

An aerial night photograph of a coastline, likely in the Arctic region, showing snow-covered land and dark water. The sky is a deep blue with many stars. Overlaid on the image are several semi-transparent red circles of various sizes. Some circles show a reflection of the landscape, while others are solid red. The text 'Q1 REPORT 2025' is in the bottom left corner.

Q1 REPORT 2025

Q1 REPORT 2025

FIRST QUARTER HIGHLIGHTS

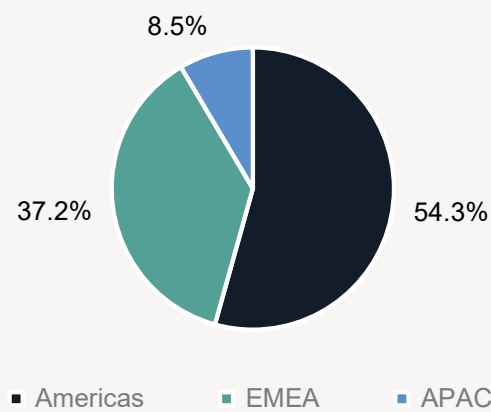
- Revenue of USD 14.4 million, an increase of 13.5% in Q1 2025 vs Q1 2024. A record Q1 in the company's history, despite decline in business area Optical Devices driven by tariff uncertainties
- Gross margin of 47.3% compared to 48.6% same period 2024
- EBITDA of USD 1.2 (1.1) million
- Operating profit (EBIT) of USD 0.6 (0.5) million, equivalent to an operating margin of 4.1% (4.0%)
- Profit & loss for the period amounted to USD 0.1 (1.1) million
- Robust regional performance in Americas and APAC driven by strong sales in business areas Optical solutions, Software and Services
- Strong operating cash flow of USD 2.6 (2.5) million and acceptable EBITDA margin of 8.4% (8.4%)

Amounts in USD 1,000	2025 Q1	2024 Q1	Change
	Jan - Mar	Jan - Mar	
Revenue	14 355	12 649	13.5%
Gross profit	6 786	6 147	10.4%
Gross margin	47.3%	48.6%	-1.3 p.p
EBITDA	1 208	1 063	13.6%
EBITDA margin	8.4%	8.4%	0.0 p.p
Operating profit (EBIT)	591	504	17.1%
Operating margin (EBIT margin)	4.1%	4.0%	0.1 p.p
Profit & loss for the period	64	1 121	-94.3%
Basic earnings per share NOK	0.011	0.121	-91.2%
Diluted earnings per share NOK	0.011	0.120	-91.2%
Basic earnings per share USD	0.001	0.011	-94.3%
Diluted earnings per share USD	0.001	0.011	-94.3%
Operating cash flow	2 636	2 452	
Employees (FTEs)	129	118	11

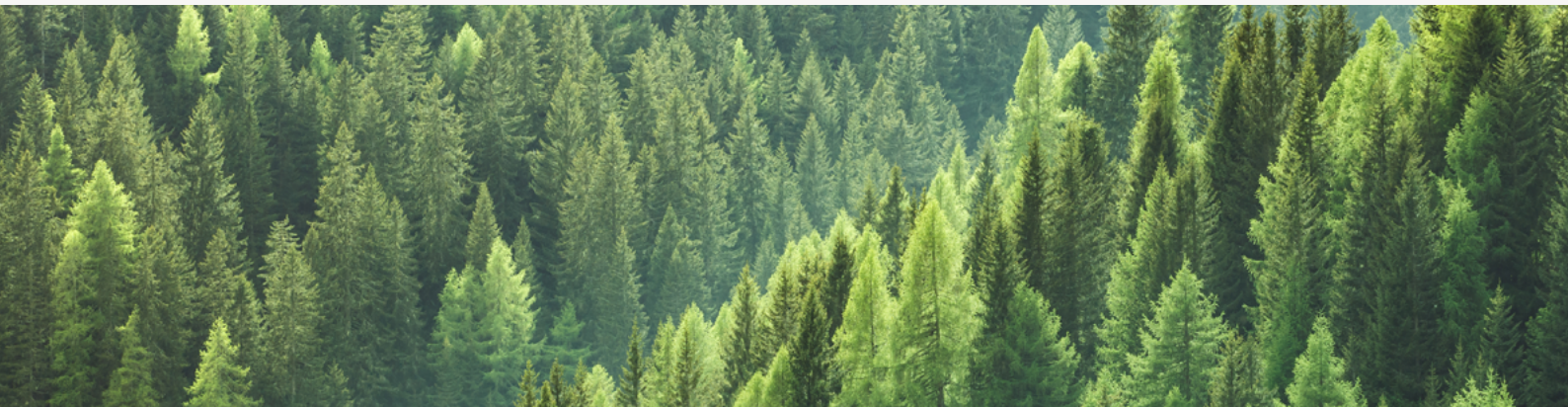
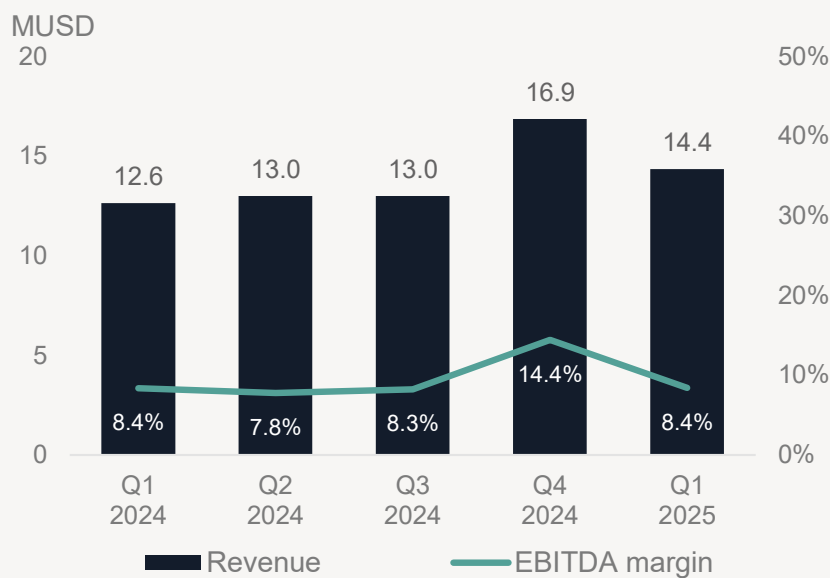
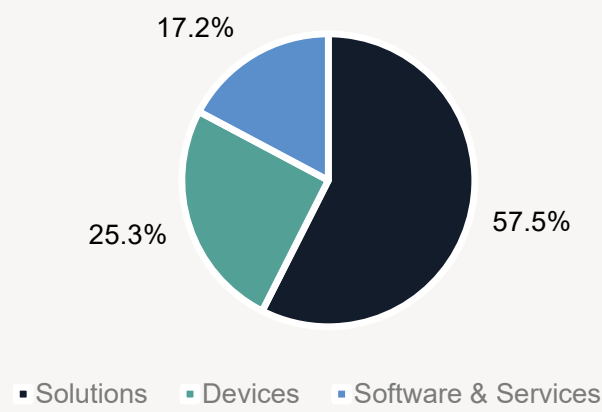
Q1 REPORT 2025

CONTINUED

GEOGRAPHICAL SPLIT Q1 2025



BUSINESS AREA SPLIT Q1 2025



CEO COMMENTS

Smartoptics delivered solid growth in Q1 2025, with revenues increasing by 13.5% to USD 14.4 million, a record Q1 in the company history. This is another proof point that we are back on our long-term trend of solid growth, as anticipated.

The positive development, driven by Solutions, Software and Services in Americas and APAC, is underpinned by the successful launch of a range of new products during 2024. The enhancements and expansion of our product portfolio provide performance improvement and position Smartoptics as more relevant for larger networks and larger customers with higher capacity needs. This has resulted in new partnerships with larger customers.

While we entered 2025 with positive momentum, with a clearly increasing willingness to invest among customers, the temporary market uncertainty created by the US tariffs impacted our optical devices business slightly in the quarter. However, our agile and diversified production strategy, including manufacturing capabilities in other regions, puts us in a comparatively strong position. At the time of this report, only a small subset of the Group's revenue is expected to be subject to tariffs.

Despite the uncertainties in the current market environment, we maintain confidence and optimism regarding long-term growth potential. This is supported by the ever-growing demand for bandwidth and three unique elements essential to Smartoptics:

1. Our continuous expansion of addressable market through strategic investments in our product offering, specifically the newly released products providing a segway into the regional networks market making us more relevant for projects and customers.
2. Our open and disaggregated solutions, building on IP over DWDM design philosophy, are perfectly positioned as the winning segment in the market, as customers want to move towards more cost efficient and flexible networks.
3. Industry consolidation has left a gap in the market below the larger vendors. This is where Smartoptics is thriving, serving as an efficient and flexible vendor for Tier 2 and Tier 3 players in the market.



Magnus Grenfeldt, CEO Smartoptics Group AS

We are currently reviewing our strategy. The foundation, based on the elements mentioned above, remains. Going forward, we will emphasize AI and network automation, aiming for greater simplicity for both us and the customer, increased automation of network operations across network layers and ultimately open up for new revenue streams for Smartoptics. Furthermore, we are actively expediting our device strategy through enhanced organizational structure, optimized sourcing, and refined sales and fulfillment procedures.

Altogether, we are confident that there are significant incremental revenue streams to be developed over time, and that we will be able to continue to capture market shares to leverage our technology, pipeline and growth opportunities in 2025.

For further information, please contact:

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FINANCIAL REVIEW

Q1 2025

REVENUE

Revenue increased by 13.5% in Q1 2025 to USD 14.4 million compared to USD 12.6 million in Q1 2024, mainly related to strong solution sales in Americas. Revenue in Americas increased by 21.3% to USD 7.8 (6.4) million. Revenue in EMEA decreased by 3.3% to USD 5.3 (5.5) million. In APAC, revenue grew by 74.3% to USD 1.2 (0.7) million.

Revenue split by business area for the quarter was Solutions 57.5% (51.6%), Devices 25.3% (31.9%) and Software & Services 17.2% (16.5%).

GROSS PROFIT

Gross profit in Q1 2025 amounted to USD 6.8 (6.1) million and resulted in a gross margin of 47.3% compared to 48.6% the same period last year.

OPERATING EXPENSES

Employee benefit expenses amounted to USD 4.6 (4.0) million in Q1 2025 and employees (FTE) grew from 118 to 129 during the same period. The cost increase is due to new employees and the annual salary adjustment. Other operating expenses increased to USD 1.1 (1.0) million.

EBITDA AND OPERATING PROFIT

EBITDA in Q1 2025 was USD 1.2 (1.1) million and the EBITDA margin was 8.4% compared to 8.4% in Q1 2024.

Operating profit was USD 0.6 (0.5) million and the operating margin was 4.1% compared to 4.0% the same period 2024.

NET FINANCIAL ITEMS

Interest payments and foreign exchange gains/-losses are the main components of Net financial items.

The group has a natural hedge in having both Revenue and Direct cost of sales to a very large extent in USD.

CASH FLOW

The operating cash flow was USD 2.6 (2.5) million for Q1 2025. The net cash flow for the quarter was USD 1.2 (2.8) million, resulting in an closing balance of USD 9.9 million for the quarter.

NON-CURRENT LIABILITIES

There are two loans from Innovasjon Norge of combined USD 0.7 million. The loans are repaid on a quarterly basis and will be fully repaid by Q3 2026. The group also has a credit facility with Nordea of NOK 75 million (USD 7.1 million) and a non-current loan of USD 0.2 million scheduled to be fully repaid by Q2 2026. As of March 31st 2025, the credit line from Nordea was not utilized.

CURRENCY

The Group has experienced increased foreign exchange volatility. The impact on the quarter is minimal. It's important to note that our market is heavily dominated by USD transactions. We predominantly purchase components and sell our products in USD, while more than half of our OPEX in 2024 was in SEK.

OUTLOOK

Long term ambition to reach USD 100 million in 2025/26 timeframe is maintained.

DIVIDEND POLICY

When proposing a dividend for a financial year, the Board of Directors will seek a stable to growing dividend, and consider Smartoptics' financial position, one-off item impacts, growth trajectory, investment plans, flexibility, financial targets and covenants.

FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS STATEMENT

Consolidated statement of profit or loss		2025 Q1	2024 Q1
Amounts in USD 1.000	Notes	Jan - Mar	Jan - Mar
Revenue from contracts with customers	1,2	14 355	12 648
Other operating income		0	1
Total revenue and other operating income	1,2	14 355	12 649
Direct cost of sales		-7 569	-6 502
Employee benefit expenses		-4 516	-4 063
Other operating expenses		-1 062	-1 021
Total operating expenses		- 13 148	- 11 586
Amortization of intangible assets	7	-117	-81
Depreciation	7	-500	-477
Total depreciation and amortization	7	-617	-558
Operating profit/(loss)		591	504
Financial income	4	82	2
Financial expenses	4	-45	-101
Net foreign exchange gains (losses)	4	-504	1 061
Net financial items	4	-467	962
Profit/(loss) before income tax		124	1 466
Income tax		-59	-345
Profit/(loss) for the period		64	1 121

Earnings per share in USD		
Basic earnings per share	0.001	0.011
Diluted earnings per share	0.001	0.011
Weighted average number of shares		
Basic	98 045 518	97 459 212
Diluted	98 045 518	97 618 927

Consolidated statement of comprehensive income		
Profit/(loss) for the year	64	1 121
Other comprehensive income:		
<i>Items that might be subsequently reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	-40	30
<i>Item that are not reclassified to profit or loss:</i>		
Exchange differences on translation to another presentation currency	2 181	-1 781
Total comprehensive income for the year	2 205	-630
Total comprehensive income is attributable to:		
Owners of the parent company	2 205	-630

CONSOLIDATED STATEMENT FINANCIAL POSITION

Consolidated statement of financial position		31.03.2025	31.12.2024	31.03.2024
Amounts in USD 1.000	Notes			
Assets				
Non-current assets				
Intangible assets	3,7	2 440	1 914	1 287
Property, plant and equipment	6,7	3 501	3 006	2 876
Right-of-use assets		1 164	1 205	1 699
Deferred tax assets		1 505	955	1 002
Total non-current assets		8 610	7 080	6 864
Current assets				
Inventories		14 881	12 615	13 532
Trade receivable		18 373	19 864	15 489
Other current assets		1 195	1 374	1 047
Cash and cash equivalents		9 889	7 972	11 488
Total current assets		44 339	41 826	41 556
Total assets		52 949	48 906	48 419
Equity and liabilities				
Equity				
Share capital		186	173	180
Share premium		14 116	13 121	13 060
Other paid in capital		-	-	19
Foreign currency translation reserves		253	294	441
Retained earnings		16 104	14 866	17 122
Total equity		30 659	28 453	30 822
Non-current liabilities				
Lease liabilities (non-current portion)		392	277	1 075
Contract liabilities (non-current portion)	2	4 562	4 939	3 322
Borrowings (non-current portion)		161	539	699
Total non-current liabilities		5 115	5 755	5 096
Current liabilities				
Lease liabilities (current portion)		837	730	694
Trade payable		6 864	5 048	4 137
Contract liabilities (current portion)	2	5 596	4 030	3 006
Tax payable		230	1 118	1 248
Public duties payable (VAT, Tax)		616	1 057	1 208
Other current liabilities		3 031	2 714	2 209
Total current liabilities		17 174	14 697	12 501
Total liabilities		22 289	20 452	17 597
Total equity and liabilities		52 949	48 906	48 419

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity	Share capital	Share premium	Other paid in capital	Translation difference reserves	Retained earnings	Total equity
Amounts in USD 1.000						
Equity at 1 January 2024	189	12 404	20	411	17 023	30 048
Profit/(loss) for the period	-	-	-	-	1 120	1 120
Exchange differences on translation of foreign operation	-	-	-	30	-	30
Exchange differences on translation to another presentation currency	-11	-747	-1	-	-1 020	-1 780
Total comprehensive income/(loss) for the period	-11	-747	-1	30	100	-629
Issuance of ordinary shares	2	1 403	-	-	-	1 405
Equity at 31 March 2024	180	13 060	19	441	17 123	30 823
Equity at 1 January 2025	173	13 121	-	294	14 865	28 453
Profit/(loss) for the period	-	-	-	-	64	64
Exchange differences on translation of foreign operation	-	-	-	-40	-	-40
Exchange differences on translation to another presentation currency	13	995	-	-	1 173	2 181
Total comprehensive income/(loss) for the period	13	995	-	-40	1 237	2 205
Equity at 31 March 2025	186	14 116	-	254	16 104	30 659

*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

Consolidated cash flow statement		2025 Q1	2024 Q1
Amounts in USD 1.000	Notes	Jan - Mar	Jan - Mar
Cash flows from operating activities			
Profit/(loss) before income tax		124	1 466
<i>Adjustments for:</i>			
Taxes paid		-730	-
Depreciation and amortization	7	617	558
Net interest expense		-37	80
Change in inventory		-2 267	666
Change in trade receivable		1 491	1 464
Change in contract liabilities (deferred revenue)		1 189	-236
Change in trade payable		1 816	-346
Change in other current assets and other liabilities	5	351	-1 204
Interest received		82	2
Net cash from operating activities		2 636	2 452
Cash flows from investing activities			
Payment for property, plant and equipment		-519	-522
Payment for development cost	7	-256	-112
Payment for other intangible assets		-234	-
Net cash from investing activities		-1 009	-635
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		-	1 405
Repayment of borrowing		-133	-134
Paid interest		-45	-83
Repayments of lease liabilities		-214	-211
Net cash from financing activities		-391	977
Net increase/(decrease) in cash and cash equivalents		1 235	2 795
Cash and cash equivalents beginning of period		7 972	9 321
Effects of exchange rate changes on cash and cash equivalents		680	-629
Cash and cash equivalents end of period		9 889	11 488

SHARE INFORMATION

TABLE OF THE 20 LARGEST SHAREHOLDERS AS 31ST OF MARCH 2025

#	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	Altitude Capital AS	2 700 000	2.75 %
7	Danske Invest	2 421 174	2.47 %
8	Avanza Bank AB	2 151 554	2.19 %
9	Nordnet Bank AB	2 103 185	2.15 %
10	Magnus Grenfeldt	1 857 489	1.89 %
11	Swedbank Robur Fonder	1 811 800	1.85 %
12	Mirabaud Asset Management	1 637 955	1.67 %
13	John Even Øveraasen	1 300 000	1.33 %
14	Schroders	1 200 000	1.22 %
15	Toluma Norden AS	1 185 347	1.21 %
16	AS Clipper	963 391	0.98 %
17	Varner AS	963 391	0.98 %
18	Rasmussengruppen AS	900 000	0.92 %
19	Karl Thedéen	493 078	0.50 %
20	Case Kapitalförvaltning	416 540	0.42 %
	Others	7 793 735	7.95 %
Total number of shares		98 045 518	100.00 %

NOTES

GENERAL

These interim condensed consolidated financial statements for the period ended 31 March 2025, have been prepared in accordance with IAS 34 Interim Financial Reporting and are unaudited. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for 2024, prepared in accordance with International Financial Reporting Standards (IFRS).

EXCHANGE RATES

The interim financial statements are consolidated in NOK and translated to the presentation currency USD. For the Profit and Loss statement the monthly average exchange rate published by Norges Bank is used. For the balance sheet, the monthly ending exchange rate is used.

NOTE 1 - REVENUE SPLIT

Revenue split by geography	Q1 2025	Q1 2024
Amounts in USD 1,000		
Americas	7 800	6 428
EMEA	5 336	5 521
APAC	1 220	700
Total	14 355	12 649

Revenue split by Business Area	Q1 2025	Q1 2024
Amounts in USD 1,000		
Solutions	8 248	6 523
Devices	3 634	4 033
Software & Services	2 473	2 093
Total	14 355	12 649

NOTE 2 - DEFERRED REVENUE

Service revenues are invoiced in advance and covers a contract period of typically 3 months to 6 years. The service revenue is recognized during the contract period. "Current Deferred Revenue" will be recognized within the next 12 months.

Deferred Revenue	Mar 31. 2025	Mar 31. 2024
Amounts in USD 1,000		
Contract Liabilities (Current)	5 596	3 006
Contract Liabilities (Non-current)	4 562	3 322
Total Contract Liabilities	10 158	6 327

NOTE 3 – RESEARCH AND DEVELOPMENT

Expenditures on development activities are capitalized if certain conditions are fulfilled. Capitalized development includes costs directly attributable to development of the intangible asset, such as personnel expenses and consultancy services. Otherwise, such expenses are expensed as and when incurred. The intangible assets are amortized over 5 years.

Smartoptics has been approved government grants for two development projects during 2025. The grant is recognized in the Profit and Loss statement as a reduction of payroll cost or as a reduction of capitalized development cost depending on the underlying accounting treatment of the cost that the grant is intended to cover.

NOTE 4 – FINANCIAL ITEMS

Currency effects come from the cash position, which is made of NOK, SEK and USD, Trade Receivables and Trade Payable which is predominantly in USD.

NOTE 5 – OTHER WORKING CAPITAL CHANGES

Other working capital changes relates to pre-payments of certain components, inventory and pay-out of variable compensation related to Q4 2024.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT SPLIT

Property, plant and equipment	Mar31. 2025	Mar 31. 2024	Change
Amounts in USD 1,000			
R&D equipment	1 872	1 229	643
Production equipment	233	230	3
Office & warehouse furniture and fixtures	553	665	-112
Demo pool equipment	843	752	91
Total	3 501	2 876	625

NOTE 7 – DEPRECIATION AND AMORTIZATION SPLIT

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

Depreciation and amortization	Q1 2025	Q1 2024
Amounts in USD 1,000		
Property, plant and equipment	310	284
Product development	117	81
Right of use assets / leasing	190	193
Total	617	558

ALTERNATE PERFORMANCE MEASURES (APM'S)

GROSS PROFIT

Total revenue and other operating income deducted with direct cost of sales

Amounts in USD 1,000	2025 Q1	2024 Q1
Total revenue and other operating income	14 355	12 649
Direct cost of sales	-7 569	-6 502
Gross profit	6 786	6 147

GROSS MARGIN

Gross profit divided by total revenue and other operating income

Amounts in USD 1,000	2025 Q1	2024 Q1
Total revenue and other operating income	14 355	12 649
Gross profit	6 786	6 147
Gross margin	47.3 %	48.6 %

EBITDA

Operating profit/(loss) adjusted for total depreciation and amortization

Amounts in USD 1,000	2025 Q1	2024 Q1
Operating profit/(loss)	591	504
Total depreciation and amortization	617	558
EBITDA	1 208	1 062

EBITDA MARGIN

EBITDA divided by total revenue and other operating income

Amounts in USD 1,000	2025 Q1	2024 Q1
EBITDA	1 208	1 062
Total revenue and other operating income	14 355	12 649
EBITDA margin	8.4 %	8.4 %



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To the Shareholders of Smartoptics Group AS

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying consolidated statement of financial position of Smartoptics Group AS as at 31 March 2025, and the related consolidated profit and loss statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation of this interim financial information that gives a true and fair view in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISAs), and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not, in all material respects, give a true and fair view of the financial position of the entity as at 31 March 2025, and of its financial performance and its cash flows for the three-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Oslo, 7 May 2025

PricewaterhouseCoopers AS

Øystein Sandvik

State Authorised Public Accountant

(This document is signed electronically)

Report on Review of Interim Financial Information

Signers:

<i>Name</i>	<i>Method</i>	<i>Date</i>
Sandvik, Øystein Blåka	BANKID	2025-05-07 20:15



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