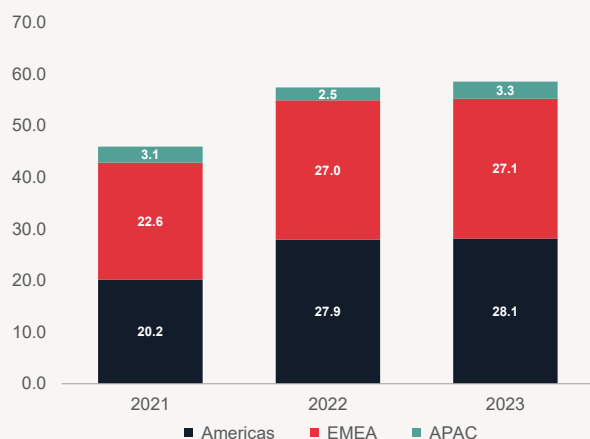
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BUSINESS OVERVIEW

REVENUE BY GEOGRAPHY

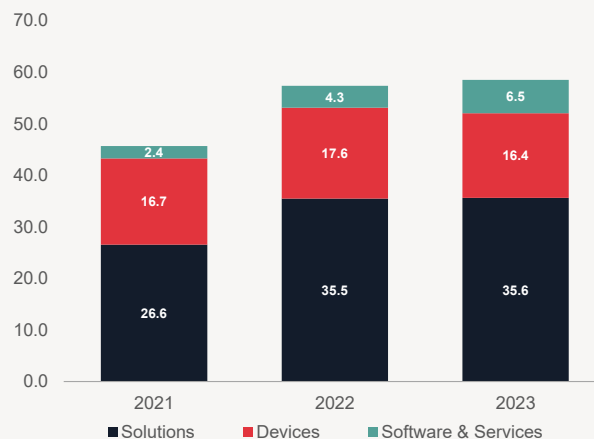


The Americas retained its position as the largest market for Smartoptics in 2023, demonstrating the strength of this region. Despite facing challenges in North America due to the slowdown in the 5G rollout, which contributed nearly 15% to our revenue in 2022, our underlying business displayed resilience, maintaining steady growth. In the region we continued to expand our presence in the LATAM market throughout the year, with a number of customer wins.

In the EMEA region, we encountered obstacles such as decreased spending within the Alternative Service Provider market in the UK. Despite these challenges, our performance in other EMEA markets remained robust, resulting in a modest growth between 2022 and 2023.

APAC region exhibited growth, with a notable increase of 29%.

REVENUE BY BUSINESS AREA



Smartoptics has three main product categories: Solutions, Optical Devices and Software & Services. These products are used to construct various Enterprise, Governmental, DCI, Metro and Regional networks.

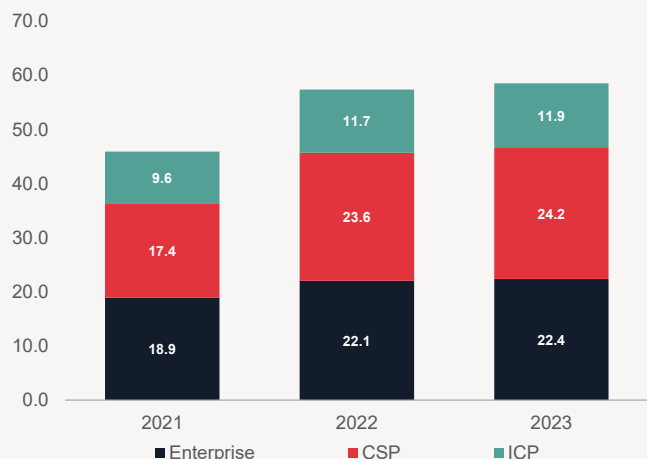
Solutions consists of the DCP-R family, DCP-F family, DCP-M family, Transponders and Muxponders, as well as transceivers used in connection with the System projects. The lack of 5G related project impacted the revenue growth of Solutions related project in 2023. It has also taken longer time to convert larger opportunities in the current market conditions.

Optical devices consist of transceivers, passive filters and accessories that are sold independent of products in the Solutions offering.

Software and Services are closely related to Solutions, as customers buy a complete solution including a Software and Services package. There is a recurring element in Software and Services through customers having quarterly or yearly Software and Services subscriptions that renews. Software and Services revenue is shown after reduction of deferred revenue. Software and Services grew by 52% between 2022 and 2023, driven by continued addition of new products and software offerings as well as a larger installed base covered by services.

Our innovative product offering, particularly in the areas Solutions and Software & Services are continuously developed to broaden the addressable market for the company.

REVENUE BY CUSTOMER TYPE



Smartoptics customers are divided into three market segments: Communication Service Providers (CSPs), Internet Content Providers (ICPs), and Enterprises.

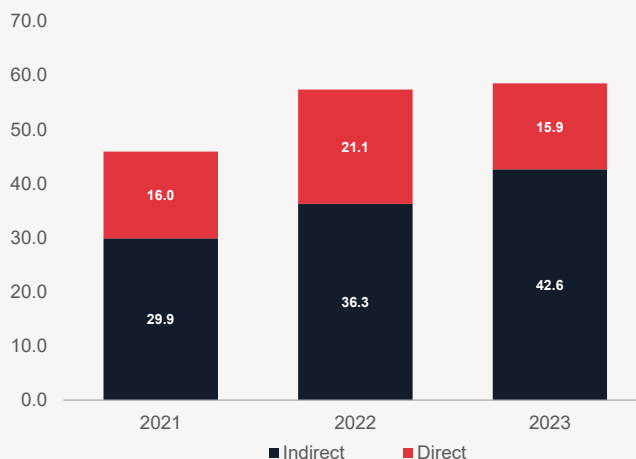
CSPs range from national telecom operators with a broad portfolio of services to smaller rural communication and broadband service providers. This segment also includes wholesale operators with enterprise and bulk optical transport service focus. In addition, the segment contains Cable TV MSOs (Multi System Operators) and providers of broadband services to consumers via fiber. Smartoptics has specifically been targeting more business with the CSPs by introducing the DCP-M, DCP-F, and DCP-R product families. This segment is the largest in terms of revenue for Smartoptics.

ICPs are Internet content, public cloud computing, or neutral co-location providers. This segment had a growth of 12% between 2022 and 2023.

Enterprises include medium and large enterprises that purchase equipment directly from a manufacturer or reseller to support connectivity for their non-telecom core businesses; Equipment resold by other service providers for managed services is not included. Typical customers are found within Banking, Government, Utilities, and Education. The Enterprise segment grew by 7% between 2022 and 2023 and is providing a good customer base to build upon. Smartoptics has traditionally focused on the Enterprise market, while our new products focus on the other two segments.

The revenue split is an estimate by categorizing customers. A new categorization was made in 2022, covering all shown years.

REVENUE BY CHANNEL



Smartoptics has a direct sales force throughout Europe and in the US. 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 access to the global market.

The network of sales partners is a valuable asset for Smartoptics. The network has been developed over some 15 years and is continuously improved with new partners added every year.

The direct business is primarily related to the CSP segment, where procurement of Smartoptics products is handled directly by the customers. As the business with the 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. These companies design solutions in close cooperation with Smartoptics and the end customer, solutions which sometimes include 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 customers.

OEMs (distributor/partner) are companies that market and sell the products from Smartoptics under their own name or where the Smartoptics products are a part of an OEM-branded solution.

The revenue split is an estimate by categorizing customers. A new categorization was made in 2022, covering all shown years.

MARKET DEVELOPMENT

The total optical equipment market was valued at approximately USD 16 billion globally in 2023 and is expected to stay relatively flat the coming three years. The metro WDM market makes up about half of this total.

In recent years, the metro wdm market has shifted towards using equipment with the WDM optics deployed directly into the routers and switches, a technology known as IP-over-DWDM. This architecture has become a more viable option with recent advancements in transceiver form factors, cost levels, and performance.

Smartoptics specializes in developing products for metro applications, which involve networks within cities or between nearby cities. These products are designed using open and disaggregated principles, meaning they can interoperate with a variety of other vendors' products and function well in a mixed vendor ecosystem. Disaggregation also allows for multiple vendors to deliver different aspects of the network solution, resulting in higher performance at a lower cost point, as well as the ability to continuously upgrade step by step.

The global metro WDM market, including IP-over-DWDM solutions, was worth approximately USD 7.6 billion, in 2023 and the IP-over-DWDM segment is expected to grow rapidly in the coming years due to its cost efficiency, making the IP-over-DWDM share increases substantially.

Overall, Smartoptics is well-positioned to capitalize on this growing trend towards IP-over-DWDM solutions, as our products are designed to be interoperable and cost-effective, making them an attractive option for customers looking to upgrade their metro networks.

The market analysis is based on research by Signal.AI and on Smartoptics estimates.



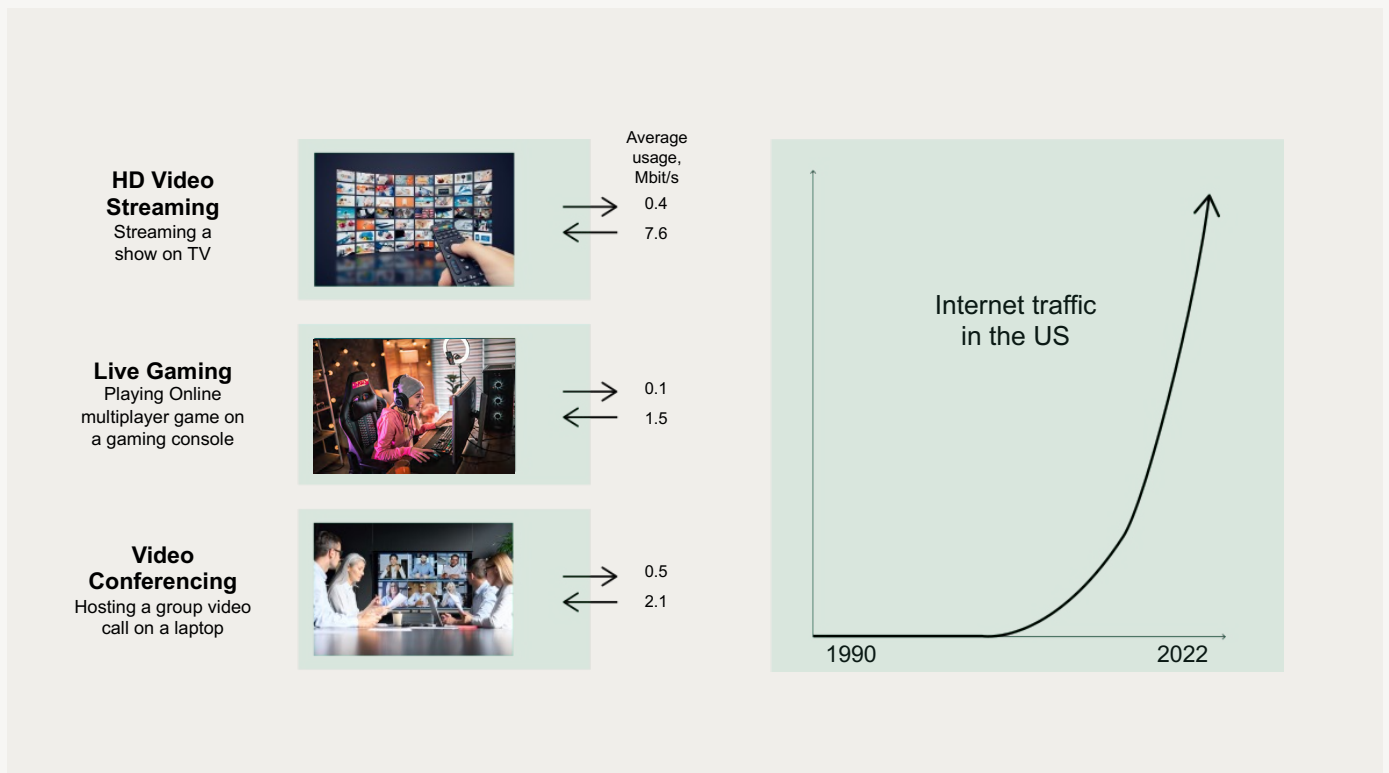
CUSTOMERS

THE EVER-GROWING DEMAND FOR BANDWIDTH

Communications are a central element of our lives, both in a professional and private sense. We scroll among unlimited streams of video content on the TV, we play computer games with our friends, and we participate in video conferences with colleagues on other continents. Where telecommunications once meant just telephony, today streaming services, Internet access, data sharing and video communications have become mainstream applications, making up the vast majority of all the information transported over the electronic web spanning the Earth.

The traffic growth is exponential. And this will continue. Technological innovation and mass production have gradually reduced the cost of each transported bit. And a lower bandwidth cost spurs the innovation of even more bandwidth hungry applications. The shift towards higher capacity communications networks is in a positive feedback loop and it will roll on for a long time.

This trend is the driving force behind the global demand for the high capacity, optical transport solutions provided by Smartoptics. Hence the Smartoptics' customers are found among the cable and telecom operators, cloud service providers, Internet exchanges, governmental agencies and enterprises striving to keep up with their users' never-ending need for more bandwidth.



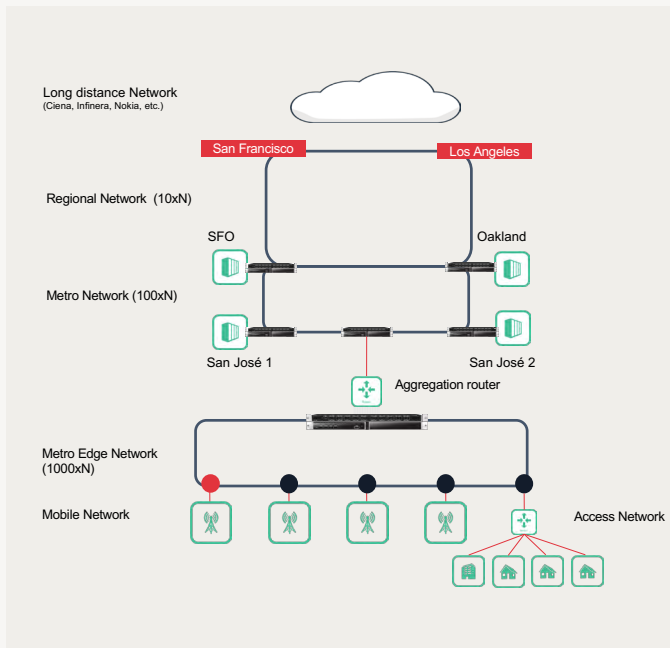
CUSTOMER TYPES

COMMUNICATION SERVICE PROVIDERS

The largest communication networks with the most users are public networks, run by cable and telecom operators which sell bandwidth capacity and related services to their customers. Their users range from large numbers of consumers with broadband access to enterprises active in time-critical businesses such as e-commerce or media streaming, putting great demands not only on fast but also on fail-safe connections. These Communication Service Providers (CSPs) form Smartoptics' largest addressable

market segment and use Smartoptics products to build cost efficient optical networks interconnecting the CSP's major points of presence and providing network access for the CSP's users.

The CSP's networks typically have a hierarchical structure where traffic from many users is aggregated and then transported over common long-distance connections.



- **Regional Network** - Connectivity between cities in a region. 100Gbit/s and 400Gbit/s. Several hundred connections
- **Metro Networks** - Connectivity between major Datacenters. 100Gbit/s and emerging 400Gbit/s. Several hundred connections
- **Metro Edge Networks** - Backhaul of Data to major Datacenters. 10Gbit/s up to 100Gbit/s. Several thousand connections

The hierarchical structure of the CSPs' networks offers multiple opportunities for the deployment of Smartoptics open line systems, transponder, and muxponder products: At the regional level, which interconnects cities, 100G and 400G DWDM line systems with DCP-R ROADMs from Smartoptics are in strong demand when building ring and mesh shaped networks. Within cities, i.e., at the metro level, additional DWDM rings at 100G and 400G built with ROADMs from Smartoptics are used to meet the demand for further distribution of the CSP's bandwidth. And to reach the thousands of CSP users, access and edge networks using Smartoptics 10G and 100G open line systems with transponders/muxponders are deployed.

increasingly invest in IP over DWDM solutions with open line systems, which is an excellent match for the new RO-ADM and open line system offerings based on the Dynamic Connectivity Platform (DCP) from Smartoptics. Thanks to the open interfaces (APIs) of the Smartoptics' products and by using the SoSmart Software Suite from Smartoptics, the CSP may also create a complete and simple to use "point-and-click" management solution for his optical network. Or alternatively, the Smartoptics' IP over DWDM solutions can be integrated with the existing management and provisioning systems already in place. Hence, the IP over DWDM solutions from Smartoptics offer the CSP both a lower cost and simpler management than traditional optical transport systems.

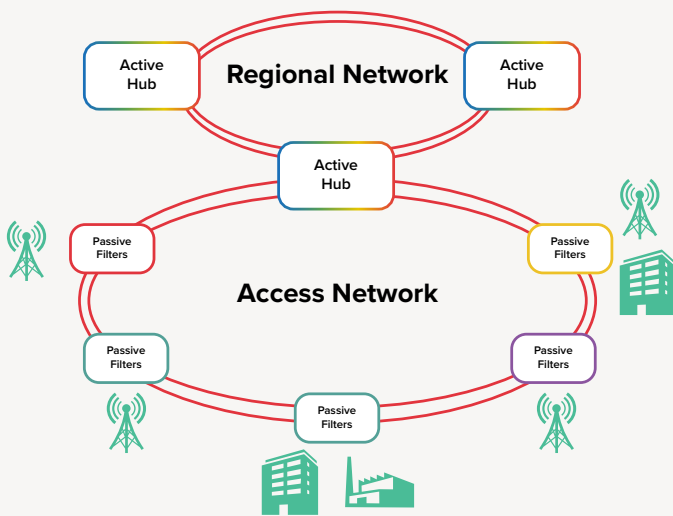
The CSPs have a recurring demand for more bandwidth between their points of presence, as well as significant expansion needs when building backhaul networks for e.g., 5G and broadband access. A recent trend is that CSPs

RURAL COMMUNICATION AND BROADBAND SERVICE PROVIDERS

A special type of Communication Service Provider is the rural service provider, serving less densely populated areas and remote regions of a country. The rural service providers often play a crucial role in the digitalization policies of a country and in the strive to bring an equal set of digital services to all citizens.

In the initial deployment phases, the rural service provider can seldom see the need to use the powerful optical

transport solutions that have been designed primarily for the “tier 1” types of networks in a metropolitan area. Rather, the rural service provider requires solutions that have a low entry cost, are simple to operate, but also have the potential to be upgraded to higher capacities when the need arises. Hence, the rural optical network becomes an excellent application for Smartoptics’ IP over DWDM architecture which allows for an efficient mix of active/passive solutions for broadband backhaul combined with a regional network consisting of upgradable, easily manageable, open line systems using ROADMs and long reach optics.



- **Regional Network** - Connectivity between major nodes in the area at 100 and 400 Gbit/s. Using active equipment that routes traffic to and from the access network rings.
- **Access Network** - Backhaul of traffic from radio base stations, enterprises and businesses to the active hubs of the regional network. Using optical filters hence no power is required at the add/drop sites.



INTERNET CONTENT PROVIDERS AND INTERNET EXCHANGES

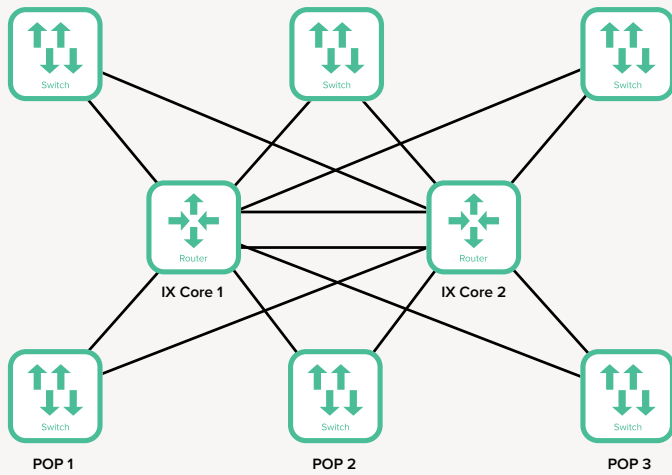
An Internet Content Provider (ICP) is an organization that creates information, entertainment, or other content for online delivery over the Internet. ICPs deploy high-capacity optical networks within their data centers and for back up between datacenters. Some of the larger ICPs also maintain their own international optical transport network to reduce their media distribution costs.

Internet Exchanges (IXPs) are peering points for Internet traffic, allowing participant Internet Service Providers (ISPs) to exchange data for their respective networks. An IXP organization typically operates several such exchange points in one or more countries as well as Points of Presence (POP) in relevant data centers, all interconnected by a dedicated optical transport network.

The ever-growing demand for bandwidth drives ICPs and IXPs to request bandwidth at a very attractive cost per

bit, when interconnecting their sites. A preferred way of achieving this is to deploy IP over DWDM solutions from Smartoptics, removing transponders and decreasing the overall cost of the transport layer. When even higher capacities are required or if the switches only have low speed ports, using e.g., the Smartoptics DCP-404 muxponder paired with 400G transceivers is an excellent alternative. This muxponder can run four 100G links over 400G, using only one fiber pair instead of four, in a compact and efficient form factor. By simply adding more DCP-404s into a single rack unit, it is even possible to expand capacity by up to a factor of four.

Smartoptics innovative and fully open DCP platform simplifies all types of IP over DWDM deployments by reducing cost and automating network configuration. An IP over DWDM architecture further has the advantage of leveraging technology advances more rapidly than traditional systems, thereby facilitating a continuous update of the DWDM connections from 100G to 400G and beyond.



- Point-of-Presence (POP) - connectivity needs an Internet Exchange (IXP) with two core routers.

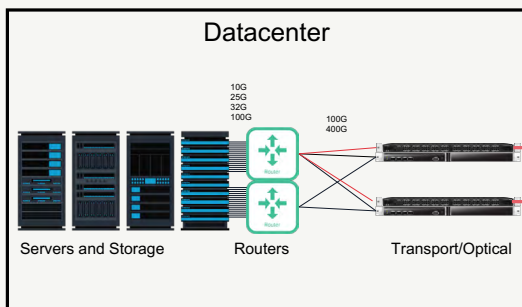


ENTERPRISE AND GOVERNMENT DATA CENTERS

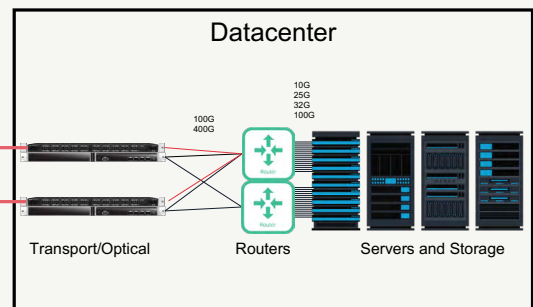
Like ICPs and IXPs, enterprises and government agencies use Smartoptics’ products to boost the bandwidth transported over optical fibers when interconnecting their data centers. With IP over DWDM solutions offered by Smartoptics it is possible to transport up to 16 Tbit/s over one fiber pair, and mix and match Ethernet traffic with e.g., storage specific protocols like Fibre Channel. 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.

Enterprise and government projects are typically smaller than CSP and IXP projects but often result in recurring revenues over several years. Normally network utilization grows and transport capacity may have to be upgraded by 10 – 50% in the years following the initial deployment. And since there is typically 4-5 years between new technology cycles, a complete re-investment in the optical network often occurs after about 5 years.

Datacenter



Backup Datacenter (Enterprise), Datacenter 2, 3... (ICP)



N x 100/400G or FC
Up to 100km
Up to 16 Tbit/s



PRODUCTS

OVERVIEW PORTFOLIO

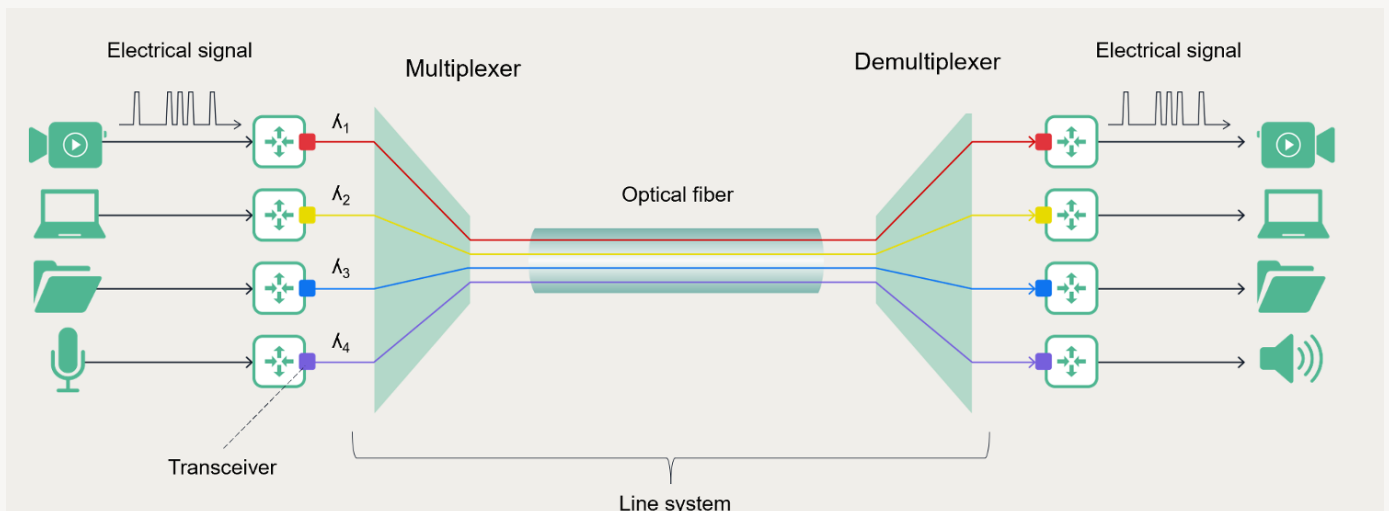
DENSE WAVELENGTH DIVISION MULTIPLEXING - DWDM

Smartoptics offer products for cost-efficient transport of digital data over optical fibers. The fundamental technology underlying the products is called Wavelength Division Multiplexing (WDM) and Smartoptics is primarily leveraging a specific version of this technology referred to as Dense Wavelength Division Multiplexing or DWDM.

In DWDM, data carried by separate electrical signals is transformed into light pulses of different colors. These colored signals can then be sent over an optical fiber and retrieved at the receiving end by picking up each individual incoming color separately. The colors are combined into the light stream to be transported by the fiber using a device called a multiplexer and then, at the other end of

the fiber, the light stream is separated into individual wavelengths again by use of a demultiplexer, so that they can be sent to the correct receiver. The optical fiber with multiplexers, demultiplexers, and sometimes also intermediate optical amplifiers, is often referred to as a line system, while the conversion between the electrical and optical signals is performed by pluggable transceivers.

Thanks to the wavelength multiplexing the customer gets access not to one, but to many independent, two-way communication channels, even with just one fiber pair deployed between the sites. This enables for example an enterprise to build corporate communication networks for video conferences, data communications and server back-up, all using the same fiber infrastructure. Or a telecom operator can use the same fiber network for both telephony, Internet services and data center interconnect services, without having to deploy costly separate long distance fiber cables.

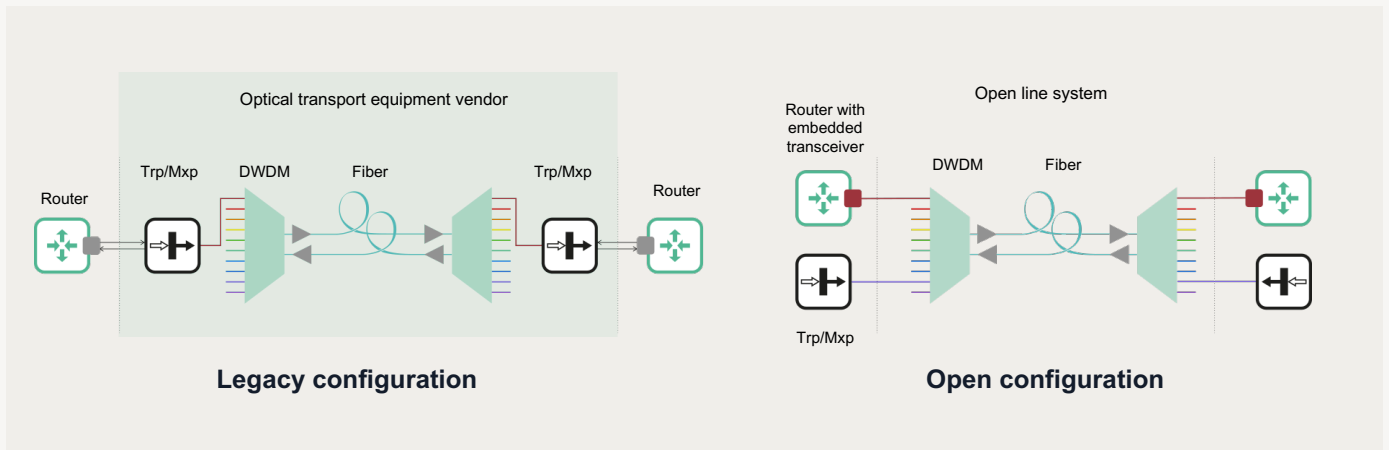


Illustrations of function of an Open Line System

IP OVER DWDM WITH OPEN LINE SYSTEMS

Until recently, all optical transport networks were built using dedicated, monolithic, optical transport systems originating from the telco world. However, an open architectural approach is now increasingly applied to optical networking, using IP over DWDM, i.e., pluggable optics in standard IP routers and switches, and open 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.

IP over DWDM solutions are of interest both to enterprises for e.g., Data Center Interconnect (DCI) and to Communication Service Providers (CSPs) for metro edge 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. The Smartoptics' products are designed for this new era in optical communications.



PRODUCT PORTFOLIO

Smartoptics' product portfolio comprises complete Optical Solutions, Optical Devices, The SoSmart Software Suite, and Professional Services.

OPTICAL SOLUTIONS BASED ON THE DYNAMIC CONNECTIVITY PLATFORM (DCP)

To meet the diverse requirements of IP over DWDM with active and open line systems, Smartoptics has designed the Dynamic Connectivity Platform (DCP) as a multipurpose base, supporting the optical networking needs of both operators and enterprises. The DCP platform uses an open architecture supporting pluggable transceivers, open line systems, and SDN control, resulting in a superior price/performance when compared to legacy solutions.

The DCP platform can be used in all types of IP over DWDM optical networks, may they be simple point-to-point links or advanced, ROADM-based, ring and mesh networks. To fit the varying needs of IP over DWDM, the DCP platform comes in several flavors: The DCP-M, the DCP-R, and the DCP-F open line system families, and a comprehensive portfolio of transponders and muxponders.

The DCP platform provide flexibility for both small and large configurations and to cater for use in special situations. Management of all DCP platform products is done using the SoSmart software suit.

THE DCP OPEN LINE SYSTEM 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 three families of DCP products:

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 ring and mesh shaped ROADM network with multiple traffic formats, 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 as well as being 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.



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)

THE DCP TRANSPONDERS AND MUXPONDERS

For all cases where an IP over DWDM approach is not suitable, Smartoptics has introduced a separate family of DCP-2 based transponders and muxponders. Using a transponder, a short range electrical or optical signal from a switch or router can be converted to a long range WDM signal for transport over an open line system. The transponder/muxponder also has functions for optional encryption of the optical signal and for optical channel quality monitoring.

The DCP-108, DCP-1203, and the DCP-1610 transponders are typically used to adapt switches and routers that do not accept pluggable CWDM/DWDM transceivers to use an open IP over DWDM line system. These products also often act as a demarcation device between a service provider's network and his subscribers.

The DCP-110 muxponder offers a cost-efficient way of aggregating up to ten 10 GbE signals into one 100G channel to be transported over a DWDM line system. Similarly, the DCP-404 muxponder enables the multiplexing of four 100GbE signals into one 400G channel for the most bandwidth efficient utilization of the available fiber infrastructure.



DCP-108



DCP-1203



DCP-1610



DCP-404



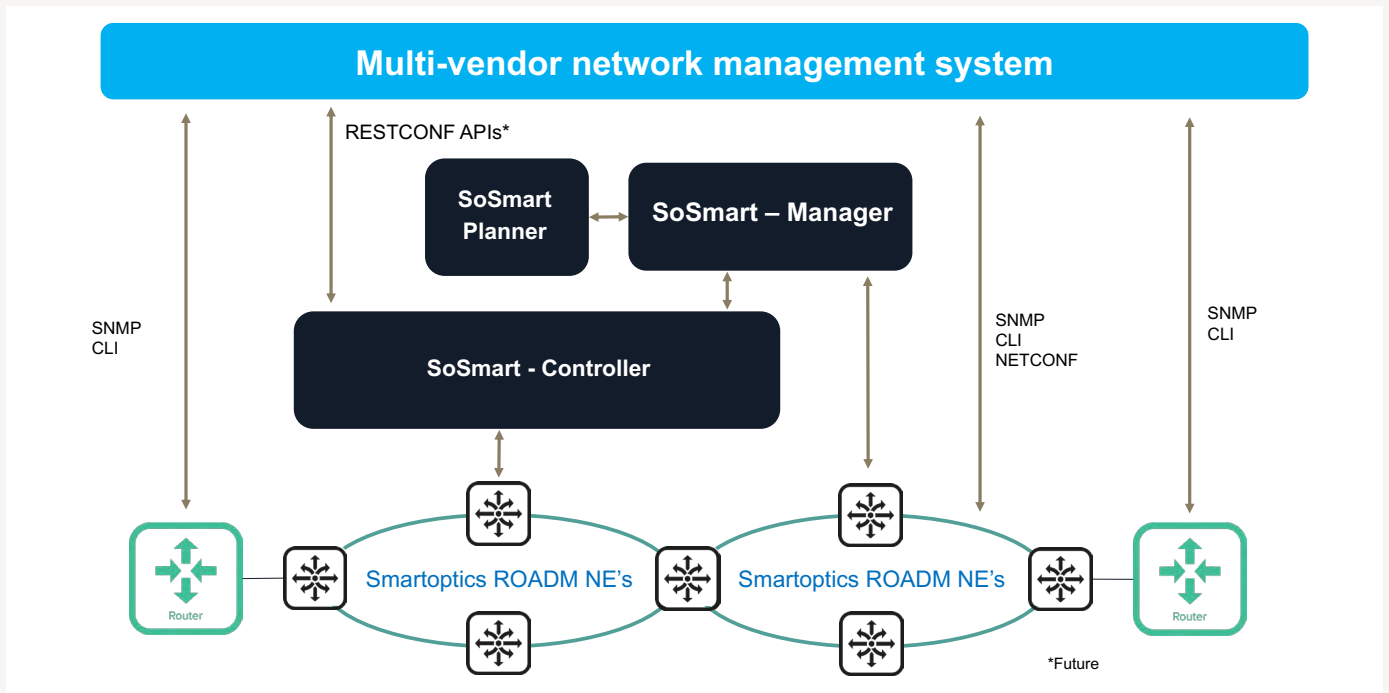
DCP-110

The Smartoptics DCP transponders and muxponders.

THE 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, and multiple integration possibilities with other systems and products.

Using the graphical user interface of the suite’s SoSmart Manager, a network operator can dynamically provision capacity, monitor performance, and track down problems in the underlying physical optical network. Alternatively, the SoSmart suite acts as an adaption layer between the network elements from Smartoptics and higher-level multi-vendor network management systems.



SOSMART MANAGER

The SoSmart Manager is the interface between the physical optical network and the staff operating the network, and hence the graphical user interface (GUI) plays a crucial role for the efficiency of network provisioning and management. The SoSmart Manager GUI is designed to be straight forward and intuitive to use. Navigation is easy with menus to the left and the workspace to the right of the display. Graphical representations and selectable menu alternatives are used wherever possible.

Optical layer path calculations and wavelength service creation between network nodes as well as Layer 1 transport service creation between Smartoptics transponders are easily done by simple point and click actions. Just select a port in the node where the optical channel shall start and a port in another node where it shall end, give the service a name and you are done. The SoSmart Manager will automatically calculate the path and estimate its performance.

The SoSmart Manager also provides alarm lists and alarm logs to simplify fault-finding and troubleshooting as well as performance monitoring. Furthermore, the SoSmart Manager includes the necessary functions for an efficient administration of the optical network including an up-to-date inventory of the deployed network elements, and keeping track of e.g., mandatory software/firmware upgrades and necessary node element back-up files.

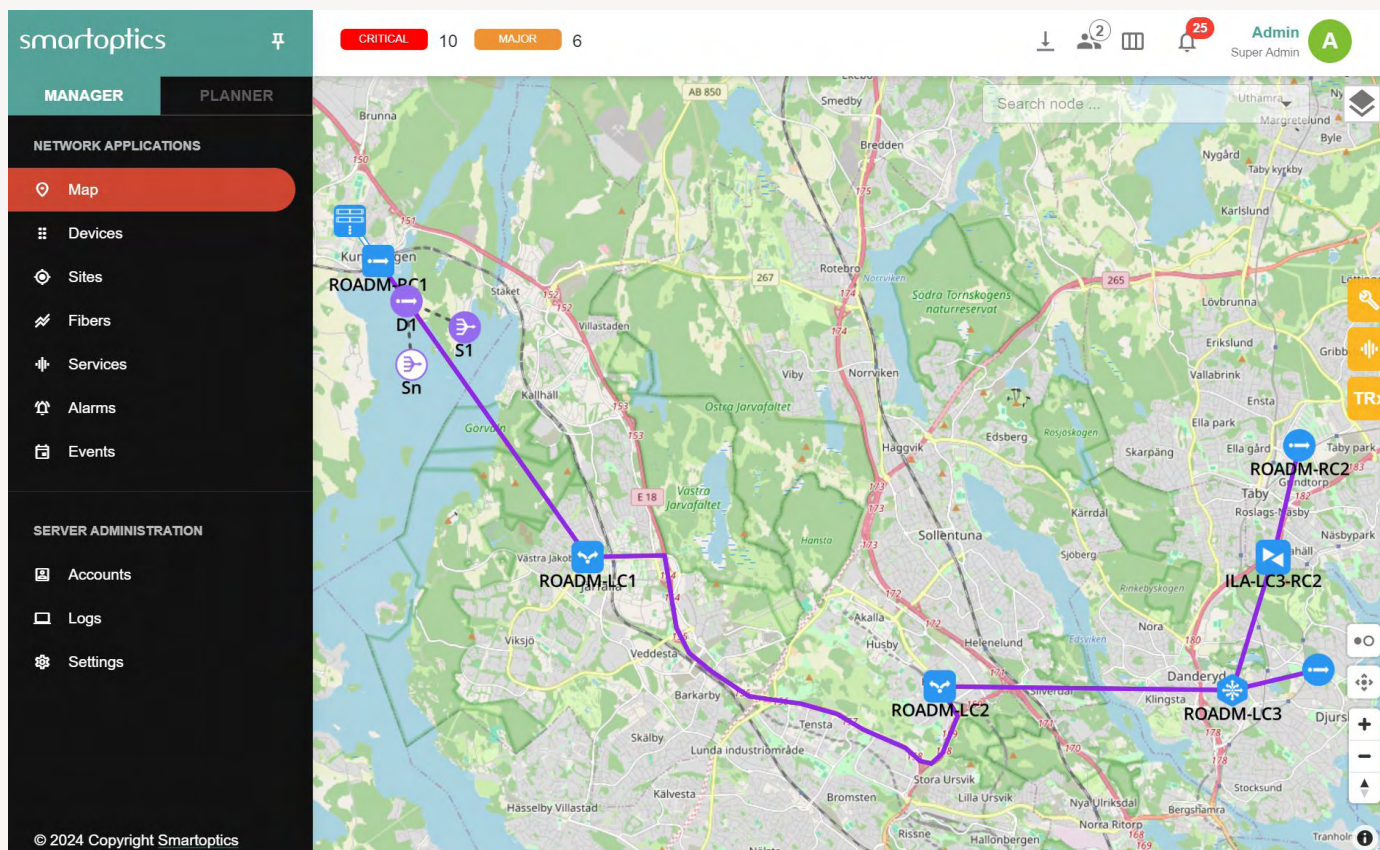
SOSMART CONTROLLER

The SoSmart Controller controls the network elements in the optical network enabling the configuration of settings and provisioning of services according to requests coming from the SoSmart Manager GUI and/or from higher-level management systems. The SoSmart Controller is based on the open-source Transport Path Computation Element (TransportPCE) software and uses the non-proprietary NetConf and Open ROADM protocols to control the network elements. The communication links to the individual network elements are typically implemented over a secure and dedicated IP-network (DCN) reaching each optical network node.

SOSMART PLANNER

The SoSmart Planner is an optical planning and simulation tool with the same GUI as the SoSmart Manager and using the open-source module GNPY for path simulations. The SoSmart Planner with GNPY is fully capable of doing both advanced OSNR simulations as well as advanced GSNR simulations where non-linear effects are taken into consideration.

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 APIs, 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 APIs.



The image shows an example network in the SoSmart Manager, a part of the SoSmart Software Suite.

OPTICAL DEVICES

Smartoptics offers a comprehensive portfolio of thoroughly tested, high end optical transceivers used in e.g., routers, switches, and radio base stations. The Smartoptics transceivers support all types of storage, data, voice, and video traffic, regardless of whether linking rack-to-rack, bottom-to-top of rack, data center-to-data center or enterprise network-to-network. Exclusively approved 8/16/32 Gbps Fibre Channel solutions allow SAN networks to be connected simply and conveniently. For long distance transmission of 10/100/400 Gbps signals, the transceivers are used in combination with the Smartoptics DCP-based open line systems to deliver greater network power at lower cost.

Smartoptics 32G, 16G and 8G Fibre Channel transceiver families have been uniquely approved by Cisco for use with its MDS platform. The certified solutions offer Cisco users a new approach to cost-efficient data center connectivity through IP over DWDM networking. Smartoptics is also the only vendor whose complete end-to-end solutions are layer 1 tested by Brocade. Not just transceivers or multiplexers, but systems that allow intelligent long-distance connectivity based on IP over DWDM principles without the need for stand-alone DWDM platforms.

In addition to the transceivers Smartoptics offers a complete portfolio of passive WDM multiplexors, OADMs, and cables, where applications span from data center interconnect to pure access network deployments for operators. Smartoptics passive multiplexers and OADMs are designed for the best possible performance levels. That translates into low losses and even greater distances for transmission. All Smartoptics units can be housed in case hardened outdoor modules and used outdoors. The range of passive CWDM/DWDM multiplexers and OADM modules allow up to 16 CWDM and 80 DWDM channels to be connected simultaneously over a dark fiber network. These passive components are completely protocol transparent and suit applications including 400/100/10/1G Ethernet, SDH/SONET, 32/16/8/4/2/1G Fibre Channel/FICON, FTTx and CATV.

Through the optical devices 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 cost, and creating better scalability for network owners.

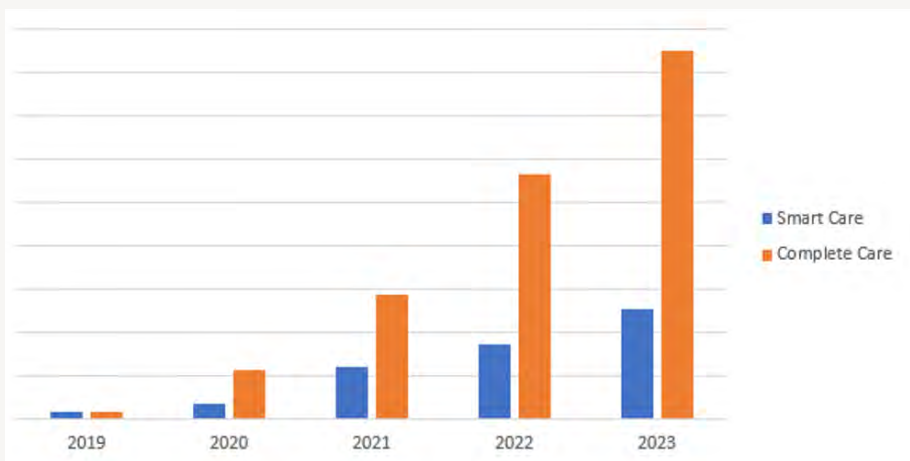
PROFESSIONAL SERVICES

Smartoptics provides a wide range of services to its customers, mainly delivered by own inhouse resources. From network design, via staging and installation support to after sales support, Smartoptics ensures that the customer gets the most out of his network. The offering includes pre-defined support service bundles, where the customer can choose a complete set including software update subscriptions with technical support 24/7, advance product replacement, and extended warranty. Alternatively, the customer may pick and choose the individual support services of his interest.

Sales of advanced and complete optical networks to Communication Service Providers and large IXPs does not only depend on the products themselves but also on the support that can be delivered by the vendor when the network has been deployed. Smartoptics therefore has a

dedicated support team handling trouble tickets from all around the globe, 24 hours a day, every day of the year. Response times and customer satisfaction are measured continuously, and we are very pleased that over 90% of our customers state that they are extremely satisfied with the support they receive.

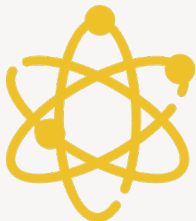
Professional services also play an important role in the Smartoptics growth strategy. The increasing number of customers signing up for Smartoptics' professional services is an important source of recurring revenue for the company. By introducing service bundles such as Complete Care and Smart Care, choosing an adequate service level has been simplified for the customer, resulting in a rapidly growing number of service contracts. The ultimate objective is that every network deal shall be accompanied by a professional service contract extending the customer relation and providing continued income.



Number of active Smart Care and Complete Care service contracts

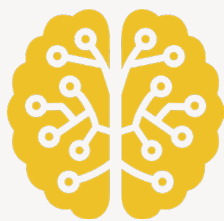


PROFESSIONAL SERVICES FROM SMARTOPTICS



COMPLETE CARE

The Complete Care service is our most comprehensive service bundle and contains TAC 24/7/365, software subscriptions and APR+EWS.



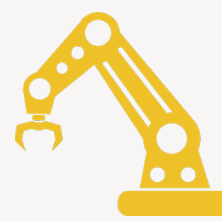
SMART CARE

The Smart Care offers a bundle of support services including 24/7/365 support and an extended product warranty.



TECHNICAL SUPPORT

Our aim is to meet your network expectations by designing a network to be as high-performance and cost-efficient as possible.



EXTENDED WARRANTY SERVICE

Smartoptics' extended warranty service (EWS) allows you to extend the term of your product warranty beyond the standard term.



ADVANCE PRODUCT REPLACEMENT

Smartoptics' advance product replacement (APR) service is an optional service that can be purchased for any Smartoptics product. If a product is found to be in need of replacement a replacement product with the same or similar functionality will be shipped by the next business day.



NETWORK DESIGN SERVICES

We offer a complimentary optical network design service. This includes a bill of materials (BOM) to match the future-proof fiber and network requirements of every individual network task as well as recommendations for spare parts.



STAGING AND INSTALLATION SUPPORT

Our pre-staging service encompasses building up and testing the network in our lab. This ensures the network is fully operational prior to shipping and saves valuable time during the installation period.



TRAINING AND EDUCATION

Smartoptics offers training programs for everything from xWDM basics to our product portfolio and how to design and implement an optimized network to meet your current and ongoing capacity requirements.

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, Owner of Coretech AS

EDUCATION

Bachelor of Information Technology from EDB høyskolen in Oslo, Norway

HOLDINGS IN SMARTOPTICS GROUP

31 783 599 shares, as of December 31, 2023



SARA HEINER ASPLUND
BOARD MEMBER

BORN
1976

BOARD MEMBER SINCE
2022

OTHER CURRENT ASSIGNMENTS

Director of Finance & Accounting at Etraveli Group

EDUCATION

MSc. in Industrial Engineering and Management from the Royal Institute of Technology

HOLDINGS IN SMARTOPTICS GROUP

7 339 shares, as of December 31, 2023

BOARD OF DIRECTORS



EINAR CASPERSEN
BOARD MEMBER

BORN
1968

BOARD MEMBER SINCE
2022

OTHER CURRENT ASSIGNMENTS
Lawyer Advokatfirmaet Schjødt

EDUCATION
Cand Jur, Law from University of Oslo

HOLDINGS IN SMARTOPTICS GROUP
15 850 429 shares, as of December 31, 2023



KARL THEDÉEN
BOARD MEMBER

BORN
1963

BOARD MEMBER SINCE
2019

OTHER CURRENT ASSIGNMENTS
CEO of Outpost24 AB

EDUCATION
MSc. in Systems Engineering from the Royal Institute of Technology

HOLDINGS IN SMARTOPTICS GROUP
463 078 shares, as of December 31, 2023

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, 2023



STEFAN KARLSSON
CHIEF FINANCIAL OFFICER

BORN

1970

EXPERIENCE

Prior to joining Smartoptics, he held the position as Director of Finance and Accounting at Trustly since November 2020. Previously, he was the Director of Finance at Infinera. His background also includes positions in financial controlling and accounting at Transmode, PacketFront, Powerwave Technologies, Allgon and IconMedialab, as well as a tenure as an auditor at PWC.

EDUCATION

Bachelor degree in Business and Economics from Stockholm University and has studied Business Administration at the University of Macau.

JOINED SMARTOPTICS

2024

HOLDINGS IN SMARTOPTICS GROUP

0 shares and 0 warrants, as of December 31, 2023

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, 2023



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

2022

HOLDINGS IN SMARTOPTICS GROUP

22 179 shares, as of December 31, 2023



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, 2023

BOARD OF DIRECTORS REPORT

THE SMARTOPTICS GROUP

Smartoptics Group AS is the holding company of the Smartoptics group of companies (the group). 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.

The group's focus is 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 partners with leading technology and network solution providers and upholds numerous certifications and approvals from major switching and storage solution providers such as Brocade, Cisco, and Dell. Smartoptics has a global reach through the sales force and more than 100 business partners including distributors, OEMs and VARs.

OPERATIONAL OVERVIEW

PRODUCTS

The Smartoptics group has three main product categories.

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.

Devices consists of passive optical multiplexers, transceivers (optical interfaces for routers, switches and base-stations for example) and various accessories. Optical tran-

sceivers 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.

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

LOCATIONS

The employees of the group are located in Norway, Sweden, United Kingdom, Germany, Poland, the Netherlands and the United States. Smartoptics Group AS operates from Brynsalléen 2, 0667 Oslo.

FINANCIAL REVIEW

FINANCIAL RESULTS OF 2023

The Smartoptics group's revenues amounted to USD 58.5 million in 2023, an increase of 2.0% from 2022. The revenue growth was all organic. The revenue growth is driven by success within Solutions and Software & services business.

Gross profit was USD 29.3 million, resulting in a gross margin of 50.0%. The gross margin improved by 5.8%-points compared to 2022. The improvement is a result of business mix shift toward higher share of Solutions and Software and services.

Operating expenses amounted to USD 47.7 million. The operating expenses have increased as a result of a growing organization. Smartoptics group had 115 employees at year end 2023. About 30% of the operating expenses are related to employees and consultants. Currency changes, with USD strengthen vs SEK and NOK have reduced the increase in operating costs.

Operating profit was 8.9 million and operating margin 15.3%, a decrease of 0.9%-points compared to 2022. Despite limited revenue growth and a growing organization the profitability remain strong, due to the improved gross margin.

Depreciation and Amortization was USD 1.9 million. Amortization is related to capitalization of personnel costs within key projects in research and development. The capitalized amount for the year is USD 0.7 million. Depreciation is primarily related to production equipment and lab instruments used for development and office equipment.

Net financial items were USD 0.6 million, of which interest cost accounted for USD -0.2 million and net foreign exchange gains USD 0.6 million.

Profit/(loss) for the year was USD 7.5 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 25.8 million.

FINANCIAL POSITION AND CASH FLOW

Total non-current assets amounted to USD 7.1 million at the end for 2023. This mainly consists of Right-of-use assets (USD 1.9 million), property, plant and equipment (USD 2.8 million), capitalized development costs (USD 1.3 million) as well as deferred tax asset (USD 1.1 million).

Total current assets amounted to USD 41.9 million at the end of 2023. Current assets consist predominantly of inventory, trade receivables and cash. Cash position was USD 9.3 million at year end.

The group had a total equity of USD 30.0 million, corresponding to an equity ratio of 61.3% at the end of the year.

Total liabilities amounted to USD 19.0 million at the end of the year. Current liabilities were USD 13.4 million and non-current liabilities was USD 5.6 million. The group had USD 1.4 million in interest bearing debt. Current liabilities consist of mainly trade payables of USD 4.5 million and deferred revenue of USD 3.1 million. 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 USD 11.9 million. This was driven by overall profitable business.

RISK FACTORS

COMMERCIAL RISK

Smartoptics operates 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 customers.

GEOPOLITICAL RISK

Smartoptics rely on a global supply chain with suppliers located in Europe, North America and in Asia. Rising tension between major powers in the world could negatively impact these global supply chains.

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 USD 9.3 million in cash at the end of the year. In addition, the group has an undrawn bank credit facility of USD 7.4 million.

INTEREST RATE RISK

Borrowings amounted to USD 1.4 million per year end 2023. There are two loans with Innovasjon Norge and one loan with Nordea Financing. These are denominated in NOK. These loans will be fully amortized in 2026. The group has no other interest-bearing debts.

EXCHANGE RATE RISK

A majority of Smartoptics customers are 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, USD, EUR and GBP. Currency fluctuations will have an impact on profitability, through increasing or decreasing operating costs.

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 115 full-time employees and the parent company has 2 employees. Of the 115 full-time employees in the group 22 were women and 93 were men. For the parent company both employees are men. The board of directors consists of four persons, whereof one female. There were no injuries or accidents during the financial year. Sick leave rates has been low.

ENVIRONMENT, SOCIAL & GOVERNANCE

From July 1st, 2022, the Norwegian Transparency Act came into effect, which mandates the Smartoptics Group to perform due diligence assessments based on OECD guidelines. The Group is obligated to release a sustainability report complying with the Norwegian Transparency Act on www.smartoptics.com, no later than June 30th, 2024. The sustainability report is influenced by the CSRD directive and the ESRS standard.

SOCIAL RESPONSIBILITY

EQUAL OPPORTUNITY

At Smartoptics, we are committed to maintaining a workplace that is free from discrimination of any kind. We ensure that all aspects of recruitment, compensation, skills development, promotion, and retirement are based solely on merit and are not influenced any discrimination factor. Additionally, we have a robust grievance mechanism in place that enables employees to submit complaints anonymously. We work diligently to create a work environment that is fair, respectful, and supportive for all employees.

HUMAN RIGHTS AND WORKING CONDITIONS

Smartoptics is fully committed to upholding the United Nations Convention of Human Rights. We believe that all employees should have a clear understanding of their employment conditions. We are dedicated to ensuring that our employees receive fair and competitive pay and benefits that meet applicable laws and industry standards.

We adhere to applicable laws regarding working hours and vacation rights. At Smartoptics, we have a zero-tolerance policy towards forced labor and child labor. We respect the right of every co-worker to freedom of association and collective bargaining, and we do not tolerate any form of punishment or harassment for exercising these rights.

HEALTH AND SAFETY

We place high priority on the health and safety of our employees. We conduct regular Health, Safety and Environment (HSE) rounds with a dedicated safety representative to ensure that our workplace environment is healthy and safe. Our HSE audits cover a wide range of areas, including emergency plans, control of fire equipment, physical and psychosomatic work environment, and more. Any findings from our HSE audits are acted upon to ensure that necessary steps are taken to create a safe and healthy work environment.

We maintain high standards of health and safety in compliance with relevant local legislation and guidelines in all areas in which we operate. Any health and safety incidents are recorded and investigated, and relevant measures are taken to prevent recurrence in the future.

DISCRIMINATION

We are committed to creating a work environment that values and respects every employee. We believe that every employee should be always treated with respect and dignity. Discrimination of any kind based on partiality or prejudice is strictly prohibited in our workplace. This includes 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.

ENVIRONMENTAL RESPONSIBILITY

WASTE MANAGEMENT

We recognize the importance of responsible waste management and are committed to reducing our environmental footprint. We believe that it is essential to minimize the impact of our operations on the environment and contribute to sustainable practices wherever possible.

We are committed to further reducing our environmental impact by exploring additional sustainable practices and working with suppliers and partners who share our commitment to sustainability. Through our efforts, we hope to inspire others to adopt sustainable practices and contribute to a more environmentally responsible future. Through our membership in the Norwegian Grønt punkt we contribute to the collection and recycling of packaging.

CHEMICALS AND ELECTRICAL WASTE

Smartoptics is committed to ensuring that our products are environmentally responsible and comply with all relevant regulations and standards. We are proud to say that our products are RoHS/REACH compliant. We work with a recycling and disposal company to ensure that all waste generated by our products complies with the WEEE regulation from the European Commission.

EMISSION

We recognize that our operations have an impact on the environment, and we are committed to minimizing our carbon footprint. To achieve this, we regularly measure our greenhouse gas emissions in accordance with the GHG protocol, and use this information to identify areas where we can reduce our impact.

One key area where we are focusing our efforts is on transportation. We are actively seeking out suppliers who can offer us solutions that reduce our carbon footprint, and we encourage all employees to choose environmentally friendly options when it comes to travel

CORPORATE GOVERNANCE

CODE OF CONDUCT

Our code of conduct serves to foster a culture of integrity, transparency and accountability within the organization. Our code of conduct serves as the cornerstone of our ethical framework, outlining the standards of behavior expected from all employees. Upholding these standards is paramount to maintaining the trust and confidence of our stakeholders.

Integrity remains at the core of everything we do.

Transparency is another key pillar of our corporate governance. We believe in open and honest communication with our shareholders, employees, customers, and the wider community. By being transparent about our operations, decisions, and challenges, we aim to build trust and foster long-term relationships based on mutual respect and understanding.

Accountability is equally important to us. We hold ourselves to the highest standards of accountability, both individually and collectively. When we make mistakes, we own up to them, learn from them, and take steps to prevent them from happening again.

Smartoptics is committed to conducting its business in an ethical and legal manner, and we expect the same from our business partners. Therefore, we have developed a Business Partner Code of Conduct to ensure that our business partners comply with our values and standards. We share this code with all our business partners and expect them to adhere to it in all their dealings with us.

In addition, we expect our business partners to conduct themselves with honesty, integrity, and transparency, and to avoid conflicts of interest. We encourage our business partners to communicate openly with us and to report any suspected violations of our Code of Conduct or applicable laws and regulations. We will take appropriate action in response to any such reports, including termination of our business relationship if necessary.

PROTECTION OF INFORMATION AND MAINTENANCE OF CONFIDENTIALITY

The safeguarding of sensitive information is paramount to our operations and is integral to maintaining the trust of our stakeholders. Throughout the year, we have invested in robust measures to ensure the security and confidentiality of our data across all facets of our business. We have also prioritized the cultivation of a culture of confidentiality and discretion among our employees. Through training programs and regular communication, we emphasize the importance of handling sensitive information with the utmost care and integrity.

RAISING CONCERNS AND COMPLIANCE

WHISTLEBLOWING FUNCTION

Smartoptics recognizes that employees may feel uncomfortable raising an issue directly with the person involved. Therefore, we have a whistleblower function, which guarantees anonymity and the option to receive feedback if desired. Whistleblowers are protected and every report is handled with confidentiality.

Our whistleblowing system ensures that employees can report any concerns they have without fear of retribution or retaliation. We take every report seriously and investigate them thoroughly to ensure that any issues are addressed and resolved promptly. Smartoptics is committed to creating a safe and ethical work environment for all employees, and our whistleblower function is an essential part of achieving this goal.

CERTIFICATIONS

We are ISO 45001:2023, 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.

GREAT PLACE TO WORK

Our employees are our biggest asset and we want to offer a workplace where they can make an impact. That is why we conduct an employee survey annually. After the second year in a row, we have received the Great Place certificate, which is a great honor.

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 10 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 25.8 million in the parent company to other equity and NOK 48.1 million to dividend, equal to NOK 0.5 per share.

OUTLOOK

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

THE SMARTOPTICS SHARE INDEXED DEVELOPMENT



At the end of 2023 Smartoptics Group AS had 96 286 593 shares issued. The company also has 1 758 925 share warrants outstanding. 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 2022 was 19.40 NOK.

Closing price for the Smartoptics share on Dec 30th 2023 was 18.05 NOK.

The Smartoptics share is a part of Euronext Growth Allshare index. This index declined by 10.78% during 2023. The Smartoptics share price declined by 6.96% during 2023.

16 April 2024
Oslo, Norway

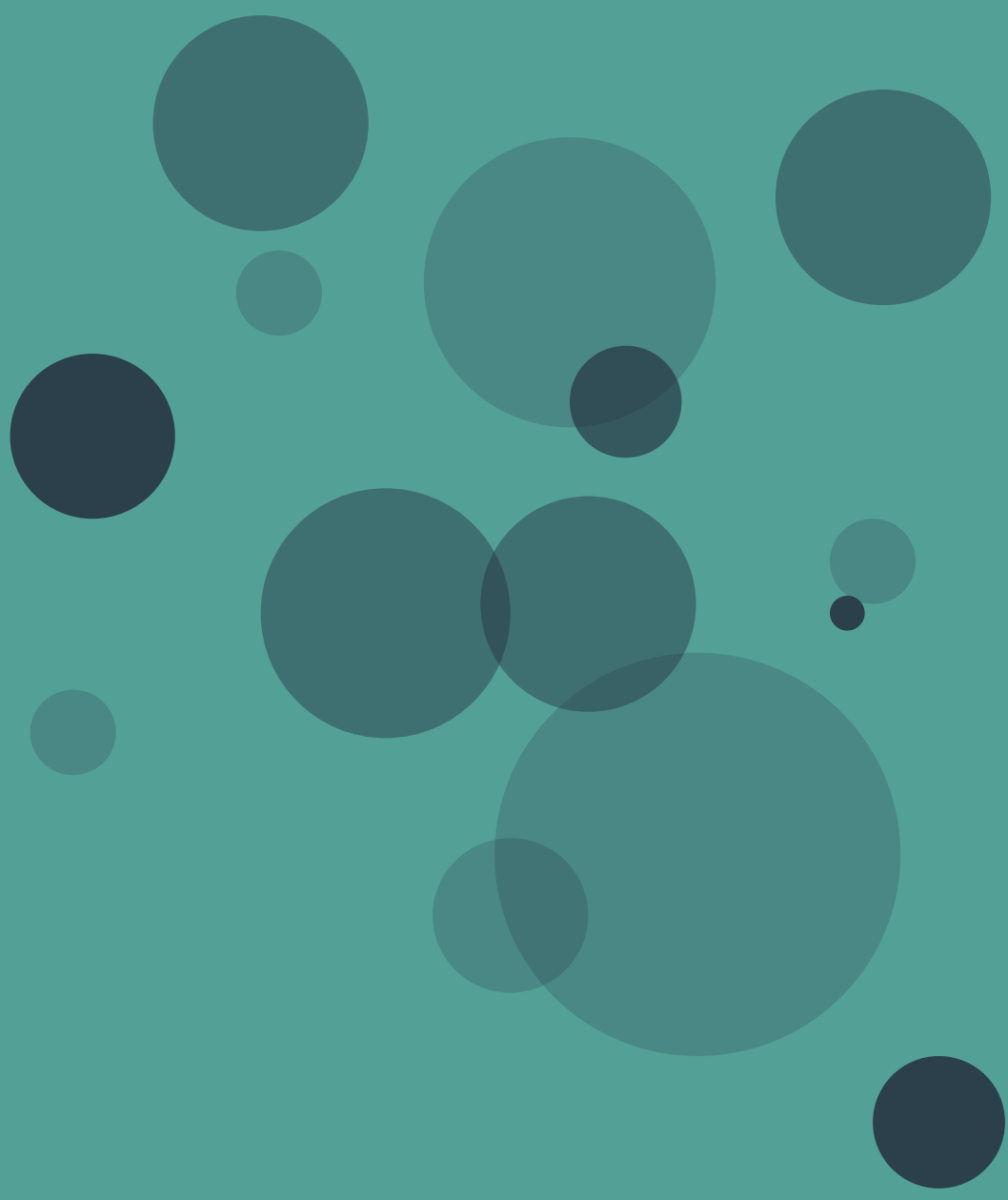
Thomas Ramm
Chairman of the Board

Sara Heiner Asplund
Board member

Einar Caspersen
Board member

Karl Thedéen
Board member

Magnus Grenfeldt
Chief Executive Officer



FINANCIAL STATEMENTS

FINANCIAL STATEMENTS FOR THE GROUP

Consolidated statement of profit or loss		2023	2022
Amounts in USD 1.000	Notes		
Revenue from contracts with customers	3	58 474	57 367
Other operating income	3	30	-1
Total revenue and other operating income		58 504	57 366
Direct cost of sales		-29 234	-32 014
Employee benefit expenses	4	-14 140	-11 958
Other operating expenses	5	-4 329	-2 552
Total operating expenses		-47 703	-46 524
Amortization of intangible assets	9	-283	-324
Depreciation	10, 11	-1 576	-1 218
Total depreciation and amortization		-1 859	-1 542
Operating profit/(loss)		8 942	9 300
Financial income	6	252	40
Financial expenses	6	-241	-229
Net foreign exchange gains (losses)	6	638	-253
Net financial items		648	-442
Profit/(loss) before income tax		9 590	8 858
Income tax	7	-2 119	-2 069
Profit/(loss) for the year		7 471	6 789

Earnings per share in USD			
Basic earnings per share	8	0.078	0.071
Diluted earnings per share	8	0.077	0.070

Consolidated statement of comprehensive income			
Profit/(loss) for the year		7 471	6 789
Other comprehensive income:			
<i>Items that might be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		223	60
<i>Item that are not reclassified to profit or loss:</i>			
Exchange differences on translation to another presentation currency		-734	-2 395
Total comprehensive income for the year		6 960	4 454
Total comprehensive income is attributable to:			
Owners of Smartoptics Group AS		6 960	4 454

Consolidated statement of financial position		31/12/2023	31/12/2022	01/01/2022
Amounts in USD 1.000	Notes			
Assets				
Non-current assets				
Intangible assets	9	1 342	941	904
Property, plant and equipment	10	2 796	1 787	1 392
Right-of-use assets	11	1 912	2 380	2 301
Non-current receivables against related party	18	-	-	-
Deferred tax assets	7	1 066	1 326	3 254
Total non-current assets		7 116	6 433	7 851
Current assets				
Inventories	21	14 198	15 423	12 095
Trade receivable	14	16 953	15 915	7 812
Receivable to related party	18	0	0	(0)
Other current assets	13	1 420	943	1 331
Cash and cash equivalents	15	9 321	5 660	9 380
Total current assets		41 893	37 940	30 619
Total assets		49 010	44 374	38 470
Equity and liabilities				
Equity				
Share capital	16	189	195	218
Share premium	16	12 404	12 801	14 307
Other paid in capital	8	20	152	170
Foreign currency translation reserves		411	188	128
Retained earnings		17 023	14 269	8 327
Total equity		30 048	27 605	23 150
Non-current liabilities				
Lease liabilities (non-current portion)	11, 17	1 271	1 759	1 556
Contract liabilities (non-current portion)	3	3 430	2 297	1 574
Other non-current liabilities	17	883	1 120	1 724
Total non-current liabilities		5 583	5 176	4 854
Current liabilities				
Lease liabilities (current portion)	11, 17	716	674	782
Trade payable	19	4 483	5 831	6 215
Contract liabilities (current portion)	3	3 133	1 818	1 379
Current tax liabilities	7, 19	2 371	868	59
Other current liabilities	17, 19	2 676	2 401	2 030
Total current liabilities		13 378	11 592	10 465
Total liabilities		18 962	16 769	15 320
Total equity and liabilities		49 010	44 374	38 470



16 April 2024
Oslo, Norway

Thomas Ramm
Chairman of the Board

Sara Heiner Asplund
Board member

Einar Caspersen
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 differences reserves	Retained earnings	Total equity
Amounts in USD 1.000							
Equity at 1 January 2022		218	14 307	170	128	8 327	23 150
Profit/loss for the year						6 789	6 789
Other comprehensive income:							
Exchange differences on translation of foreign operations					60		60
Exchange differences on translation to another presentation currency*		-23	-1 507	-18		-847	-2 395
Total comprehensive income/loss for the year		-23	-1 507	-18	60	5 942	4 454
Equity at 31 December 2022		195	12 801	152	188	14 269	27 605
Profit/loss for the year						7 471	7 471
Other comprehensive income:							
Exchange differences on translation of foreign operations					223		223
Exchange differences on translation to another presentation currency*		-6	-397	-5		-326	-734
Total comprehensive income/loss for the year		-6	-397	-5	223	7 145	6 960
Repurchase of warrants				-127			-127
Dividend						-4 391	-4 391
Equity at 31 December 2023	16	189	12 404	20	411	17 023	30 048

*The currency translation differences arising from the translation to the presentation currency is not included as a translation differences reserves, but presented as part of the different categories of the equity. These translation differences cannot be recycled through profit and loss.

Consolidated cash flow statement		2023	2022
Amounts in USD 1.000	Notes		
Cash flows from operating activities			
Profit/(loss) before income tax		9 590	8 858
<i>Adjustments for:</i>			
Depreciation and amortization	9, 10	1 859	1 542
Interest	6	-11	109
Change in inventory	21	1 225	-3 328
Change in trade receivable	14	-1 038	-8 103
Change in contract liabilities (deferred revenue)	3	2 447	1 163
Change in trade payable	19	-1 348	-384
Change in other current assets and other liabilities	13, 19	-1 123	194
Interest received	6	252	40
Net cash inflow from operating activities		11 853	91
Cash flows from investing activities			
Payment for property, plant and equipment	10	-1 760	-1 121
Payment for development cost	9	-724	-457
Other investing activities		-	-
Net cash (outflow) from investing activities		-2 484	-1 578
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	16	-	-
Repurchase of warrants	8	-127	-
Dividend paid out	16	-4 391	-
Proceeds from new borrowings	17	556	-
Repayment of borrowing	17	-608	-238
Paid interest on borrowing	17	-153	-149
Repayments of lease liabilities	17	-803	-743
Net cash inflow from financing activities		-5 526	-1 130
Net increase/(decrease) in cash and cash equivalents		3 843	-2 616
Cash and cash equivalents as of 1 January		5 660	9 380
Effects of exchange rate changes on cash and cash equivalents		-181	-1 104
Cash and cash equivalents as of 31 December		9 321	5 660

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 Brynsalléen 2, 0667 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 16th April 2024.

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 have been prepared and presented in accordance with IFRS® Accounting Standards, as adopted by the EU, and the additional requirements of the Norwegian Accounting Act.

The consolidated financial statements are presented in United States Dollar (USD), 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 USD. Smartoptics Group has decided, as from December 2022, to present its financial statements in USD, since the share of revenue and expenses in USD is significant for the operational activities and has the main impact on the result of operations. The foreign exchange risk with fluctuation in currency exchange rates will therefore be minimized. The functional currency of the parent company is NOK, since the funds from financing activities, such as loans, and administration costs are based in NOK.

For consolidation purposes all subsidiaries with a different currency than the parent company is translated into NOK and the consolidated numbers are then translated into the presentation currency, USD, to 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. Smartoptics has chosen to use closing rate for transactions directly to equity (share capital, share premium and other paid in capital). The currency translation difference arising from the translation to the presentation currency is not included as a translation differences reserve, but presented as part of the different categories of the equity. These translation differences cannot be recycled through profit and loss.

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 policies 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. Smartoptics operates on a group level, the products in each product group, Solutions, Devices and Software & Services are sold together, to the same customers and through the same channels. The Group's internal financial reporting is done on a product group and geographical split, however no separate segments are used in this reporting.

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.

INFORMATION ABOUT MAJOR CUSTOMERS

One of the Group's customers represented over 10% of the total revenues for 2023 at 17%. In comparison, the same customers represented 16% percent of total revenue 2022.

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:

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.

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 are 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.

NOTES FOR THE GROUP

The group sells software and service contracts with a contract period from 3 months to 6 years. For contracts that are invoiced prior to the contract period, the revenue is booked on the balance sheet and recognized according to the contract period. Software and services include items

that are invoiced as a one time fee and where the revenue is recognized at the point of sale, like software license fees, installation fees and licenses upgrades.

Revenue information	2023	2022
Amounts in USD 1,000		
Solutions	35 571	35 474
Devices	16 445	17 641
Software & Services	6 488	4 251
Total revenue from contracts with customers	58 504	57 366

Timing of revenue recognition	2023	2022
Amounts in USD 1,000		
Solutions products transferred at a point in time	35 571	35 474
Device products transferred at a point in time	16 445	17 641
Software & Services transferred at a point in time	3 595	3 445
Software & Services transferred over time	2 893	805
Total revenue from contracts with customers	58 504	57 366

Geographic split of revenues	2023	2022
Amounts in USD 1,000		
EMEA	27 097	26 951
Americas	28 101	27 927
APAC	3 306	2 489
Total revenue from contracts with customers	58 504	57 366

Contract assets and contract liabilities	31/12/2023	31/12/2022	01/01/2022
Amounts in USD 1,000			
Contract liabilities (deferred revenue) - current	3 133	1 818	1 379
Contract liabilities (deferred revenue) - non-current	3 430	2 297	1 574
Total	6 563	4 116	2 953

Contract assets and contract liabilities	2023	2022
Contract liabilities at 1 January	4 115	2 953
New contract liabilities	5 368	2 203
Revenue recognized in current year	-2 893	-805
Exchange differences	-28	-236
Contract liabilities at 31 December	6 563	4 115

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	2023	2022
Amounts in USD 1.000		
Wages and salaries	10 403	8 738
Social security tax	2 448	2 193
Pension costs	881	818
Other benefits	408	209
Total	14 140	11 958
Fulltime equivalents	107	83

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	2023				2022			
	Wages	Pension	Bonus	Other benefits	Wages	Pension	Bonus	Other benefits
CEO - Magnus Grenfeldt	211	49	31	9	217	52	127	7
CFO - Mikael Haag	142	30	24	1	143	32	46	-
CTO - Kent Lidström	132	27	27	8	127	40	51	6
COO - Carina Osmund	123	24	20	1	130	26	40	-
CMO - Per Burman	117	21	24	1	118	24	47	-
Total management compensation	725	151	127	20	736	173	310	13

Board of Directors	Director fee 2023	Director fee 2022
Thomas Ramm, Chairman	47	47
Karl Thedéen, Board Member	24	23
Sara H. Asplund, Board Member	24	23
Einar Caspersen, Board Member	24	23

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 2022 was SEK 1 286 000. The other key management received a bonus related to 2022 of SEK 1 854 977. Bonus for 2023 to the CEO was SEK 330 000 and to other key management SEK 1 014 994 and was paid out during Q1 2024.

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 and the warrants are first exercisable at the end of the three-year vesting period. 325 136 warrants were repurchased by the company in November 2023. The strike price for the warrants is NOK 12.98.

Warrants held by key management	2023	2022
Magnus Grenfeldt	867 031	867 031
Mikael Haag	-	325 136
Kent Lidström	325 136	325 136
Per Burman	216 758	216 758
Carina Osmund	-	-
Total held by key management	1 408 925	1 734 061
Warrants held by other employees	350 000	350 000
Total warrants outstanding	1 758 925	2 084 061

NOTE 5 - OPERATIONAL EXPENDITURE

Other operating expenses consists of the following	2023	2022
Amounts in USD 1.000		
Facilities	276	211
Travel expenses	839	509
Marketing and representation	1 211	1 057
Other R&D and certification cost	409	352
Other operating expenses	1 594	424
Total other operating expenses	4 329	2 552

Specification of auditors' fees	2023	2022
Amounts in USD 1.000		
Statutory audit	111	104
Other non-assurance services	9	21
Tax advisory services	11	7
Total	131	133

NOTE 6 - FINANCIAL ITEMS

Financial income and expenses	2023	2022
Amounts in USD 1.000		
Interest income from bank deposits	252	40
Financial income	252	40
Interest expense on borrowings	153	149
Net loss on foreign exchange	-638	253
Interest on lease liabilities	88	80
Financial expenses	-396	482
Net financial items	648	-442

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	2023	2022
Income tax payable	1 777	423
Change in allocated tax last year	83	
Deferred tax income	258	1 646
Total income tax expense	2 119	2 069

Specification of deferred tax balances	31/12/2023	31/12/2022	01/01/2022
Temporary differences			
Property, plant and equipment	-215	-283	-442
Inventory	-390	-284	-108
Deferred revenue	-4 279	-2 679	-2 018
Other temporary differences	-10		
Profit & loss account	50	64	90
Net temporary differences	-4 844	-3 181	-2 478
Tax losses carried forward	-	-2 844	-12 313
Non-recognized deferred tax assets	-		
Basis for calculating deferred tax assets	-4 844	-6 025	-14 791
Carrying value deferred tax assets	1 066	1 326	3 254

Reconciliation of effective tax rate:	2023	2022
Net income/(loss) before tax	9 590	8 858
Expected income tax assessed at the tax rate for the Parent company 22 %	2 236	1 972
Difference in tax rate for foreign profit	58	63
Adjusted for the tax effect of the following items:	-	
Permanent differences	-123	35
Other	-52	-
Income tax expense (income)	2 119	2 069
Effective tax rate	22.1%	23.4%

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	2023	2022
Basic earnings per share	0.078	0.071
Diluted earnings per share	0.077	0.070
Profit/(loss) for the year:		
used for calculating basic earnings per share	7 471 028	6 789 107
used for calculating diluted earnings per share	7 471 028	6 789 107
Weighted average number of shares used as the denominator in calculating basic earnings per share	96 286 593	96 286 593
Weighted average number of shares outstanding for diluted earnings per share*)	97 087 312	96 322 038
*The company has 1 758 925 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 and the warrants are first exercisable at the end of the three-year vesting period. 325 136 warrants were repurchased by the company in november 2023.

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 and DCP-404 projects totalling NOK 6.3 million (USD 0.6 million). The SkatteFUNN grant is recognized in the Profit and Loss statement as a reduction of payroll cost or as a reduction of capitalized development cost depending of the underlying accounting treatment of the cost that the grant is intended to cover.

Intangible assets		
Amounts in USD 1,000	Product development	Total
Cost		
Cost at 1 January 2022	2 314	2 314
Additions	457	457
Translation difference	-254	-254
Cost at 31 December 2022	2 517	2 517
Additions	724	724
Translation difference	-78	-78
Cost at 31 December 2023	3 163	3 163
Amortization and impairment		
Accumulated at 1 January 2022	1 410	1 410
Amortization for the year	324	324
Translation difference	-158	-158
Accumulated at 31 December 2022	1 576	1 576
Amortization for the year	283	283
Translation difference	-38	-38
Accumulated at 31 December 2023	1 821	1 821
Carrying amount at 31 December 2022	941	941
Carrying amount at 31 December 2023	1 342	1 342

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 USD 1,000	Equipment and movables	Total
Cost at 1 January 2022	3 106	3 106
Additions	1 121	1 121
Translation difference	-421	-421
Cost at 31 December 2022	3 805	3 805
Additions	1 760	1 760
Translation difference	169	169
Cost at 31 December 2023	5 734	5 734
Depreciations and impairment		
Accumulated at 1 January 2022	1 714	1 714
Depreciations for the year	521	521
Impairment	12	12
Translation difference	-228	-228
Accumulated at 31 December 2022	2 019	2 019
Depreciations for the year	843	843
Impairment	-	-
Translation difference	76	76
Accumulated at 31 December 2023	2 938	2 938
Carrying amount at 31 December 2022	1 787	1 787
Carrying amount at 31 December 2023	2 796	2 796

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.

The office leases in Sweden and Norway have lease term of 60 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 8%.

NOTES FOR THE GROUP

Leasing	31/12/2023	31/12/2022	01/01/2022
Amounts in USD 1,000			
Buildings	1 743	2 149	1 916
Other	169	231	385
Total right-of-use assets	1 912	2 380	2 301
Useful life	5 years	5 years	5 years
Depreciation method	Straight-line	Straight-line	Straight-line
Lease liabilities			
Amounts in USD 1,000			
Current	716	674	782
Non-Current	1 271	1 759	1 556
Total lease liability	1 986	2 433	2 338
Amounts recognized in the statement of profit or loss			
Depreciation of right of use asset	735	686	753
Interest expense	88	80	85
Expenses relating to short-term leases	9	9	9
Expenses relating to leases of low-value	43	11	8

Reconciliation of lease arising from financing activities	2023	2022
Opening balance 1 January	2 433	2 338
Cash flow	-803	-743
New leases	266	1 084
Translation differences	90	-245
Closing balance 31 December	1 986	2 433

Maturity table schedule for lease liabilities Amounts in USD 1,000	Due within 1 year	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years
Leasing liabilities	778	748	262	221	-

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 AND CREDIT FACILITY

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 2023 was NOK 11.0 million. The loans has a variable interest rate which at the end of the year was 7.70% and 7.95%. 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. The group also has a credit facility with Nordea of NOK 75 million (USD 7.4 million) and a non-current loan of USD 0.4 million scheduled to be fully repaid by 2026 Q2. As of December 31st 2023, NOK 0 of the credit line from Nordea was utilized

Financial instruments	31/12/2023	31/12/2022	01/01/2022
Amounts in USD 1,000			
Financial assets at amortized cost			
Trade receivable	16 953	15 915	7 812
Other financial assets	-	-	-
Cash and cash equivalents	9 321	5 660	9 380
Total	26 274	21 574	17 192
Financial liabilities			
Liabilities at amortized cost			
Trade payable	4 483	5 831	6 215
Borrowings	1 441	1 543	1 724
Bank overdraft facility	-	-	-
Total	5 924	7 374	7 940

The group's exposure to various risks associated with the financial instruments is discussed in note 20 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 zero has been accounted for during 2023. No further loss provisions are made for 2023.

Trade receivable	31/12/2023	31/12/2022	01/01/2022
Amounts in USD 1,000			
Trade receivable	16 953	15 915	7 812
Loss allowance	-	-	-
Total	16 953	15 915	7 812

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	31/12/2023	31/12/2022	01/01/2022
Amounts in USD 1,000			
Bank deposits	9 321	5 660	9 380
Total cash and cash equivalents	9 321	5 660	9 380
Amounts in USD 1,000			
Restricted cash included in the above:			
Withholding tax in relation to employee benefits	53	50	58

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 0.50 per share has been proposed by the Board of Directors, totalling NOK 48 143 297.

Share capital	Number of ordinary shares	Share capital
1 January 2022	96 286 593	218
Issued during the year	-	-
Currency translation differences		(23)
31 December 2022	96 286 593	195
Issued during the year	-	-
Currency translation differences		(6)
31 December 2023	96 286 593	189

#	Shareholders	Holding	Stake
1	Coretech AS	31 783 599	33.01 %
2	Kløvingen AS	15 850 429	16.46 %
3	K-Spar Industrier AS	13 426 422	13.94 %
4	Danske Invest	3 549 164	3.69 %
5	Handelsbanken Fonder	3 300 000	3.43 %
6	Janus Henderson Investors	2 614 317	2.72 %
7	Avanza Bank AB	2 183 361	2.27 %
8	Nordnet Bank AB	2 168 933	2.25 %
9	Rasmussengruppen AS	2 150 000	2.23 %
10	Swedbank Robur Fonder	2 136 800	2.22 %
11	Magnus Grenfeldt	1 857 489	1.93 %
12	John Even Øveraasen	1 510 625	1.57 %
13	Ålandsbanken Fonder	1 376 631	1.43 %
14	Toluma Norden AS	1 000 000	1.04 %
15	AS Clipper	963 391	1.00 %
16	Varnar AS	963 391	1.00 %
17	Schroders	690 000	0.72 %
18	Nore Invest AS	537 598	0.56 %
19	Karl Thedéen	493 078	0.51 %
20	Case Kapitalförvaltning	432 998	0.45 %
	Others	7 298 367	7.57 %
	Total number of shares	96 286 593	100.00 %

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 has a non-current loan from Nordea Financing of USD 0.4 million scheduled to be fully repaid by 2026 Q2.

Pledged assets	31/12/2023	31/12/2022	01/01/2022
Amounts in USD 1,000			
Trade receivable	6 771	8 453	4 502
Inventory	5 964	6 988	6 009
Property, plant and equipment	613	152	70
Total pledged assets	13 349	15 594	10 581

Reconciliation of changes from financing cash flow 2022	Bank credit facility	Loans and borrowings	Financial lease liabilities	Total
Amounts in USD 1,000				
Balance at 01.01.2022	-	1 984	2 338	4 322
Changes from financing cash flows				
Repayment of borrowings	-	-238	-743	-981
Proceed from borrowings			-	-
Interest paid		-149	-	-149
Total changes from financing cash flows		-387	-743	-1 130

Non-cash changes				
Interest expense using effective interest method			80	80
Effect of changes in foreign exchange rates		-55	-325	-380
New finance lease			1 084	1 084
Total non-cash changes		-55	838	784
Balance 31.12.2022	-	1 543	2 433	3 977

Non-current and current liabilities at 31 December 2023	Bank credit facility	Loans and borrowings	Financial lease liabilities	Total
Amounts in USD 1,000				
Non-current liabilities	-	883	1 271	2 154
Current liabilities	-	558	716	1 274
Total	-	1 441	1 986	3 428

Reconciliation of changes from financing cash flows 2023	Bank credit facility	Loans and borrowings	Financial lease liabilities	Total
Amounts in USD 1,000				
Balance at 01/01/2023	-	1 543	2 433	3 977
Changes from financing cash flows				
Repayment of borrowings	-	-608	-803	-1 411
Proceed from borrowings		556	-	556
Interest paid		-153	-	-153
Total changes from financing cash flows	-	-205	-803	-1 008
Non-cash changes				
Interest expense using effective interest method			88	88
Effect of changes in foreign exchange rates		103	2	105
New finance lease			266	266
Total non-cash changes		103	356	459
Balance 31/12/2023	-	1 441	1 986	3 427

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 2023				
Related party	Holding	Stake	Warrants	Ownership description
Coretech AS	31 783 599	33.01%	-	Chairman of Board, Thomas Ramm
Kløvingen AS	15 850 429	16.46%	-	Board member, Einar Caspersen
Karl Thedéen	493 078	0.51%	-	Board member
Sara Heiner Asplund	7 339	0.01%		Board member
Magnus Grenfeldt	1 852 541	1.92%	867 031	CEO
Kent Lidström	280 075	0.29%	325 136	CTO
Per Burman	280 075	0.29%	216 758	CMO
Carina Osmund	22 179	0.02%	-	COO

Transactions with related parties				
Related party	Relationship	Transaction type	2023	2022
Coretech AS	Company owned by Chairman	Travel expenses	23	21
Total			23	21

The amounts in the table above are presented in travel expenses.

NOTE 19 - TRADE PAYABLE

	31/12/2023	31/12/2022	01/01/2022
Amounts in USD 1,000			
Trade payable	4 483	5 831	6 215
Other current payables, accrued expenses and public duties	5 047	3 269	2 089
Total	9 530	9 100	8 304

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)

The group is exposed to currency risks both for its transaction exposure and translation exposure. The Group has subsidiaries in Norway, Sweden and the United States. The foreign currency risk relates primarily to when the Swedish and the Norwegian entities have transactions in USD. 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. In the legal entities with a functional currency that is not USD, profit and loss effect will occur in accounts receivable, accounts payable and bank account holdings. Fluctuations in currency exchange rates, particularly exchange rates between USD against NOK, 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.

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 2023, 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.

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 considered 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

NOTES FOR THE GROUP

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 2023, cash and cash equivalents amounted to USD 9.3 million.

The group had a bank credit facility with a limit of NOK 75 million (USD 7.4 million), as of 31 December 2023 NOK 0 (USD 0) of this credit facility was utilized.

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 - INVENTORY

Smartoptics uses weighted average calculations when measuring acquisition costs and the value of the inventory. Work in progress (WIP) is the value of products that are in production. It might take 2-12 weeks until the product is finished. Smartoptics recognize the costs of goods sold when the finished goods and systems are ready to be shipped to the customer.

Inventory at 31.12	31/12/2023	31/12/2022	01/01/2022
Amounts in USD 1,000			
Work in progress	167	284	145
Finished goods	14 031	15 140	11 951
Total inventory	14 198	15 423	12 095

NOTE 22 - EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the group after the reporting period.

FINANCIAL STATEMENTS FOR THE PARENT COMPANY

SMARTOPTICS GROUP AS

Statement of profit or loss		2023	2022
Amounts in NOK 1.000	Notes		
Revenue		-	-
Other operating income		-	-
Total revenue and operating income		-	-
Operating expenses			
Cost of goods sold		-	-
Payroll expenses	2	8 548	7 025
Depreciation, amortization & impairment		0	-
Other operating expenses	3	957	1 247
Operating expenses		9 505	8 272
Operating Profit		-9 505	-8 272
Financial income and expenses			
Intercompany interest income	4	3 700	2 013
Interest income	5	-	-
Other financials income		-	-
Interest expense		-556	-
Group contributions	5	38 258	86 660
Net financial income and expenses		41 402	88 673
Profit before tax			
Tax	6	-6 139	-17 688
Net profit/loss for the year		25 758	62 712
Allocated as follows:			
Transferred to other equity	7		14 569
Transferred from other equity		-22 385	
Dividend	7	48 143	48 143
Total allocation		25 758	62 712

FINANCIAL STATEMENTS FOR THE PARENT COMPANY

Balance sheet 31.12		2023	2022
Amounts in NOK 1.000	Notes		
Assets			
Deferred tax assets	6	0	6 027
Financial assets		-	-
Investment in subsidiaries	8	42 782	42 782
Non-current intercompany receivable	4	-	-
Total non-current assets		42 782	48 809
Current assets			
Receivable			
Accounts receivable		-	-
Receivable to related companies	5	204 727	193 769
Other receivable		625	-
Total receivable		205 352	193 769
Cash and cash equivalents	9	987	20 454
Total current assets		206 339	214 222
Total Assets		249 120	263 031
Equity and liabilities			
Equity			
Share capital	7, 10,	1 926	1 926
Share premium reserve	7	126 133	126 133
Other paid-up equity	7	1 501	1 501
Other equity	7	51 521	75 199
Total equity		181 080	204 758
Liabilities			
Current liabilities			
Accounts payable			12
Tax liability		116	-
Other current liabilities	4, 7	67 925	58 262
Total liabilities		68 041	58 273
Total equity and liabilities		249 120	263 031



16 April 2024
Oslo, Norway

Thomas Ramm
Chairman of the Board

Sara Heiner Asplund
Board member

Einar Caspersen
Board member

Karl Thedéen
Board member

Magnus Grenfeldt
Chief Executive Officer

FINANCIAL STATEMENTS FOR THE PARENT COMPANY

Cash flow statement		2023	2022
Amounts in NOK 1.000	Notes		
Cash flow from operational activities			
Profit before tax		31 897	80 401
Taxes paid	4	-	-
Change in accounts payable		-	12
Change in other items related to operating activities	3,5	-34 220	-80 229
Net cash flow from operating activities		-2 323	183
Cash flow from investing activities			
Repayment of intercompany loans	5	31 000	0
Issuing intercompany loans	5		-30 513
Net cash flow from investing activities		31 000	-30 513
Cash flow from financing activities			
Repayment of issued loans	5	-	-
Issuing new shares	8,9	-	-
Payment of dividend	8	-48 143	-
Net cash flow from financing activities		-48 143	-
Cash and cash equivalents at 1 January		20 454	50 784
Net cash flow		-19 467	-30 330
Cash and cash equivalents at 31 December		987	20 454

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.

The Financial Statements are prepared on the basis of going concern.

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.

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 financial 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 2 employees in 2023 and 2 employees in 2022.

Amounts in NOK 1000	2023	2022
Wages and salaries	5 795	4 597
Social security tax	1 895	1 633
Pension costs	858	795
Total	8 548	7 025

Management compensation	2023				2022			
	Wages	Pension	Bonus	Other benefits	Wages	Pension	Bonus	Other benefits
CEO - Magnus Grenfeldt	2 233	522	328	97	2 024	491	0	68
CFO - Mikael Haag	1 495	314	248	8	1 380	304	0	-
Total management compensation	3 728	836	577	104	3 404	795	0	68

Board of Directors	Director fee 2023	Director fee 2022
Thomas Ramm, Chairperson	500	450
Karl Thedéen, Board Memeber	250	225
Sara H. Asplund, Board Memeber	250	225
Einar Caspersen, Board Member	250	225

NOTE 3 - OPERATIONAL EXPENSES

Remuneration to the auditors	2023	2022
Statutory audit	577	419
Other non-audit services	92	202
Tax advisory services	37	35
Total remuneration to the auditors	706	656

NOTE 4 - INTERCOMPANY TRANSACTIONS AND BALANCES

Related party transactions	2023	2022
Interest income on loan to group companies	3 700	2 013
Interest income on loan to related parties	-	-

Receivable to group companies and repated parties	2023	2022
Receivable to group companies	204 727	193 769

Payable to group companies and repated parties	2023	2022
Payable to group companies	19 782	10 493

NOTE 5 - FINANCIAL ITEMS

Financial Income	2023	2022
Interest income from related parties	-	-
Interest income from group companies	3 700	2 013
Group contributions from group companies	38 258	86 660
Total financial income	41 958	88 673

Financial Expenses	2023	2022
Interest expense	-556	-
Total financial income	-556	-

NOTE 6 - TAXES

Remuneration to the auditors	2023	2022
Calculation of deferred tax		
Net temporary differences	508	635
Tax loss carried forward	-	-28 031
Basis for deferred tax / deferred tax asset in the balance sheet	508	-27 396
Deferred tax / deferred tax asset	112	-6 027
Deferred tax / deferred tax asset not recognized in the balance sheet	-	-
Deferred tax / deferred tax asset in the balance sheet	112	-6 027
Basis for income tax expense, change in deferred tax / deferred tax asset		
Result before tax	31 897	80 401
Permanent differences	-	-
Basis for income tax expense	31 897	80 401
Change in temporary differences	127	159
Change in tax loss carried forward	-32 024	-80 559
Taxable income (basis for payable taxes in the balance sheet)	-	-
Components of the income tax expense		
Sum payable tax	-	-
Change in Deferred tax / deferred tax asset	7 017	17 688
Tax expense	6 139	17 688
Reconciliation of the tax expense		
Result before tax expense	31 897	80 401
Calculated tax	7 017	17 688
Tax expense	6 139	17 688
Difference	878	-
The differences consist of:		
22% of permanent differences	-	-
Other differences	-878	-
Sum explained differences	-878	-

NOTE 7 - EQUITY

NOK 1000	Share capital	Share premium reserve	Other paid in capital	Other equity	Total equity
Equity as of 01/01/2023	1 926	126 133	1 501	75 199	204 758
Capital increase					-
Dividend				-48 143	-48 143
Warrants			-1 292		-1 292
Net profit				25 758	25 758
Equity as of 31/12/2023	1 926	126 133	208	52 813	181 080

Dividend of NOK 0.5 per share is proposed by the Board of Directors. Total of NOK 48 143 297

NOTE 8 - 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 9 - CASH AND CASH EQUIVALENTS

NOK 1 000	2023	2022
Bank deposits	987	20 454
Total cash and cash equivalents	987	20 454

NOTE 10 - 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 2022	96 286 593
Issued during 2022	-
Shares at 31 December 2022	96 286 593
Issued during 2023	-
Shares at 31 December 2023	96 286 593

#	Shareholders	Holding	Stake
1	Coretech AS	31 783 599	33.01 %
2	Kløvingen AS	15 850 429	16.46 %
3	K-Spar Industrier AS	13 426 422	13.94 %
4	Danske Invest	3 549 164	3.69 %
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9	Rasmussengruppen AS	2 150 000	2.23 %
10	Swedbank Robur Fonder	2 136 800	2.22 %
11	Magnus Grenfeldt	1 857 489	1.93 %
12	John Even Øveraasen	1 510 625	1.57 %
13	Ålandsbanken Fonder	1 376 631	1.43 %
14	Toluma Norden AS	1 000 000	1.04 %
15	AS Clipper	963 391	1.00 %
16	Varner AS	963 391	1.00 %
17	Schroders	690 000	0.72 %
18	Nore Invest AS	537 598	0.56 %
19	Karl Thedéen	493 078	0.51 %
20	Case Kapitalförvaltning	432 998	0.45 %
	Others	7 298 367	7.57 %
	Total number of shares	96 286 593	100.00 %

NOTE 11 - EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the group after the reporting period.



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 sheet as at 31 December 2023, the statement of profit or loss and cash flow statement for the year 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 consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting 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 relevant laws and regulations in Norway 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 and the other information accompanying the financial statements. 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 nor the other information accompanying the financial statements.

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



of Directors' report or the other information accompanying the financial statements. 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 statutory requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements of the Company 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 of the consolidated financial statements of the Group that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU. Management is responsible 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, 16 April 2024

PricewaterhouseCoopers AS

Øystein Sandvik
State Authorised Public Accountant
(This document is signed electronically)

Independent Auditors Report 2023

Signers:

<i>Name</i>	<i>Method</i>	<i>Date</i>
Sandvik, Øystein Blåka	BANKID	2024-04-16 17:08



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