smartoptics

ANNUAL REPORT 2024

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SMARTOPTICS

EXPANDING YOUR NETWORK HORIZONS

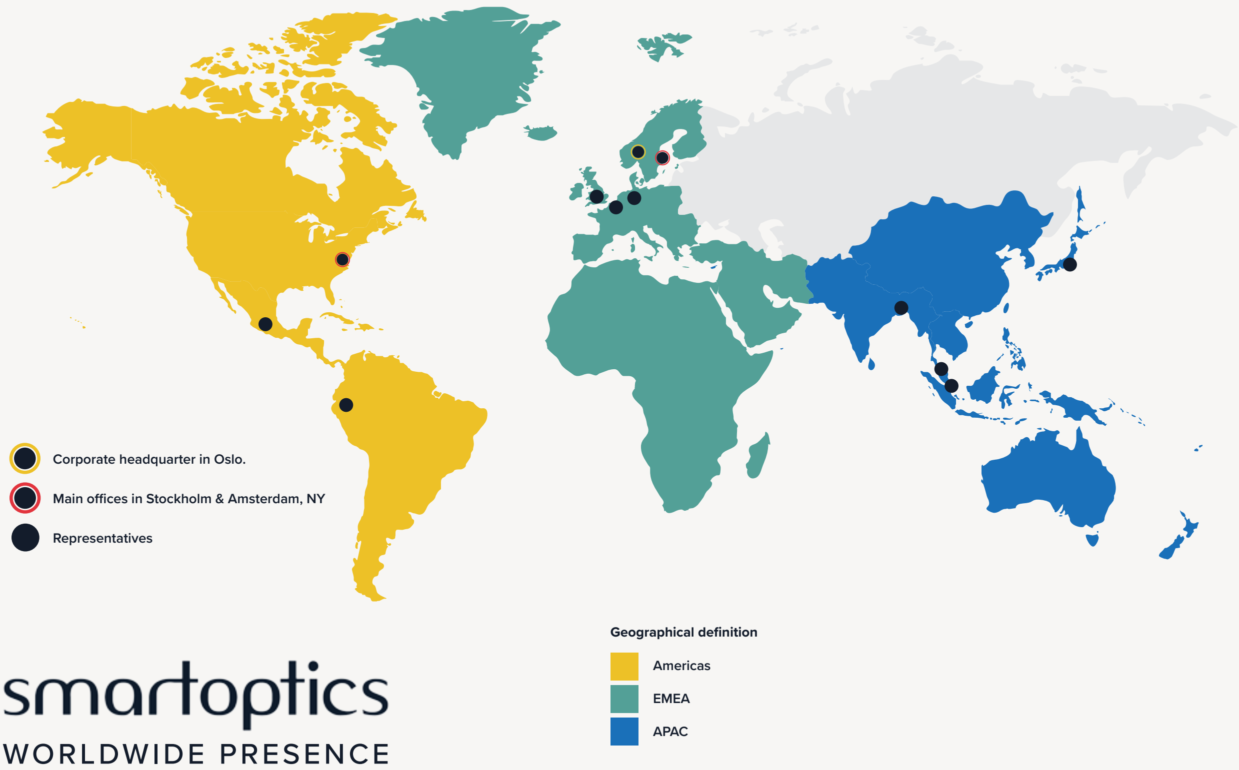
Smartoptics provides innovative optical networking solutions for a new era of open networking. We focus on solving network challenges and increasing the competitiveness of our customers. Our customer base includes cable and telecom operators, cloud providers, Internet exchanges, governments and thousands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



2024 IN BRIEF

HIGHLIGHTS

- Revenue of USD 55.5 million compared to USD 58.5 million in the same period 2023
- Gross margin of 48.1% compared to 50.0% same period 2023
- EBITDA of USD 5.6 (10.8) million, equivalent to an EBITDA margin of 10.1% (18.5%)
- Operating profit (EBIT) of USD 3.3 (8.9) million, equivalent to an operating margin of 5.9% (15.3%)
- 2024 product releases strengthens our product offering in a material way, increasing the addressable market, into the regional segment
- In 2024, Smartoptics won several significant customer accounts and secured a long-term partnership with WIN Technology, a major US regional operator, to modernize and expand their network across multiple states.

Amounts in USD thousands	2024	2023	Change
Revenue	55 508	58 504	-5.1%
Gross profit	26 724	29 270	-8.7%
Gross margin	48.1%	50.0%	-1.9 p.p
Operating cost	-21 142	-18 469	14.5 %
EBITDA	5 582	10 801	-48.3 %
EBITDA margin	10.1 %	18.5 %	-8.4 p.p
Operating profit	3 289	8 942	-63.2 %
Operating margin	5.9 %	15.3 %	-9.4 p.p
Profit & loss for the year	4 042	7 471	-45.9 %
Basic earnings per share	0.041	0.078	
FTEs	123	107	

MESSAGE FROM THE CEO

Writing this letter early April 2025, 2024 feels like a long time ago. This is in many ways a symbol of the world we live in now. Never before have changes been thrown at us faster than now, and we all have to adapt to a different kind of normal.

Having said that, in Smartoptics we are more optimistic about our outlook than earlier. We ended 2024 on a very strong note, with 22 percent revenue growth in the fourth quarter, and a significant uptick in profitability. With this, an exceptional period of four consecutive quarters soft market and revenue decline came to an end.

Our belief in the long-term potential of our industry is unwavering. The growing demand for bandwidth will continue. It is driven by more and more video streaming, live gaming, videoconferencing, cloud computing, and AI. Smartoptics is perfectly positioned in this space, as we have an edge within IP-over-DWDM, which is expected to be the winning technology, growing significantly faster than the total market in the years to come.

As a relatively small player in the global context, Smartoptics has an attractive niche, being able to compete efficiently for contracts from small- and medium-sized network operators and enterprises. We have an efficient and flexible customer approach, and our unique technology is modular and based on open standards. During 2024, we successfully launched a range of new products, not only offering better general performance, but also making us significantly more relevant for larger networks and customers. These efforts immediately paid off, as we entered into partnerships with large US regional network operators.

Despite slow growth during parts of 2023 and 2024, we continued to invest in the future. Not only in our product portfolio, but also in our go-to-market model and our organization for long-term growth. We maintained high gross margins throughout 2024, and as growth picks up, we expect operating margins to develop positively.

Attracting talent is a key success factor, and with our development team located in Stockholm, we are in the middle of one of the world's few cluster for fiber-optics. I am happy to report that we have been able to continue to recruit state of the art competence even in 2024.

Magnus Grenfeldt, CEO Smartoptics Group AS

Looking ahead, we believe uncertainty in some markets is reduced. The willingness to invest has to a large extent returned among our customers. There are no signs of slowdown in the underlying market drivers. At the same time, we won't be immune to the consequences of geopolitical turmoil, and the USA is an important market to us. We monitor the development in the internation trade regimes and are mapping out how we can avoid negative implications. At this point, we consider Smartoptics to be relatively well positioned with Solutions production in the EU. As far as we know, no player in the market is yet producing in the USA.

In closing, I thank our customers, partners, and shareholders for their cooperation and support in 2024.

Also, a special thanks to all my brilliant colleagues at Smartoptics for their dedication in a hectic and challenging year. I look forward to continuing the Smartoptics journey together with the whole team.

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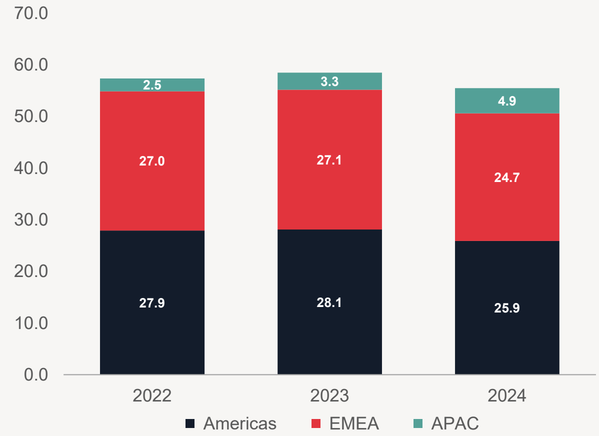
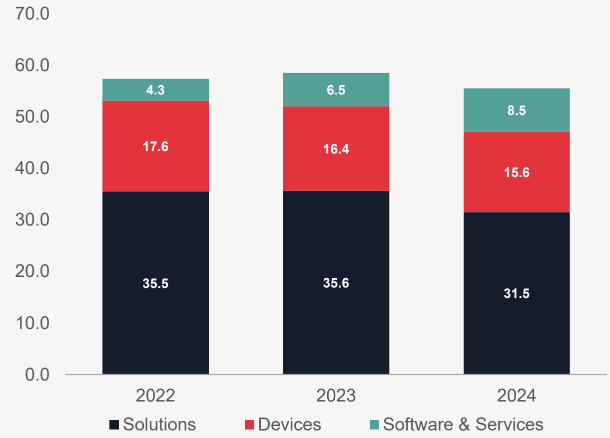
BUSINESS OVERVIEW

REVENUE BY GEOGRAPHY



REVENUE BY BUSINESS AREA



The Americas region remained a significant market for Smartoptics, the company secured new customer accounts throughout the year – for example, a major partnership with WIN Technology in the US – that have the potential to contribute to revenue in 2025 and beyond. These wins showcase the growth opportunity in regional U.S. networks and position the Americas for an uptick as market conditions improve.

The EMEA region demonstrated a strong comeback in the fourth quarter of 2024, with Q4 revenue increasing by about 59% compared to the same period in 2023, underscoring EMEA's importance to Smartoptics' overall performance.

The Asia-Pacific region continued its positive trajectory, achieving more than thirty percent revenue growth in 2024 compared to 2023. Notably, Q4 2024 revenue in APAC grew by ~54% year-on-year, underscoring the expanding demand for Smartoptics' solutions in the region. This growth builds on a rising trend of network upgrades in APAC markets.

Smartoptics' offerings are categorized into three main business areas:

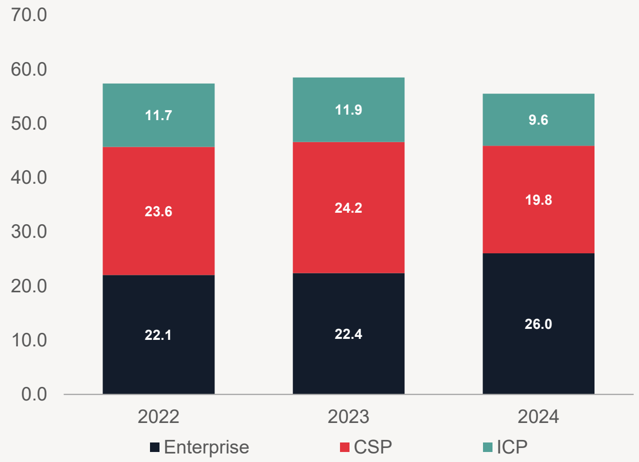
Solutions: This business area includes the DCP-R, DCP-F, and DCP-M families, along with transponders, muxponders, and associated transceivers. In Q4 2024, Solutions revenue grew by 22% compared to Q4 2023, driven by high market activity and an attractive product offering 2024,

Optical Devices: Comprising transceivers, passive filters, and accessories sold independently of the Solutions offering. This business area experienced double digit revenue increase in Q4 2024 compared to the same period in 2023, reflecting steady demand for optical components.

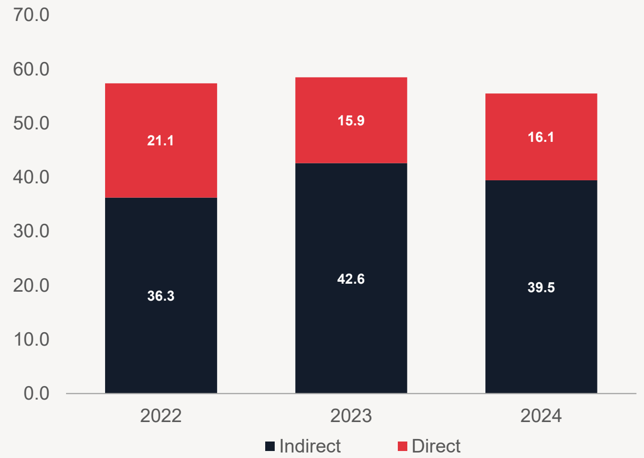
Software & Services: Closely linked to Solutions deployments, this business area offers software licenses, support, and other services that complement the hardware. Software & Services revenue saw a 44% increase in 2024 compared to 2023, indicating a growing installed base and the continuous addition of new products and software offerings.

Smartoptics continues to innovate and adapt its product portfolio to meet evolving market demands, which strengthens its position in the optical networking industry. In 2024, the company expanded its Solutions offering to address Regional network applications, introducing a new 34-port ROADM (Reconfigurable Optical Add-Drop Multiplexer) and a pair of advanced optical amplifiers. These product releases materially expand Smartoptics' addressable market by making its offerings more relevant for larger networks and regional use cases. Such innovations ensure that Smartoptics can serve a broader range of customer needs while remaining competitive against larger incumbents.

REVENUE BY CUSTOMER TYPE



REVENUE BY CHANNEL



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, which are attractive also for larger CSPs.

ICPs are Internet content, public cloud computing, or neutral co-location providers.

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 15.4% between 2023 and 2024 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 CSP and ICP segments.

Smartoptics has a direct sales force throughout Europe, the US, Mexico and Asia. Together with a large network of sales partners in the form of value-added resellers, distributors, and OEMs, Smartoptics covers 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 associated with the CSP segment, where customers procure Smartoptics products directly. As the CSP segment has decreased, the share of direct business has also declined slightly

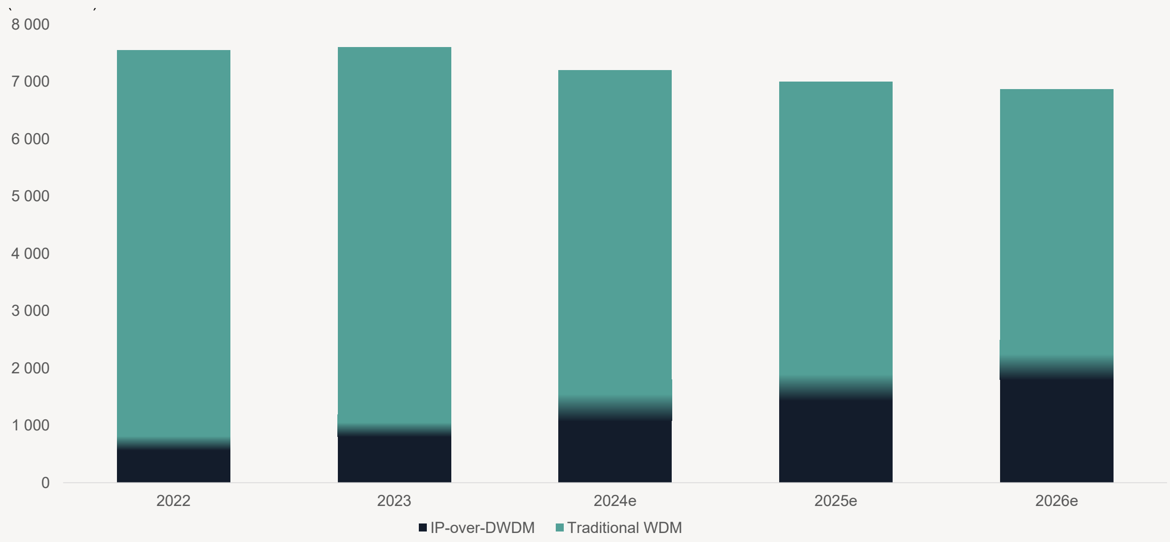
The Value-Added Resellers are datacom, telecom, and IT-system integrators of various sizes. These companies design solutions in close cooperation with Smartoptics and the end customer, solutions which sometimes include several products and several vendors, while at other times just Smartoptics products.

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 WDM equipment market was valued at approximately USD 14 billion globally in 2024 and is expected to stay relatively flat the coming three years. The global metro WDM market makes up about half of this total.

In recent years, the optical 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 and regional 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, excluding China, including IP-over-DWDM solutions, was worth just shy of USD 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 Cignal.AI and on Smartoptics estimates

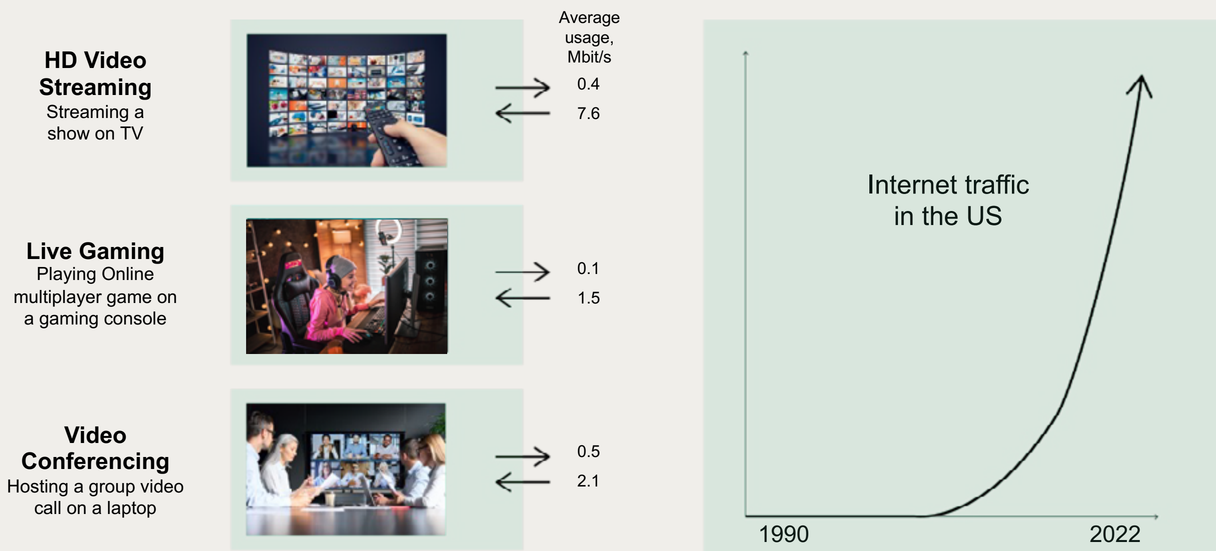
CUSTOMERS

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. At the same time, artificial intelligence (AI) is revolutionizing the way we interact with digital communications. AI-powered algorithms enhance video quality in real-time, personalize content recommendations, making our interactions with the digital world more seamless and efficient. As AI continues to evolve, it will further shape the future of telecommunications, enabling smarter, faster, and more adaptive communication networks.

The traffic growth in communication networks has been significant. 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.

The Ever-Growing Demand for Bandwidth



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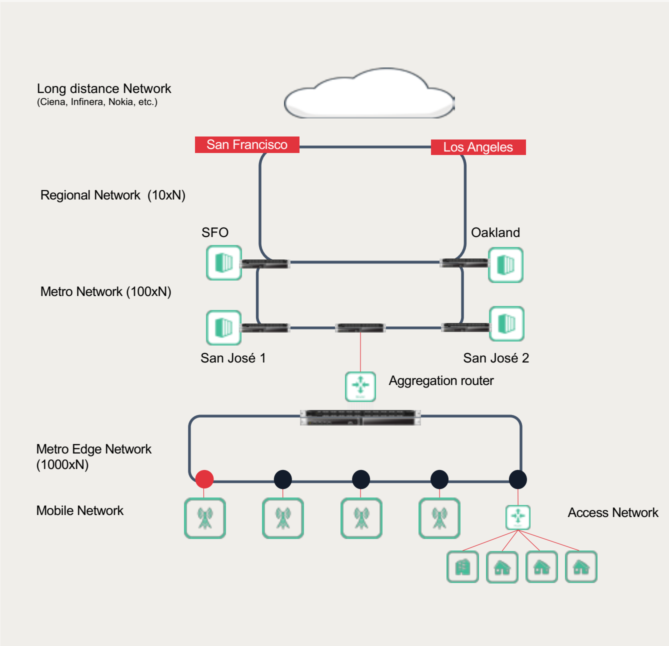
CUSTOMER TYPES

COMMUNICATION SERVICE PROVIDERS

Public networks, operated by cable and telecom providers, are among the biggest communication networks in terms of user base. These operators offer 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

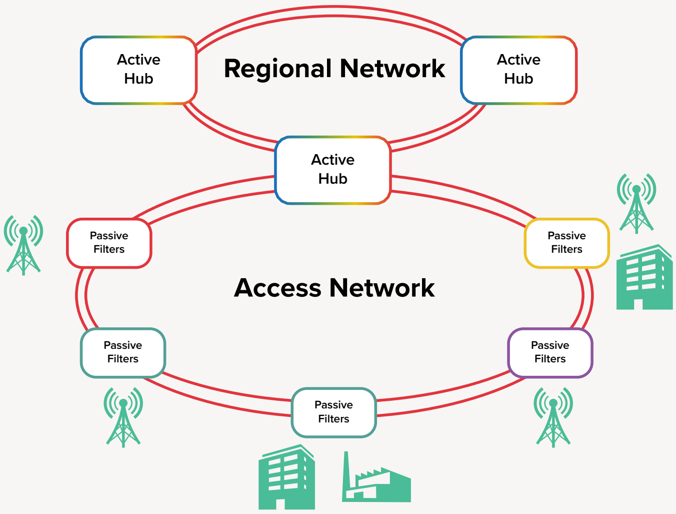
The hierarchical structure of the CSPs' networks offers multiple opportunities for the deployment of Smartoptics open line systems, transponder, and muxponder products: At the regional level, which interconnects cities, 100G, 400G, and 800G DWDM line systems with DCP-R ROADMs from Smartoptics are in 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 as demarcation devices are deployed.

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 increasingly invest in IP over DWDM solutions with open line systems, which is an excellent match for the new ROADM 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.

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 afford 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.

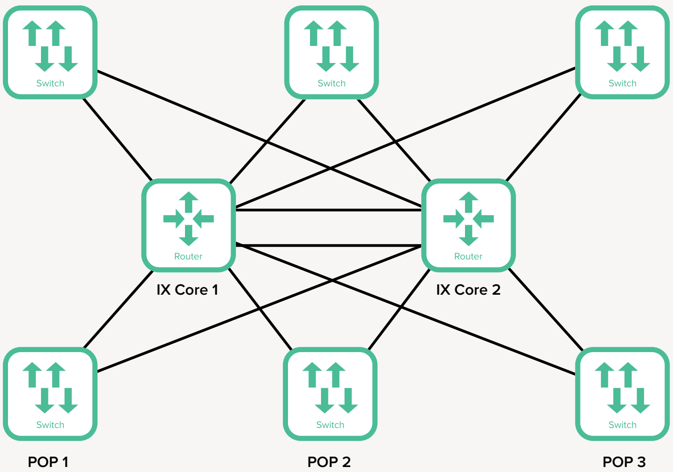
INTERNET CONTENT PROVIDERS AND INTERNET EXCHANGES

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.

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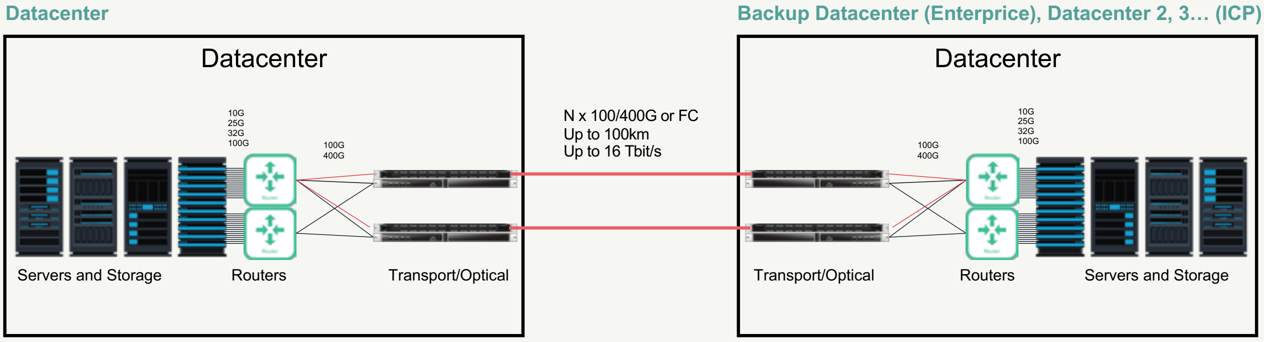
ENTERPRISE AND GOVERNMENT DATA CENTERS

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 26 Terabit/s over one fiber pair, and to 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.



PRODUCTS

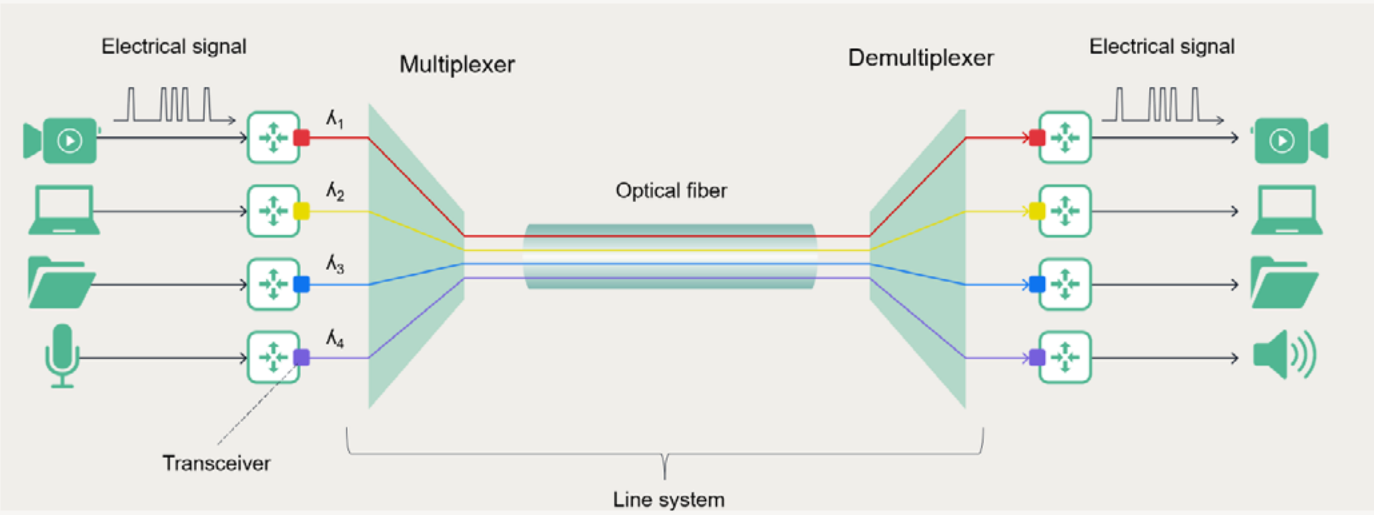
OVERVIEW PORTFOLIO

DENSE WAVELENGTH DIVISION MULTIPLEXING - DWDM

Smartoptics offers products for high-performance and scalable optical transport solutions over optical fibers. The fundamental technology underlying the products is called Wavelength Division Multiplexing (WDM) and Smartoptics is primarily utilizing a form 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 strategically placed 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 allows enterprises, for example, to build corporate communication networks for video conferences, data communications and server back-up, all using the same fiber infrastructure. Similarly, a telecom operator can leverage the same fiber network for both telephony, Internet services and high-speed data center interconnect (DCI) solutions services, without having to deploy costly separate long distance fiber cables.

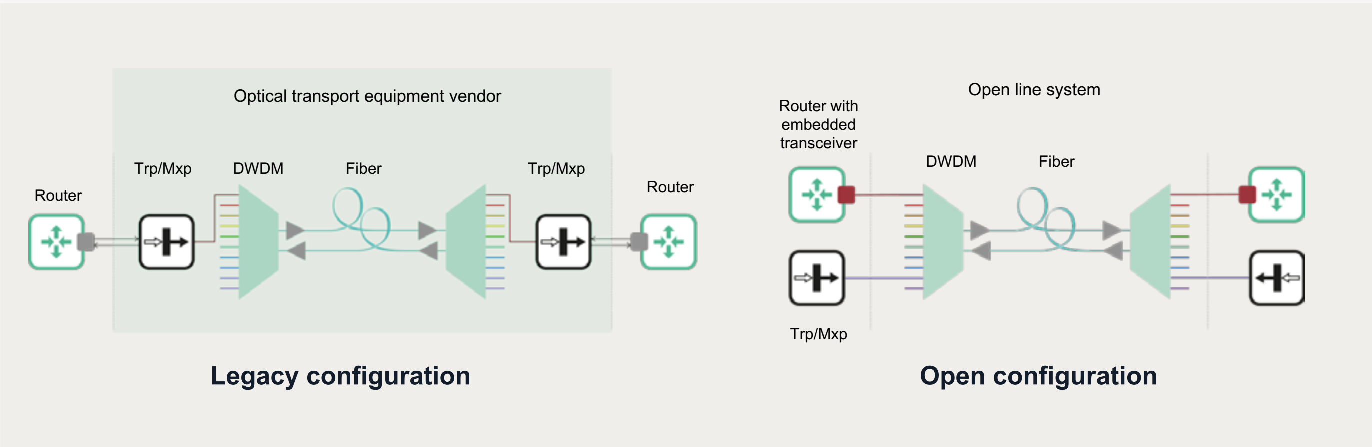


Illustrations of function of an Open Line System

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 critical for enterprises and cloud providers seeking cost-effective, high-capacity Data Center Interconnect (DCI) and for 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 Optical Solutions, Optical Devices and Software & 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 is designed for scalable deployments, from small-scale enterprises to large-scale service provider networks and to cater for use in special situations. Management of all DCP platform products can be done using the SoSmart software suite from Smartoptics.

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 automated provisioning with minimal manual intervention of point-to-point links with multiple traffic formats at speeds up to 800G, optimized for cost-efficiency and high bandwidth capacity. The DCP-M family comprises six models for either 8, 32, or 40 channels, dedicated for either 100G DWDM PAM4, 400ZR, 800G, or for applications with any mix of PAM4, NRZ and coherent 100/400G channels. 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 enable advanced topologies with up to 34 degrees (fiber directions) and support of a mixture of modulation formats such as 400ZR OIF, 800G, NRZ, and coherent wavelengths. The DCP-R products also have a fixed form factor chassis, and each model is designed for a particular application.

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-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 TRANSPONDERS AND MUXPONDERS

For use cases where a stand-alone transponder or muxponder adds value, 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 DWDM signal for transport over an open line system. The transponder/muxponder may also perform encryption of the optical signal and 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.

DCP-108

DCP-1203

DCP-1610

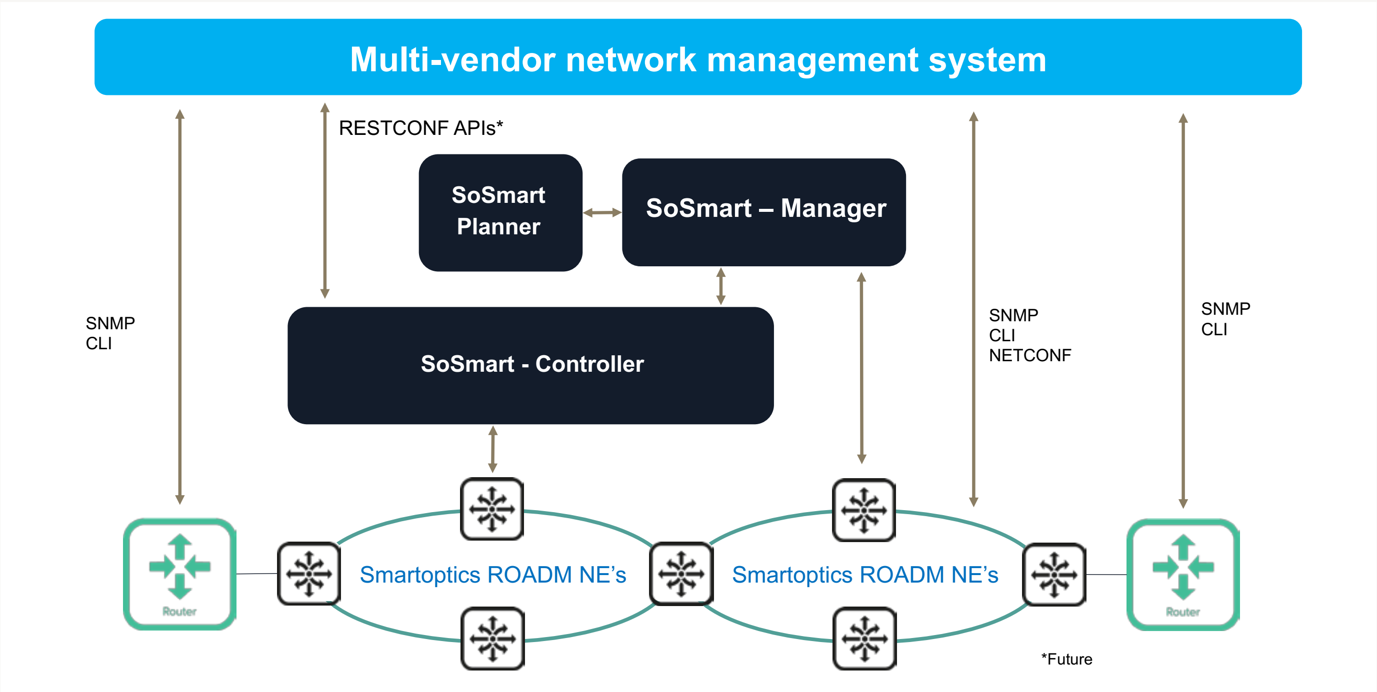
DCP-404

DCP-110

The Smartoptics DCP transponders and muxponders.

The DCP-110 muxponder offers a cost-effective 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.

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 features a cloud-native software architecture with open APIs for seamless integration 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 adaptation layer between the network elements from Smartoptics and higher-level multi-vendor network management systems and orchestrators.

The Smartoptics SoSmart Software Suite for open network management includes the following building blocks:

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.

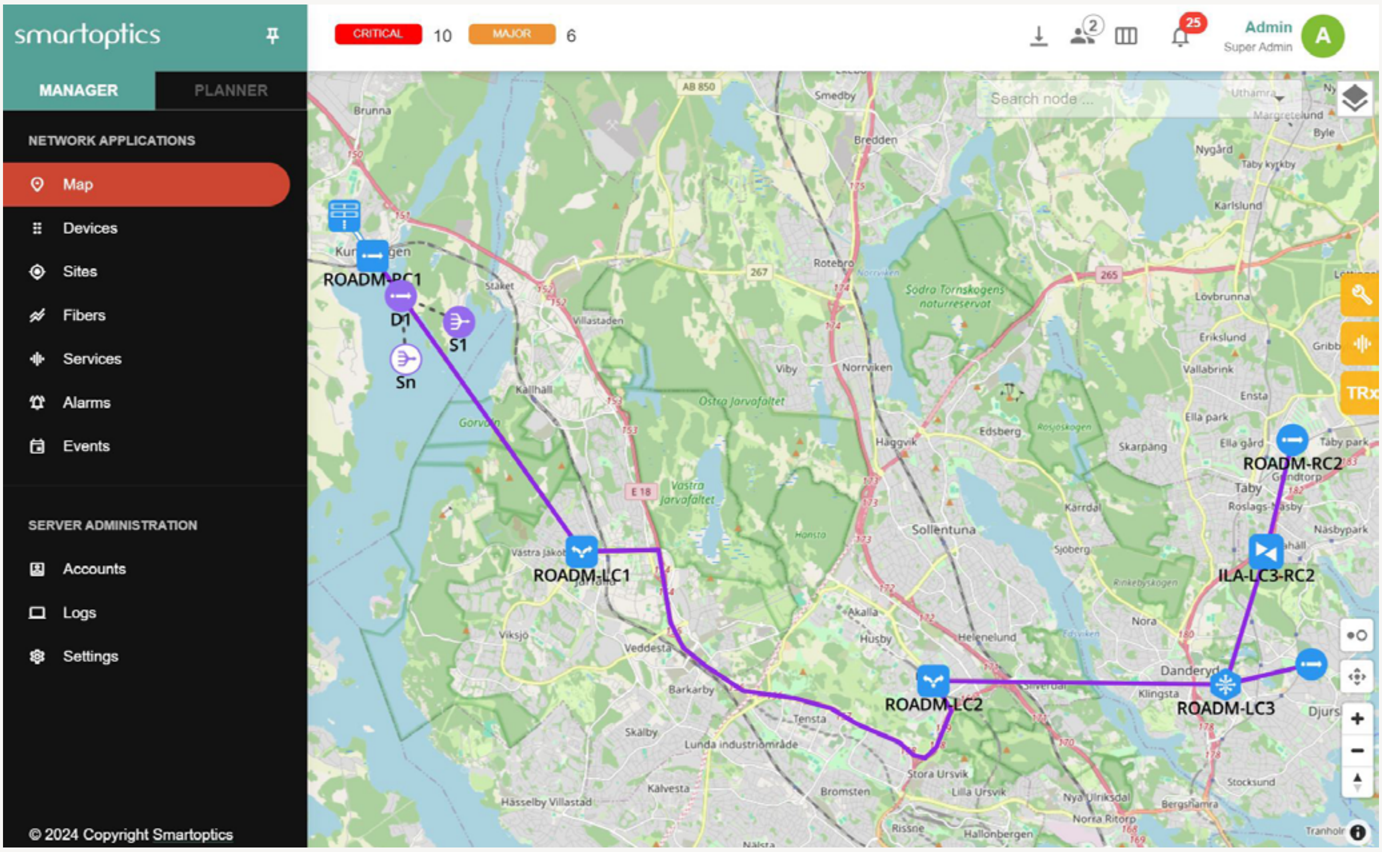
SOSMART CONTROLLER

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.



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

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.

OPTICAL DEVICES

Smartoptics offerss a comprehensive portfolio of high-end, high quality optical transceivers used for electrical/optical conversion 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 it comes to linking rack-to-rack, bottom-to-top of rack, data center-to-data center, or network-to-network with optical fiber.

Building on its system and networking expertise, Smartoptics expertise ensures the availability of the latest transceiver technology at the best price.

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.

QSFP-DD transceiver

SFP-DD 100GE transceiver

OSFP 400G transceiver

QSFP28 transceiver

H-Chassi-1RU

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.

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 EDUCATON
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, 2024

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, 2024

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, 2024

KARL THEDÉEN
BOARD MEMBER

BORN
1963

BOARD MEMBER SINCE
2019

OTHER CURRENT ASSIGNMENTS
CEO Studsvik AB, Board member of Net Insight AB

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

HOLDINGS IN SMARTOPTICS GROUP
463 078 shares, as of December 31, 2024

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 as of December 31, 2024

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
5 000 shares as of December 31, 2024

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 as of December 31, 2024

BJÖRN ANDERSSON
SVP BUSINESS AREA OPTICAL DEVICES

BORN
1971

EXPERIENCE
Over 25 years of experience in the optical networking industry. Prior to joining Smartoptics, he has held several product, sales, management and business development positions at Infinera, Transmode, Lumentis, Ericsson and Sycamore Networks. Including multiyear expat assignments in Italy and USA.

EDUCATION
Bachelor of science in Software/Electronic Engineering. Specializing in Data communication and Distributed Systems.

JOINED SMARTOPTICS
2024

HOLDINGS IN SMARTOPTICS GROUP
8 000 shares, as of December 31, 2024

RONALD HÜBSCH
VP OF SUPPLY CHAIN

BORN
1973

EXPERIENCE
More than 20 years of experience from the optical telecommunication industry. He has held several positions in procurement, sales and production engineering at Coriant, Infinera, Nokia Siemens Networks, Siemens and Taclink.

EDUCATION
Dipl.-Ing. Electrical Engineering - RF Technology and Photonics from Technical University, Berlin

JOINED SMARTOPTICS
2021

HOLDINGS IN SMARTOPTICS GROUP
5 500 shares as of December 31, 2024

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 as of December 31, 2024

smartoptics

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 transceivers 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 2024
The Smartoptics group's revenues amounted to USD 55.5 (58.5) million in 2024, a decrease of 5.1% from 2023. The decrease is mainly related to challenging market conditions. Despite the weaker market, Software & Services business area grew by 11.1%.

Gross profit amounted to USD 26.7 (29.3) million, corresponding to a gross margin of 48.1%, compared to 50.0% in the previous year. The gross margin remains high and stable, exceeding the company's long-term target

Operating expenses amounted to USD 49.9 (47.7) million, reflecting an increase driven by the growth of the organization. At year-end 2024, Smartoptics group had 132 employees, up from 115 the previous year. Net employee benefit expenses amount to 26.7% of total revenue compared to 24.2% last year. Stronger USD against SEK and NOK partly offset the rise in operating expenses.

Operating profit was USD 3.3 (8.9) million, with an operating margin of 5.9% compared to 15.3% last year. The development is primarily driven by a dip in revenue, a slightly lower gross margin, and continued strategic investments in product development and market expansion to support long-term growth.

Amortization amounted to USD 0.3 million, unchanged from the previous year. It primarily relates to capitalized development, as well as other intangible assets such as software systems. Capitalized development additions for the year amounted to USD 0.8 (0.5) million.

Depreciation amounted to USD 2.0 (1.6) million and is primarily related to production equipment and lab instruments used for development and office equipment and right-of-use assets.

Net financial items were USD 2.1 (0.6) million, of which interest cost accounted for USD -0.3 (-0.2) million, interest income amounted to USD 0.3 (0.3) million and net foreign exchange gains USD 2.1 (0.6) million.

Profit/(loss) for the year was USD 4.0 (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 58.9 (USD 5.2) million.

FINANCIAL POSITION AND CASH FLOW

Total non-current assets amounted to USD 7.1 (7.1) million at the end of 2024. This mainly consists of right-of-use assets of USD 1.2 (1.9) million, property, plant and equipment of USD 3.0 (2.8) million, capitalized development of USD 1.6 (1.2) million as well as deferred tax assets of USD 1.0 (1.1) million.

Total current assets amounted to USD 41.8 (41.9) million at the end of 2024. Current assets consist predominantly of inventory, trade receivables and cash. Cash position was USD 8.0 (9.3) million at year end.

The group had a total equity of USD 28.5 (30.0) million, corresponding to an equity ratio of 58.2% (61.3)% at the end of the year.

Total liabilities amounted to USD 20.5 (19.0) million at the end of the year. Current liabilities were USD 14.7 (13.4) million and non-current liabilities was USD 5.8 (5.6) million. The group had USD 0.8 (1.4) million in interest bearing debt. Current liabilities consist of mainly trade payables of USD 5.0 (4.5) million and deferred revenue of USD 4.0 (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 6.4 (11.9) million. This was driven by overall profitable business.

RISK FACTORS

COMMERCIAL RISK

Smartoptics operates in a highly competitive market. Key success factors include product performance, network architecture, solution design capabilities, adherence to industry standards, pricing, and the ability to deliver on time. Increased competition in certain segments may affect Smartoptics competitive position and attractiveness to customers.

GEOPOLITICAL RISK

Smartoptics rely on a global supply chain with suppliers located in Europe, North America and Asia. Escalating geopolitical tensions, particularly between major global powers, could pose risks to supply chain stability and operational continuity.

CUSTOMER CREDIT RISK

Customer credit risk is actively managed and continuously monitored. All customers are subject to credit evaluations, or the use of prepayment. Historically, the Group has experienced very low levels of bad debt, and credit risk is expected to remain minimal going forward.

LIQUIDITY RISK

The Group's financial position is strong with USD 8.0 million in cash at the end of the year. In addition, the Group has an undrawn bank credit facility of USD 6.6 million, providing ample liquidity.

INTEREST RATE RISK

As of year-end 2024, total borrowings amounted to USD 0.8 million. The Group has two loans with Innovasjon Norge and one with Nordea Financing, all denominated in NOK and set to be fully repaid by 2026. There are no other interest-bearing liabilities.

EXCHANGE RATE RISK

Smartoptics' customer base is primarily located in Europe, the USA, and Canada. The vast majority of commercial contracts—with both customers and suppliers—are denominated in USD. However, operating expenses, particularly salaries, are paid in local currencies such as SEK, NOK, USD, EUR, and GBP. Consequently, currency fluctuations may impact profitability through changes in operating costs.

DEPENDENCY ON KEY PERSONNEL

Employees are among Smartoptics' most critical assets. Their expertise, experience, and professional networks are not easily replaced. As the Group continues to grow, Smartoptics is increasingly recognized as an attractive employer, enhancing its ability to recruit top talent across various markets. Employee turnover has remained consistently low in recent years.

WORKING ENVIRONMENT AND EMPLOYEES

At the end of the financial year, the group employed 132 employees and the parent company has 2 employees. Of the 132 employees in the group 28 were women and 104 were men. For the parent company both employees are men. The board of directors consists of four persons, where of one female. There were no injuries or accidents during the financial year. Sick leave rates has been low.

ENVIRONMENT, SOCIAL & GOVERNANCE

SOCIAL RESPONSIBILITY

At Smartoptics, we are committed to upholding human rights, fair labor practices, and workplace safety, ensuring ethical treatment for both our employees and workers throughout our value chain. We adhere to the United Nations Convention on Human Rights and actively work to ensure that all individuals within our operations and supply chain receive fair wages, safe working conditions, and transparent employment terms. We maintain a zero-tolerance policy toward forced labor, child labor, and workplace discrimination, and we respect the right to freedom of association and collective bargaining.

Our commitment to health and safety is reinforced through compliance with the ISO 45001:2023 standard, ensuring a robust occupational health and safety management system. We conduct regular HSE (Health, Safety, and Environment) audits, covering emergency preparedness, fire safety, ergonomic assessments, and psychosocial well-being. Findings from these audits drive continuous improvements to safeguard a safe and supportive work environment for all employees. Beyond our own operations, we extend our social responsibility to our suppliers and partners, requiring them to comply with ethical labor standards. We actively assess working conditions throughout the value chain, ensuring that all individuals are treated with dignity and respect.

Customer satisfaction remains a top priority at Smartoptics. As part of our ISO 9001-certified quality management system, we maintain a customer-centric approach, ensuring that our products and services meet high-quality standards. Through continuous customer feedback and satisfaction monitoring, we strive to improve our offerings and strengthen long-term relationships with our stakeholders.

By fostering a safe, inclusive, and ethical workplace, both internally and across our supply chain, Smartoptics reinforces its commitment to responsible business practices, supporting sustainable growth and stakeholder trust.

ENVIRONMENTAL RESPONSIBILITY

We are committed to reducing our environmental footprint through responsible waste management and compliance with regulations such as the WEEE Directive (2012/19/EU). Our membership in Norwegian Grønt Punkt supports packaging recycling, and we work with specialized partners to manage chemical and electrical waste responsibly. Our products comply with RoHS and REACH standards, ensuring environmentally safe materials and manufacturing processes.

This year, we have made significant progress in reducing greenhouse gas (GHG) emissions, particularly in Scope 2 emissions, through improved energy efficiency and transitioning to low-carbon electricity sources. Additionally, we conducted biodiversity and water risk assessments, identifying key areas for environmental improvement and strengthening our commitment to sustainable resource management.

As part of our commitment to continuous environmental improvement, Smartoptics is ISO 14001-certified, ensuring that our environmental management system aligns with global best practices. This certification reflects our structured approach to reducing environmental impact, improving resource efficiency, and ensuring compliance with environmental regulations.

Our emissions reduction efforts contribute to aligning with the Paris Agreement's climate goals, supporting a transition toward a low-carbon economy.

CORPORATE GOVERNANCE

At Smartoptics, strong corporate governance and ethical business practices are fundamental to our sustainability strategy. We operate with transparency, accountability, and regulatory compliance to ensure long-term resilience and stakeholder trust.

In accordance with the Norwegian Transparency Act, we conduct due diligence assessments based on OECD guidelines, ensuring responsible business conduct throughout our supply chain. Our sustainability report inspired by the CSRD directive and ESRS standard, will be published by 30.06.2025 at www.smartoptics.com, where previous years' report also is avaiable, demonstrating our commitment to transparency and responsible corporate practices.

We enforce responsible sourcing policies, ensuring that all suppliers comply with ethical labor and environmental standards. In line with the Responsible Minerals Assurance Process (RMAP), and that our suppliers comply with

The Conflict Mineral Act.
Smartoptics also upholds strong risk management and compliance frameworks to address evolving regulations, environmental laws, and ethical sourcing requirements. To maintain governance excellence, we conduct internal and external audits, ensuring alignment with global standards. By integrating robust governance, ethical sourcing, and compliance measures, Smartoptics strengthens its corporate responsibility, contributing to a sustainable and resilient future.

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.

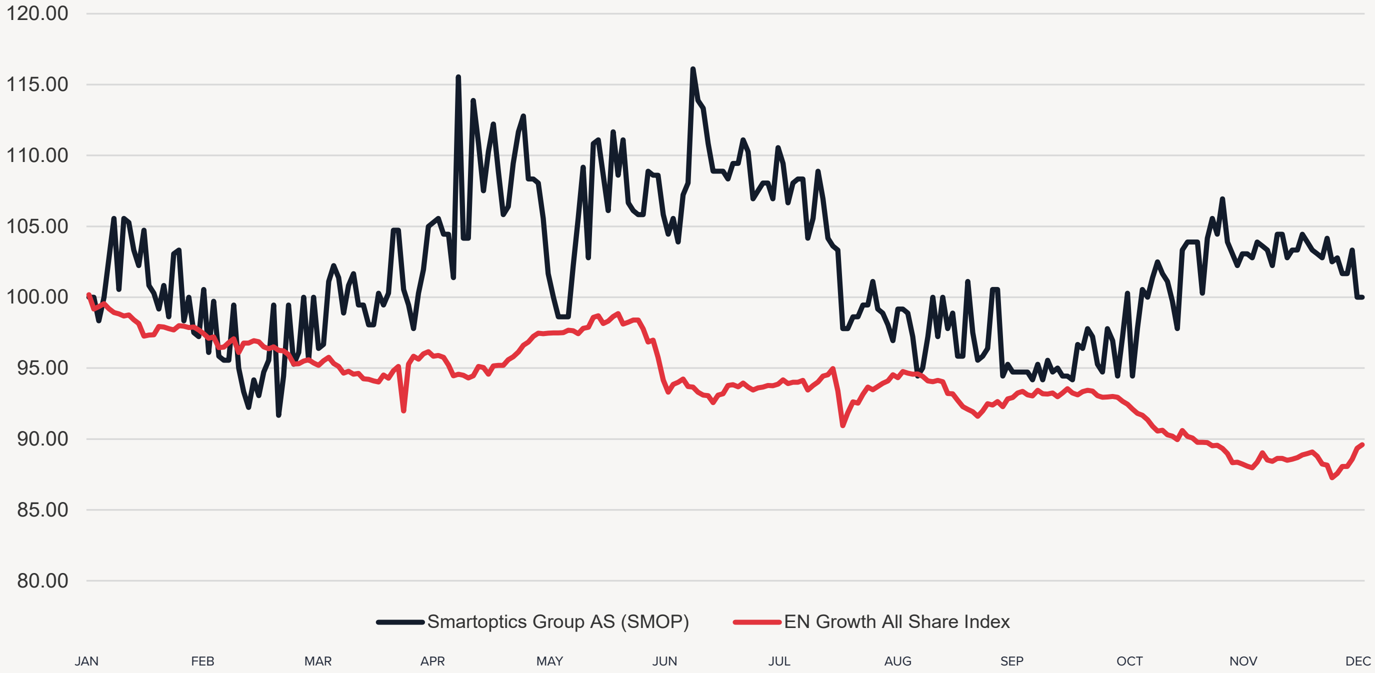
ALLOCATION OF NET INCOME

The Board of Directors has proposed to allocate the net income of NOK 58.9 million to dividend, equal to NOK 0.6 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 2024 Smartoptics Group AS had 98 045 518 shares issued. During 2024 there were two capital increases, issuing 1 758 925 new shares. 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 2023 was 18.05 NOK.
Closing price for the Smartoptics share on Dec 30th 2024 was 18.00 NOK.

The Smartoptics share is a part of Euronext Growth Allshare index. This index declined by 11.81% during 2024. The Smartoptics share price declined by 0.3% during 2024.

10 April 2025
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

smartoptics

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS FOR THE GROUP

Consolidated statement of profit or loss		2024	2023
Amounts in USD 1.000	**Notes**		
Revenue from contracts with customers	*3*	55 394	58 474
Other operating income	*3*	114	30
Total revenue and other operating income		**55 508**	**58 504**
Direct cost of sales	*21*	-28 784	-29 234
Employee benefit expenses	*4*	-14 795	-14 140
Other operating expenses	*5*	-6 347	-4 329
Total operating expenses		**-49 926**	**-47 703**
Amortization of intangible assets	*9*	-318	-283
Depreciation	*10, 11*	-1 975	-1 576
Total depreciation and amortization		**-2 293**	**-1 859**
Operating profit/(loss)		**3 289**	**8 942**
Financial income	*6*	315	252
Financial expenses	*6*	-310	-241
Net foreign exchange gains (losses)	*6*	2 084	638
Net financial items		**2 090**	**648**
Profit/(loss) before income tax		**5 379**	**9 590**
Income tax	*7*	-1 337	-2 119
Profit/(loss) for the year		**4 042**	**7 471**

Earnings per share in USD			
Basic earnings per share	*8*	0.041	0.078
Diluted earnings per share	*8*	0.041	0.077

Consolidated statement of comprehensive income		
Profit/(loss) for the year	4 042	7 471
Other comprehensive income:		
Items that might be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	-117	223
Item that are not reclassified to profit or loss:		
Exchange differences on translation to another presentation currency	-3 179	-734
Total comprehensive income for the year	746	6 960
Total comprehensive income is attributable to:		
Owners of the parent company	746	6 960

smartoptics

Consolidated statement of financial position		31/12/2024	31/12/2023
Amounts in USD 1.000	Notes		
Assets			
Non-current assets			
Intangible assets	9	1 914	1 342
Property, plant and equipment	10	3 006	2 796
Right-of-use assets	11	1 205	1 912
Deferred tax assets	7	955	1 066
Total non-current assets		**7 080**	**7 116**
Current assets			
Inventories	21	12 615	14 198
Trade receivable	14	19 864	16 953
Other current assets	13	1 374	1 420
Cash and cash equivalents	15	7 972	9 321
Total current assets		**41 826**	**41 893**
Total assets		**48 906**	**49 010**
Equity and liabilities			
Equity			
Share capital	16	173	189
Share premium	16	13 121	12 404
Other paid in capital	8	-	20
Foreign currency translation reserves		294	411
Retained earnings		14 866	17 023
Total equity		**28 453**	**30 048**
Non-current liabilities			
Lease liabilities (non-current portion)	11, 17, 20	539	1 271
Contract liabilities (non-current portion)	3	4 939	3 430
Borrowings (non-current portion)	13, 17, 20	277	883
Total non-current liabilities		**5 755**	**5 583**
Current liabilities			
Lease liabilities (current portion)	11, 17, 20	730	716
Trade payable	20	5 048	4 483
Contract liabilities (current portion)	3	4 030	3 133
Tax Payable	7	1 118	1 424
Public duties payable (VAT, Tax)	7	1 057	947
Other current liabilities	17, 19	2 714	2 676
Total current liabilities		**14 697**	**13 378**
Total liabilities		**20 452**	**18 962**
Total equity and liabilities		**48 906**	**49 010**

10 April 2025
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

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Consolidated statement of changes in equity	Note	Share capital	Share premium	Other paid in capital	Translation differance reserves	Retained earnings	Total equity
Amounts in USD 1.000							
Equity at 1 January 2023		**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	16					-4 391	-4 391
Equity at 31 December 2023		**189**	**12 404**	**20**	**411**	**17 023**	**30 048**
Profit/loss for the year		-	-	-	-	4 042	4 042
Other comprehensive income:							
Exchange differences on translation of foreign operations		-	-	-	-117	-	-117
Exchange differences on translation to another presentation currency*		-20	-1 388	-	-	-1 771	-3 179
Total comprehensive income/loss for the year		**-20**	**-1 388**	**-**	**-117**	**2 272**	**746**
Reclassification		-	-	-20	-	20	-
Issuance of ordinary shares		3	2 104	-	-	-	2 107
Dividend	16	-	-			-4 449	-4 449
Equity at 31 December 2024		**173**	**13 121**	**-**	**294**	**14 865**	**28 453**

*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		2024	2023
Amounts in USD 1.000	**Notes**		
Cash flows from operating activities			
Profit/(loss) before income tax		5 379	9 590
Adjustments for:			
Taxes paid		-1 214	-
Depreciation and amortization	*9, 10*	2 293	1 859
Net Interest expense	*6*	-9	-11
Change in inventory	*21*	1 584	1 225
Change in trade receivable	*14*	-2 911	-1 038
Change in contract liabilities (deferred revenue)	*3*	2 407	2 447
Change in trade payable	*19*	565	-1 348
Change in other current assets and other liabilities	*13, 19*	-2 020	-1 123
Interest received	*6*	315	252
Net cash inflow from operating activities		**6 387**	**11 853**
Cash flows from investing activities			
Payment for property, plant and equipment	*10*	-1 729	-1 760
Payment for development cost	*9*	-1 039	-724
Net cash (outflow) from investing activities		**-2 768**	**-2 484**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	*16*	2 107	-
Repurchase of warrants	*8*	-	-127
Dividend paid out	*16*	-4 449	-4 391
Proceeds from new borrowings	*17*	-	556
Repayment of borrowing	*17*	-514	-608
Paid interest	*17*	-306	-241
Repayments of lease liabilities	*17*	-723	-715
Net cash inflow from financing activities		**-3 886**	**-5 526**
Net increase/(decrease) in cash and cash equivalents		**-267**	**3 842**
Cash and cash equivalents as of 1 January		9 321	5 660
Effects of exchange rate changes on cash and cash equivalents		-1 082	-181
Cash and cash equivalents as of 31 December		**7 972**	**9 321**

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 10th April 2025.

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 prepa-red 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 are rounded to the nearest thousand unless otherwise indicated. 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 and are prepared on a historical cost basis

FOREIGN CURRENCY

FUNCTIONAL CURRENCY, PRESENTATION CURRENCY AND CONSOLIDATION

The Group's presentation currency is USD. As of December 2022, Smartoptics Group has adopted USD as its presentation currency due to the significant portion of revenue and expenses denominated in USD, which has the primary influence on the Group's operating results. The functional currency of the parent company is NOK, reflecting the currency in which financing activities (such as loans) and administrative expenses are primarily conducted.

For consolidation purposes, subsidiaries with a functional currency different from the parent company are first translated into NOK. The consolidated figures are then translated into the presentation currency (USD) using the exchange rate prevailing at the balance sheet date. Income statement items are translated at average exchange rates that approximate the rates at the dates of the respective transactions. 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 difference 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.

ACCOUNTING STANDARDS ADOPTED IN 2024

During 2024 there have been revisions by IASB to the financial reporting requirements in IAS 1, IAS 7, IFRS 7 and IFRS 16. None of the amendments are applicable for Smartoptics Group.

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PRINCIPLES OF CONSOLIDATION

SUBSIDIARIES

Subsidiaries are all entities (including structured entities) when the Group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to influence those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is obtained and deconsolidated from the date control is lost.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated in full. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. If a subsidiary applies different accounting policies, adjustments are made to align its reporting with the Group's accounting principles.

When the Group loses control of a subsidiary, it derecognizes the subsidiary's assets, liabilities, and any associated non-controlling interests. Amounts previously recognized in other comprehensive income related to that subsidiary are reclassified to profit or loss or transferred directly to retained earnings, as appropriate.

CLASSIFICATION OF CURRENT AND NON-CURRENT ITEMS

Assets are classified as current when they are expected to be realized, sold, or consumed in the Group's normal operating cycle, or are expected to be realized within 12 months after the reporting period. All other assets are classified as non-current.

Liabilities are classified as current if they are expected to be settled within the Group's normal operating cycle, are due within 12 months of the reporting date, or if the Group does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date. All other liabilities are classified as non-current.

SEGMENTS

Smartoptics has only one operating segment in accordance with IFRS 8 Operating segments. The Group operates as a single business unit, where products from all categories—Solutions, Devices, and Software & Services—are marketed and sold together, targeting the same customers through shared distribution channels. While internal financial reporting is organized by product group and geographic region, this does not result in the identification of additional reportable segments for external reporting purposes, as the internal resource allocation is conducted at the group level, without specific allocations to different product groups or geographic regions.

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 experien¬ce. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period. If the revision impacts both current and future periods, the effect is recognized accordingly in both

INFORMATION ABOUT MAJOR CUSTOMERS

One of Smartoptics' customers represented 18% of the revenue for 2024. In comparison, the same customers represented 17% percent of total revenue 2023.

JUDGEMENTS

In preparing the financial statements, management has made certain significant assessments involving the application of accounting principles based on critical judgment. Material exercise of judgment and estimates relates mainly:

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. The assessment includes judgment of for example the technical feasibility of completing the product, the ability to sell the product and the generation of future economic benefits. Smartoptics has a documented product development process, which identifies development projects that can be included in the capitalization. If the criteria are not fulfilled the 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.

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 consideration is booked as contract liability on the balance sheet and recognized as revenue over 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 licences upgrades.

Revenue information	2024	2023
Amounts in USD 1.000		
Solutions	31 492	35 584
Devices	15 560	16 432
Software & Services	8 455	6 488
Total revenue from contracts with customers	**55 508**	**58 504**

Timing of revenue recognition	2024	2023
Amounts in USD 1.000		
Solutions products transferred at a point in time	31 492	35 584
Device products transferred at a point in time	15 560	16 432
Software & Services transferred at a point in time	5 539	4 012
Software & Services transferred over time	2 916	2 475
Total revenue from contracts with customers	**55 508**	**58 504**

Geographic split of revenues	2024	2023
Amounts in USD 1.000		
EMEA	24 710	27 096
Americas	25 903	28 101
APAC	4 895	3 306
Total revenue from contracts with customers	**55 508**	**58 504**

Contract assets and contract liabilities	31/12/2024	31/12/2023
Amounts in USD 1.000		
Contract liabilities (deferred revenue) - current	4 030	3 133
Contract liabilities (deferred revenue) - non-current	4 939	3 430
Total	**8 969**	**6 563**

Contract assets and contract liabilities	2024	2023
Contract liabilites at 1 January	**6 563**	**4 116**
New contract liabilites	7 265	5 369
Revenue recognized in current year	-4 349	-2 893
Exchange differences	-509	-28
Contract liabilites at 31 December	**8 969**	**6 563**

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	2024	2023
Amounts in USD 1.000		
Wages and salaries	10 134	10 403
Social security tax	2 748	2 448
Pension costs	1 167	881
Other benefits	746	408
Total	**14 795**	**14 140**
Average full-time equivalents	**123**	**107**

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	2024				2023			
	Wages	Pension	Bonus	Other benefits	Wages	Pension	Bonus	Other benefits
Magnus Grenfeldt, CEO	317	53	-	4	211	49	31	9
Stefan Karlsson, CFO*	141	40	-	-	-	-	-	-
Kent Lidström, CTO	141	42	-	7	132	27	27	8
Per Burman, CMO	122	49	-	-	117	21	24	1
Björn Andersson, SVP BA Devices*	23	5	-	-	-	-	-	-
Ronald Hübsch, VP of Supply chain*	25	-	-	-	-	-	-	-
Carina Osmund, COO*	128	39	-		123	24	20	1
Mikael Haag, CFO*	-	-	-	-	142	30	24	1
Total management compensation	**898**	**228**	**-**	**11**	**725**	**151**	**127**	**20**

Board of Directors	Director fee 2024	Director fee 2023
Thomas Ramm, Chairman	45	47
Karl Thedéen, Board Member	22	24
Sara H. Asplund, Board Member	22	24
Einar Caspersen, Board Member	22	24
Total	**112**	**118**

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 2023 was SEK 330 000. The other key management received a bonus related to 2023 of SEK 1 014 994. Bonus for 2024 to the CEO was SEK 0 and to other key management SEK 0.

*Stefan Karlsson entered the management group on 1st February 2024
*Björn Andersson entered the management group on 4th November 2024
*Ronald Hübsch entered the management group on 4th November 2024
*Carina Osmund exited the management group on 4th November 2024
*Mikael Haag exited the management group on 20th November 2023

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Warrants held by key management	2024	2023
Magnus Grenfeldt	-	867 031
Kent Lidström	-	325 136
Per Burman	-	216 758
Total held by key management	-	1 408 925
Warrants held by other employees	-	350 000
Total warrants outstanding	-	1 758 925

All of the outstanding warrants per 31.12.2023 have been exercised during March and May 2024. The group does not have any outstanding warrants at the end of the year 2024.

NOTE 5 - OTHER OPERATING EXPENSES

Other operating expenses consists of the following	2024	2023
Amounts in USD 1.000		
Facilities	268	276
Travel expenses	824	839
Marketing and representation	919	1 211
Other R&D and certification cost	553	409
IT	915	653
Consultant expenses	1 361	-
Other operating expenses	1 507	941
Total other operating expenses	**6 347**	**4 329**

Specification of auditors' fees	2024	2023
Amounts in USD 1.000		
Statutory audit	103	111
Other non-assurance services	13	9
Tax advisory services	4	11
Total	**120**	**131**

NOTE 6 - FINANCIAL ITEMS

Financial income and expenses	2024	2023
Amounts in USD 1.000		
Interest income from bank deposits	315	252
Net gain/loss on foreign exchange	2 084	638
Financial income	**2 400**	**890**
Interest expense on borrowings	- 240	- 153
Interest on lease liabilities	- 66	- 88
Other financial expenses	- 4	-
Financial expenses	**- 310**	**- 241**
Net financial items	**2 090**	**648**

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 legislation 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	2024	2023
Income tax payable	1 398	1 777
Change in allocated tax last year	50	83
Deferred tax income	-111	258
Total income tax expense	**1 337**	**2 119**

Specification of deferred tax balances	31/12/2024	31/12/2023
Temporary differences		
Property, plant and equipment	-250	-215
Inventory	-350	-390
Accounts receivable	-112	
Deferred revenue	-5 638	-4 279
Other temporary differences	1 975	-10
Gain/loss deferral account	36	50
Net temporary differences	**-4 339**	**-4 844**
Tax losses carried forward	-	-
Non-recognized deferred tax assets	-	-
Basis for calculating deferred tax assets	4 339	-4 844
Carrying value deferred tax assets	**955**	**1 066**

Reconciliation of effective tax rate:	2024	2023
Net income/(loss) before tax	5 379	9 590
Expected income tax assessed at the Norwegian income tax rate for the Parent company, 22 %	1 183	2 236
Difference in tax rate for foreign profit	92	58
Adjusted for the tax effect of the following items:	-	-
Permanent differences	(72)	-123
Other	134	-52
Income tax expense (income)	**1 337**	**2 119**
Effective tax rate	24.8%	22.1%

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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	2024	2023
Basic earnings per share	0.041	0.078
Diluted earnings per share	0.041	0.077
Profit/(loss) for the year:		
used for calculating basic earnings per share	4 042 285	7 471 028
used for calculating diluted earnings per share	4 042 285	7 471 028
Weighted average number of shares used as the denominator in calculating basic earnings per share	97 599 464	96 286 593
Weighted average number of shares outstanding for diluted earnings per share*)	97 876 052	97 087 312
*As of 31.12.2024 the company har zero dilutive shares.		

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. The intangible assets are amortized over 5 years.

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 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, AI-driven operational system and 800G Muxponder projects totalling NOK 3.9 million (USD 0.4 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	Capitalized development	Other intangible assets	Total
Cost			
Cost at 1 January 2023	**2 517**	**-**	**2 517**
Additions	597	127	724
Translation difference	-78	-	-78
Cost at 31 December 2023	**3 036**	**127**	**3 163**
Additions	772	267	1 039
Translation difference	-316	-15	-330
Cost at 31 December 2024	**3 492**	**379**	**3 871**
Amortization and impairment			
Accumulated at 1 January 2023	**1 576**	**-**	**1 576**
Amortization for the year	267	16	283
Translation difference	-39	1	-38
Accumulated at 31 December 2023	**1 804**	**17**	**1 821**
Amortization for the year	318	25	343
Translation difference	-205	-3	-207
Accumulated at 31 December 2024	**1 917**	**40**	**1 957**
Carrying amount at 31 December 2023	**1 232**	**110**	**1 342**
Carrying amount at 31 December 2024	**1 575**	**339**	**1 914**

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.

The assets are depreciated over 3 to 5 years.

Property, plant and equipment

Amounts in USD 1,000	Equipment and movables	Total
Cost at 1 January 2023	**3 805**	**3 805**
Additions	1 760	1 760
Translation difference	169	169
Cost at 31 December 2023	**5 734**	**5 734**
Additions	1 729	1 729
Translation difference	-625	-625
Cost at 31 December 2024	**6 838**	**6 838**
Depreciations and impairment		
Accumulated at 1 January 2023	**2 019**	**2 019**
Depreciations for the year	843	843
Impairment	-	-
Translation difference	76	76
Accumulated at 31 December 2023	**2 938**	**2 938**
Depreciations for the year	1 230	1 230
Impairment	-	-
Translation difference	-335	-335
Accumulated at 31 December 2024	**3 832**	**3 832**
Carrying amount at 31 December 2023	**2 796**	**2 796**
Carrying amount at 31 December 2024	**3 006**	**3 006**

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

Smartoptics has lease agreements with primarily fixed payments, with the exception of office leases, where lease payments are regulated annually based on a consumer price index.

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%.

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Leasing	31/12/2024	31/12/2023
Amounts in USD 1,000		
Buildings	1 135	1 743
Other	69	169
Total right-of-use assets	**1 205**	**1 912**

Useful life	5 years	5 years
Depreciation method	Straight-line	Straight-line

Lease liabilities		
Amounts in USD 1,000		
Current	730	716
Non-Current	539	1 271
Total lease liability	**1 269**	**1 986**

Amounts recognized in the statement of profit or loss		
Depreciation of right of use asset	722	735
Interest expense	66	88
Expenses relating to short-term leases	20	9
Expenses relating to leases of low-value	49	43

Reconciliation of lease arising from financing activities	2024	2023
Opening balance 1 January	1 986	2 433
Cash flow	-789	-803
New leases	180	266
Translation differences	-108	90
Closing balance 31 December	**1 269**	**1 986**

Maturity table schedule for lease liabilities Amounts in USD 1,000 - 31.12.2024	Due within 1 year	Due within 2 years	Due within 3 years	Due within 4 years	Due within 5 years
Leasing liabilities	808	371	218	-	-

Maturity table schedule for lease liabilities Amounts in USD 1,000 - 31.12.2023	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 includes interest bearing loans, 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 amortized cost in the table have a carrying amount 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 2024 was NOK 6.9 (USD 0.6) 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 6.6 million) and a non-current loan of USD 0.4 million scheduled to be fully repaid by 2026 Q2. As of December 31st 2024, NOK 0 of the credit line from Nordea was utilized

Financial instruments	31/12/2024	31/12/2023
Amounts in USD 1,000		
Financial assets at amortized cost		
Trade receivable	19 864	16 953
Other financial assets	-	-
Cash and cash equivalents	7 972	9 321
Total	**27 837**	**26 274**
Financial liabilities		
Liabilities at amortized cost		
Trade payable	5 048	4 483
Borrowings	777	1 441
Bank overdraft facility	-	-
Total	**5 825**	**5 924**

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.

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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. Smartoptics applies the simplified approach, which means that we recognize lifetime expected credit loss according to IFRS 9. The trade receivable are categorized into risk levels and aging bucket to set an expected loss rate based on the probability of default.

Trade receivable	31/12/2024	31/12/2023
Amounts in USD 1,000		
Trade receivable	20 078	16 953
Loss allowance	-213	-
Total	**19 864**	**16 953**

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	31/12/2024	31/12/2023
Amounts in USD 1,000		
Bank deposits	7 972	9 321
Total cash and cash equivalents	**7 972**	**9 321**

Amounts in USD 1,000		
Restricted cash included in the above:		
Withholding tax in relation to employee benefits	52	53

NOTE 16 - SHARE CAPITAL AND SHAREHOLDER INFORMATION

The company has 98 045 518 ordinary shares with a par value of 0.02 NOK.

DIVIDEND

A dividend of NOK 0.60 per share has been proposed by the Board of Directors, totalling NOK 58 827 311.

Share capital	Number of ordinary shares	Share capital
1 January 2023	**96 286 593**	**195**
Issued during the year	-	-
Currency translation differences	-	(6)
31 December 2023	**96 286 593**	**189**
Issued during the year	1 758 925	35
Currency translation differences	-	(51)
31 December 2024	**98 045 518**	**173**

#	Shareholders	Holding	Stake
1	Coretech AS	31 783 599	32.42 %
2	Kløvingen AS	15 850 429	16.17 %
3	K-Spar Industrier AS	13 076 422	13.34 %
4	Janus Henderson Investors	4 141 429	4.22 %
5	Handelsbanken Fonder	3 295 000	3.36 %
6	Danske Invest	2 942 164	3.00 %
7	Altitude Capital AS	2 700 000	2.75 %
8	Avanza Bank AB	2 166 440	2.21 %
9	Nordnet Bank AB	2 085 693	2.13 %
10	Magnus Grenfeldt	1 857 489	1.89 %
11	Swedbank Robur Fonder	1 811 800	1.85 %
12	Mirabaud Asset Management	1 543 354	1.57 %
13	John Even Øveraasen	1 505 000	1.54 %
14	Schroders	1 200 000	1.22 %
15	Rasmussengruppen AS	1 100 000	1.12 %
16	Toluma Norden AS	1 000 000	1.02 %
17	AS Clipper	963 391	0.98 %
18	Varner AS	963 391	0.98 %
19	Ålandsbanken Fonder	876 631	0.89 %
20	Karl Thedéen	493 078	0.50 %
	Others	6 690 208	6.82 %
	Total number of shares	**98 045 518**	**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 0.2 million scheduled to be fully repaid by 2026 Q2.

Pledged assets	31/12/2024	31/12/2023
Amounts in USD 1,000		
Trade receivable	10 234	6 771
Inventory	4 925	5 964
Property, plant and equipment	441	613
Total pledged assets	**15 600**	**13 349**

Non-current and current liabilities at 31 December 2023	Bank credit facility	Borrowings	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 flow 2023	Bank credit facility	Borrowings	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	-715	-1 323
Proceed from borrowings	-	556	-	556
Interest paid	-	-153	-88	-241
Total changes from financing cash flows	**-**	**-205**	**-803**	**-1 008**
Non-cash changes				
Interest expense using effective interest method	-	153	88	241
Effect of changes in foreign exchange rates		-50	1	-49
New finance lease	-	-	266	266
Total non-cash changes	-	103	356	459
Balance 31/12/2023	**-**	**1 441**	**1 986**	**3 428**

Non-current and current liabilities at 31 December 2024	Bank credit facility	Borrowings	Lease liabilities	Total
Amounts in USD 1,000				
Non-current liabilities	-	277	539	816
Current liabilities	-	500	730	1 230
Total	**-**	**777**	**1 269**	**2 046**

Reconciliation of changes from financing cash flows 2024	Bank credit facility	Borrowings	Lease liabilities	Total
Amounts in USD 1,000				
Balance at 01/01/2024	**-**	**1 441**	**1 986**	**3 427**
Changes from financing cash flows				
Repayment of borrowings	-	-514	-723	-1 237
Proceed from borrowings	-	-	-	-
Interest paid	-	-240	-66	-306
Total changes from financing cash flows	**-**	**-754**	**-789**	**-1 544**
Non-cash changes				
Interest expense using effective interest method	-	240	66	306
Effect of changes in foreign exchange rates	-	-150	-174	-324
New finance lease	-	-	180	180
Total non-cash changes	-	90	72	163
Balance 31/12/2024	**-**	**777**	**1 269**	**2 046**

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 2024				
Related party	**Holding**	**Stake**	**Warrants**	**Ownership description**
Coretech AS	31 783 599	33.01 %	-	Chairperson 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	1 857 489	1.93 %	-	CEO
Kent Lidström	280 075	0.29 %	-	CTO
Per Burman	280 075	0.29 %	-	CMO
Stefan Karlsson	5 000	0.01 %	-	CFO
Ronald Hubsch	5 500	0.01 %	-	VP of Supply Chain
Björn Andersson	8 000	0.01 %	-	SVP Devices

Transactions with related parties				
Related party	**Relationship**	**Transaction type**	**2024**	**2023**
Coretech AS	Company owned by Chairperson	Travel expenses	9	23
Etain AS	Company owned by Chairman	Expense for software	6	-
Total			**15**	**23**

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NOTE 19 - OTHER CURRENT LIABILITIES

	31/12/2024	31/12/2023
Amounts in USD 1,000		
Current portion of interest bearing debt	500	558
Accrued expenses	2 214	2 118
Total	**2 714**	**2 676**

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 handles 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 and SEK, 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.

The table is a sensitivity analysis of foreign currency exposure on the balance sheet in the group companies' with functional currencies in NOK or SEK and the impact on the profit and loss statement.

Profit before tax	31/12/2024
NOK exchange rate +/- 10%	+/-1 067
SEK exchange rate +/- 10%	+/-86

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 2024, 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 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 2024, cash and cash equivalents amounted to USD 8.0 million.

The group had a bank credit facility with a limit of NOK 75 million (USD 6.6 million), as of 31 December 2024 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.

Maturity table schedule financial obligations 31.12.2024	Carrying amount	Contractual cash flow	Due 1-12 months	Due 1-2 years	Due 2+ years
Borrowings	777	831	545	286	-
Lease liabilities	1 269	1 397	808	371	218
Trade payable	5 048	5 048	5 048	-	-
Total	**7 094**	**7 275**	**6 401**	**657**	**218**

Maturity table schedule financial obligations 31.12.2023	Carrying amount	Contractual cash flow	Due 1-12 months	Due 1-2 years	Due 2+ years
Borrowings	1 441	1 576	640	612	325
Lease liabilities	1 986	2 009	778	748	483
Trade payable	4 483	4 483	4 483	-	-
Total	**7 910**	**8 067**	**5 900**	**1 359**	**808**

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 items are written down if their net realizable value is expected to be lower than the recorded book value.

Inventor & Direct cost of sales	2024	2023
Amounts in USD 1,000		
Purchased materials	30 096	30 206
Changes in inventory	-1 584	-1 225
Write-down inventory	271	253
Direct cost of sales	**28 784**	**29 234**
Work in progress	194	167
Finished goods	12 420	14 031
Total inventory	**12 615**	**14 198**

NOTE 22 - EVENTS AFTER THE REPORTING PERIOD

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

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FINANCIAL STATEMENTS FOR THE PARENT COMPANY

SMARTOPTICS GROUP AS

Statement of profit or loss		2024	2023
Amounts in NOK 1.000	**Notes**		
Total revenue and operating income		**-**	**-**
Operating expenses			
Payroll expenses	*2*	10 956	8 548
Other operating expenses	*3*	2 192	957
Operating expenses		**13 148**	**9 505**
Operating Profit		**-13 148**	**-9 505**
Financial income and expenses			
Intercompany interest income	*4*	7 000	3 700
Interest income	*5*	11	-
Interest expense		-	-556
Group contributions	*5*	64 964	38 258
Net financial income and expenses		**71 975**	**41 402**
Profit before tax		**58 827**	**31 897**
Tax	*6*	22	-6 139
Net profit/loss for the year		**58 850**	**25 758**
Allocated as follows:			
Transferred from other equity		-	-22 385
Dividend	*7*	58 850	48 143
Total allocation		**58 850**	**25 758**

Balance sheet 31.12		2024	2023
Amounts in NOK 1.000	**Notes**		
Assets			
Deferred tax assets	6	1 350	-
Investment in subsidiaries	8	42 782	42 782
Total non-current assets		44 132	42 782
Current assets			
Receivable			
Receivable to related companies	4	246 691	204 727
Other receivable		1 075	625
Total receivable		247 766	205 352
Cash and cash equivalents	9	11 057	987
Total current assets		258 823	206 339
Total Assets		301 605	249 120

Equity and liabilities			
Equity			
Share capital	7, 10,	1 961	1 926
Share premium reserve	7	148 911	126 133
Other paid-up equity	7	-	1 501
Other equity	7	52 457	51 521
Total equity		203 329	181 080

Liabilities			
Current liabilities			
Accounts payable		7	-
Tax liability		93	116
Other current liabilities	4, 7	98 176	67 925
Total liabilities		98 276	68 041
Total equity and liabilities		301 605	249 120

10 April 2025
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

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Cash flow statement		2024	2023
Amounts in NOK 1.000	**Notes**		
Cash flow from operational activities			
Profit before tax		58 827	31 897
Net interest expense	*5*	-7 011	
Group contribution	*5*	-64 964	
Change in accounts payable		7	-
Change in other items related to operating activities	*3,5*	19 139	-34 220
Net cash flow from operating activities		**5 988**	**-2 323**
Cash flow from investing activities			
Repayment of intercompany loans	*4*	30 000	31 000
Net cash flow from investing activities		**30 000**	**31 000**
Cash flow from financing activities			
Issuing new shares	*8,9*	22 813	-
Interest paid	*5*	-11	
Payment of dividend	*8*	-48 730	-48 143
Net cash flow from financing activities		**-25 928**	**-48 143**
Cash and cash equivalents at 1 January		**987**	**20 454**
Net cash flow		10 070	-19 467
Cash and cash equivalents at 31 December		**11 057**	**987**

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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 2024 and 2 employees in 2023.

Amounts in NOK 1000	2024	2023
Wages and salaries	7 226	5 795
Social security tax	2 620	1 895
Pension costs	1 109	858
Total	**10 956**	**8 548**

Management compensation	2024				2023			
	Wages	Pension	Bonus	Other benefits	Wages	Pension	Bonus	Other benefits
CEO - Magnus Grenfeldt	3 408	567	-	44	2 233	522	328	97
CFO - Stefan Karlsson*	1 511	432	-	-	-	-	-	-
CFO - Mikael Haag*	-	-	-	-	1 495	314	248	8
Total management compensation	**4 919**	**999**	**-**	**44**	**3 728**	**836**	**577**	**104**

Board of Directors	Director fee 2024	Director fee 2023
Thomas Ramm, Chairperson	488	500
Karl Thedéen, Board Memeber	238	250
Sara H. Asplund, Board Memeber	238	250
Einar Caspersen, Board Member	238	250

*Stefan Karlsson entered the management group on 1st February 2024

*Mikael Haag exited the management group on 20th November 2023

NOTE 3 - OPERATIONAL EXPENSES

Remuneration to the auditors	2024	2023
Statutory audit	623	577
Other non-audit services	48	92
Tax advisory services	40	37
Total remuneration to the auditors	**711**	**706**

NOTE 4 - INTERCOMPANY TRANSACTIONS AND BALANCES

Related party transactions	2024	2023
Interest income on loan to group companies	7 000	3 700
Interest income on loan to related parties	-	-

Receivable to group companies and repated parties	2024	2023
Receivable to group companies	246 691	204 727

Payable to group companies and repated parties	2024	2023
Payable to group companies	29 834	19 782

NOTE 5 - FINANCIAL ITEMS

Financial Income	2024	2023
Other interest income	11	
Interest income from group companies	7 000	3 700
Group contributions from group companies	64 964	38 258
Total financial income	**71 976**	**41 958**

Financial Expenses	2024	2023
Interest expense	-	-556
Total financial income	**-**	**-556**

NOTE 6 - TAXES

Remuneration to the auditors	2024	2023
Calculation of deferred tax		
Net temporary differences	-	508
Tax loss carried forward	406	-
Basis for deferred tax / deferred tax asset in the balance sheet	406	508
Deferred tax / deferred tax asset	89	112
Deferred tax / deferred tax assett not recognized in the balance sheet	-	-
Deferred tax / deferred tax asset in the balance sheet	89	112

Basis for income tax expense, change in deferred tax / deferred tax asset		
Result before tax	58 827	31 897
Permanent differences	-58 929	-
Basis for income tax expense	-102	31 897
Change in temporary differences	102	127
Change in tax loss carried forward	-	-32 024
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	-22	7 017
Tax expense	**-22**	**6 139**

Reconciliation of the tax expense		
Result before tax expense	58 827	31 897
Calculated tax	12 942	7 017
Tax expense	-22	6 139
Difference	-12 964	878

The differences consist of:		
22% of permanent differences	-12 964	-
Other differences	-	-878
Sum explained differences	**-12 964**	**-878**

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NOTE 7 - EQUITY

NOK 1000	Share capital	Share premium reserve	Other paid in capital	Other equity	Total equity
Equity as of 01/01/2024	**1 926**	**126 133**	**208**	**52 813**	**181 080**
Capital increase	35	22 778	-	-	22 813
Dividend	-	-	-	-59 414	-59 414
Warrants	-	-	-208	208	-
Net profit	-	-	-	58 850	58 850
Equity as of 31/12/2024	**1 961**	**148 911**	**-**	**52 457**	**203 329**

Dividend of NOK 0.6 per share is proposed by the Board of Directors. Total of NOK 58 827 311

NOTE 8 - SUBSIDIARIES

Company	Office	Ownership	Voting share
Smartoptics AS	Oslo, Norway	100%	100%

In addition to Smartoptics AS 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	2024	2023
Bank deposits	11 057	987
Total cash and cash equvivalents	**11 057**	**987**

NOTE 10 - SHARE CAPITAL AND SHAREHOLDER INFORMATION

	Number of shares	Nominal value	Total carrying amount
Ordinary shares	98 045 518	0.02	1 960 910

	Number of shares
Shares at 31 December 2022	**96 286 593**
Issued during 2023	-
Shares at 31 December 2023	**96 286 593**
Issued during 2024	1 758 925
Shares at 31 December 2024	**98 045 518**

#	Shareholders	Holding	Stake
1	Coretech AS	31 783 599	32.42 %
2	Kløvingen AS	15 850 429	16.17 %
3	K-Spar Industrier AS	13 076 422	13.34 %
4	Janus Henderson Investors	4 141 429	4.22 %
5	Handelsbanken Fonder	3 295 000	3.36 %
6	Danske Invest	2 942 164	3.00 %
7	Altitude Capital AS	2 700 000	2.75 %
8	Avanza Bank AB	2 166 440	2.21 %
9	Nordnet Bank AB	2 085 693	2.13 %
10	Magnus Grenfeldt	1 857 489	1.89 %
11	Swedbank Robur Fonder	1 811 800	1.85 %
12	Mirabaud Asset Management	1 543 354	1.57 %
13	John Even Øveraasen	1 505 000	1.54 %
14	Schroders	1 200 000	1.22 %
15	Rasmussengruppen AS	1 100 000	1.12 %
16	Toluma Norden AS	1 000 000	1.02 %
17	AS Clipper	963 391	0.98 %
18	Varner AS	963 391	0.98 %
19	Ålandsbanken Fonder	876 631	0.89 %
20	Karl Thedéen	493 078	0.50 %
	Others	6 690 208	6.82 %
	Total number of shares	**98 045 518**	**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 2024, 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 2024, 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 2024, 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 2024, 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, 10 April 2025
PricewaterhouseCoopers AS

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

Auditor's report

Signers:

Name	*Method*	*Date*
Sandvik, Øystein Blåka	BANKID	2025-04-10 18:36

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