



smartoptics

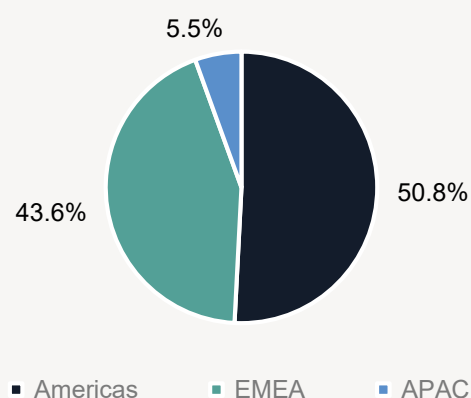
**Q1
REPORT
2024**

Q1 2024 RESULTS

CONTINUED INVESTMENTS FOR GROWTH AND STRONG CASH FLOW

- Revenue of USD 12.6 million compared to USD 14.1 million in the same period 2023. Deline caused by challenging market condition sin EMEA, while Americas grew
- Gross margin of 48.6% compared to 50.7% same period 2023
- EBITDA of USD 1.1 million (8.4% EBITDA margin), compared to USD 2.6 million (18.5% EBITDA margin) in 2023, as growth investments continued
- Operating profit (EBIT) of USD 0.5 million (4.0% operating margin) compared to USD 2.2 million (15.5% operating margin) in 2023
- Operating cash flow of USD 2.5 million compared to USD 5.8 million in 2023
- First order with new, large US regional operator signed in April
- Well positioned to benefit from market reacceleration

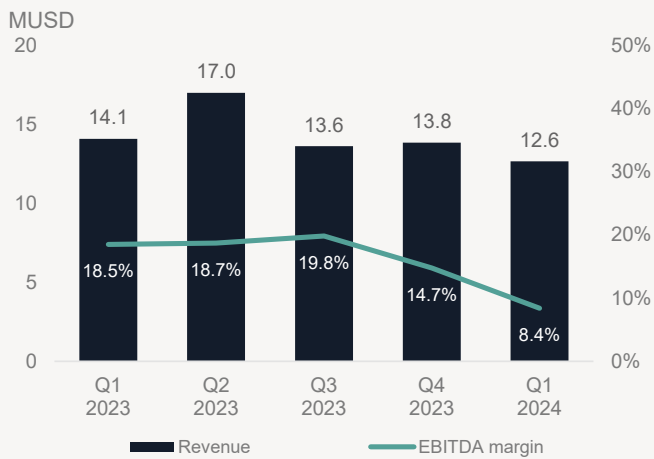
GEOGRAPHICAL SPLIT OF REVENUE Q1 2024



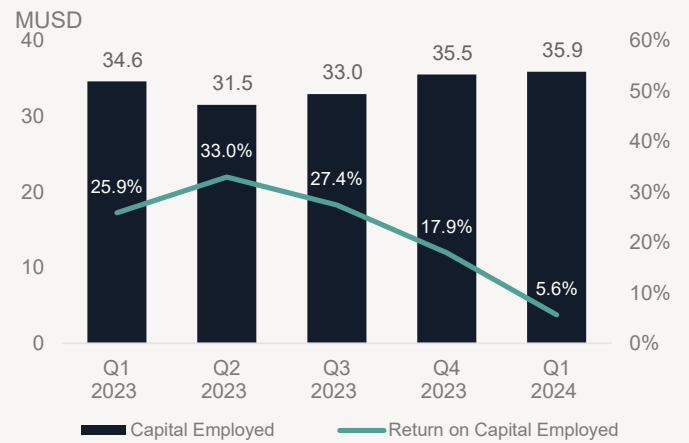
| Amounts in USD 1,000 | Q1 2024 | Q1 2023 | Change |
|--------------------------------|-----------|-----------|-----------|
| | Jan - Mar | Jan - Mar | |
| Revenue | 12 649 | 14 079 | -10.2% |
| Gross profit | 6 147 | 7 139 | -13.9% |
| Gross margin | 48.6% | 50.7% | 2.1 p.p |
| EBITDA | 1 062 | 2 602 | -59.2% |
| EBITDA margin | 8.4% | 18.5% | -10.1 p.p |
| Operating profit | 504 | 2 182 | -76.9% |
| Operating margin | 4.0% | 15.5% | -11.5 p.p |
| Profit & loss for the year | 1 120 | 2 479 | -54.8% |
| Basic earnings per share NOK | 0.121 | 0.281 | -57.1% |
| Diluted earnings per share NOK | 0.120 | 0.278 | -56.7% |
| Basic earnings per share USD | 0.011 | 0.026 | -55.4% |
| Diluted earnings per share USD | 0.011 | 0.025 | -55.0% |
| Operating cash flow | 2 452 | 5 794 | |
| Return on Capital Employed | 5.6 % | 25.9 % | -20.3 p.p |
| FTEs | 118 | 102 | 16 |

Q1 2024 RESULTS CONTINUED

EBITDA MARGIN AND REVENUE LAST 5 QUARTERS



RETURN ON CAPITAL EMPLOYED



CEO COMMENTS TO THE Q1 REPORT

The ever-growing demand for bandwidth continues across the globe, and the exploding use of various cloud based artificial intelligence applications is the latest huge trend expecting to add to and prolong this development. As this materializes, Smartoptics should see additional opportunities for growth on top of existing market opportunity. Our task is to deliver simple and flexible ways of increasing capacity in the fiber networks with increased functionality at an attractive cost. Our open networking solution with maximum flexibility is the choice of ever more operators of corporate data centers, metro and regional operator networks, internet content providers and internet exchanges.

In the first quarter of 2024, we have continued to develop Smartoptics along our strategic path. We are constantly strengthening our product portfolio and improving our marketing and sales capabilities, broadening our addressable market. We see the total market for fiberoptic equipment amounting to USD 16bn, of which 4-5 billion is addressable for Smartoptics.

During last year, we saw an accelerating uptake of 400G technology, and we believe this will continue to be an important driver in 2024. We also see our offering gradually becoming more relevant for large network operators, and in April we received the first purchase order from a larger regional US operator for 400G services. This is the result of our strategic work to position ourselves as a relevant vendor for larger players in the market.

Our revenue declined by 10 percent in the first quarter, which reflects the soft sentiment of the general telecom equipment market, caused by weak macro, curbing the investment spendings in the industry. While we compare ourselves with a strong first half of 2023 with certain large projects, the first quarter was, like the previous two quarters, dominated by steady development of smaller projects in Smartoptics' core markets Enterprise and Smaller service providers. Clearly, these market areas are growing, which proves our attractiveness.

Our EBITDA margin remained acceptable, though lower than normal, resulting from the relatively low revenue number. At the same time, it is satisfactory to conclude that we continue to deliver high gross margins and a strong cash flow.



Magnus Grenfeldt, CEO Smartoptics Group AS

We have taken important steps to further improve the way we are positioned for profitable growth in the years to come. The underlying demand, driven by the ever-growing demand for bandwidth and continuous need to upgrade and expand networks, remains strong. In 2024 we expect several factors to contribute to a reinstatement of growth.

Markets to regain momentum in 2024

- Early signs of AI driving demand of bandwidth in networks interconnecting data centers
- High activity level in Americas, and early signs of an improvement in Europe

New product launches through 2024

- Good progress with planned major product launches in 2024, significantly improving our competitiveness in the more advanced parts of our addressable markets, as we to a much large degree than before will be able to serve large, regional network deployments

New markets contributing to growth

- The first quarter was a record quarter for our business in LATAM, contributing meaningfully to our Americas revenue

Attracting major accounts

- Received the first order from a larger US regional operator
- Signed a general supply agreement with a global Cloud provider with presence more than 800 data centers across the world

I am particularly excited about our ongoing dialogue with larger accounts, which primarily is driven by our ability to improve cost efficiency, innovation, and responsiveness to rapidly changing requirements and customer expectations. Most important is IP-over-DWDM and adoption of 400Gbit/s (and emerging 800Gbit/s technology), enabling lower CAPEX and OPEX for customers. These topics have been driving the above-mentioned wins and will continue to be the center of such discussions in the foreseeable future.

Despite a soft first quarter of 2024, and assuming the market sentiment in our main markets return to normal during 2024, we maintain our long-term ambitions of growing our revenue up to USD 100 million by 2025/2026 and continue to produce strong profitability with an EBITDA margin of 17-20 percent and EBIT margin of 13-16 percent.

For further information, please contact:

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FINANCIAL REVIEW

Q1 2024

REVENUE

Revenue declined by 10.2% in Q1 2024 to USD 12.6 million compared to USD 14.1 million in Q1 2023.

GROSS PROFIT

Direct cost of sales (COGS) was USD 6.5 million in Q1 2024, resulting in a Gross Profit of USD 6.1 million. Gross Margin was 48.6%, compared to 50.7% same period 2023.

OPERATING EXPENSES

Employee benefit expenses was USD 4.1 million in Q1 2024, compared to USD 3.5 million in Q1 2023. Employee benefit expenses is increasing primarily due to continued increase of mainly R&D resources.

EBITDA AND OPERATING PROFIT

EBITDA in Q1 2024 was USD 1.1 million (EBITDA Margin of 8.4%) compared to USD 2.6 million (18.5%) in Q1 2023.

Operating profit was USD 0.5 million, or 4.0%, compared to USD 2.2 million (15.5%) same period 2023.

NET FINANCIALS ITEMS

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

The group has a natural hedge in having both Revenue and COGS to a very large extent in USD.

CASH FLOW

The Operating Cash Flow was USD 2.5 million for Q1 2024 compared to USD 5.8 million same period 2023.

REVENUE SPLIT

Solutions revenue accounted for 53%, Devices for 33% and Software & Services for 14%.

OUTLOOK

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

DIVIDEND POLICY

Goal is to propose a yearly dividend of 25 - 50% of Smartoptics' profit for the previous financial year.

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

FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS STATEMENT Q1

| Consolidated statement of profit or loss | | |
|---|------------------|------------------|
| | Q1 2024 | Q1 2023 |
| Amounts in USD 1.000 | Jan - Mar | Jan - Mar |
| Revenue from contracts with customers | 12 648 | 14 078 |
| Other operating income | 1 | 1 |
| Total revenue and other operating income | 12 649 | 14 079 |
| Direct cost of sales | - 6 502 | - 6 940 |
| Employee benefit expenses | - 4 063 | - 3 502 |
| Other operating expenses | - 1 022 | - 1 035 |
| Total operating expenses | - 11 587 | - 11 477 |
| Depreciation | - 477 | - 351 |
| Amortization of intangible assets | - 81 | - 69 |
| Total depreciation and amortization | - 558 | - 420 |
| Operating profit/(loss) | 504 | 2 182 |
| Financial income | 2 | 1 |
| Financial expenses | -101 | -44 |
| Net foreign exchange gains (losses) | 1 061 | 1 040 |
| Net financial items | 962 | 996 |
| Profit/(loss) before income tax | 1 466 | 3 178 |
| Estimated income tax | -345 | -699 |
| Profit/(loss) for the period | 1 120 | 2 479 |
| Earnings per share in USD | | |
| Basic earnings per share | 0.011 | 0.026 |
| Diluted earnings per share | 0.011 | 0.025 |
| Weighted average number of shares | | |
| Basic | 97 459 212 | 96 286 593 |
| Diluted | 97 618 927 | 97 250 275 |
| Consolidated statement of comprehensive income | | |
| Profit/(loss) for the year | 1 120 | 2 479 |
| Other comprehensive income: | | |
| <i>Items that might be subsequently reclassified to profit or loss:</i> | | |
| Exchange differences on translation of foreign operations | 30 | -164 |
| <i>Item that are not reclassified to profit or loss:</i> | | |
| Exchange differences on translation to another presentation currency | -1 781 | -625 |
| Total comprehensive income for the year | -631 | 1 690 |

CONSOLIDATED STATEMENT FINANCIAL POSITION

| Consolidated statement of financial position | 31.03.2024 | 31.03.2023 |
|--|---------------|---------------|
| Amounts in USD 1.000 | | |
| Assets | | |
| Non-current assets | | |
| Intangible assets | 1 287 | 904 |
| Property, plant and equipment | 2 876 | 2 014 |
| Right-of-use assets | 1 699 | 2 342 |
| Other non-current assets | - | - |
| Deferred tax assets | 1 002 | 1 248 |
| Total non-current assets | 6 864 | 6 508 |
| Current assets | | |
| Inventories | 13 532 | 15 368 |
| Trade receivable | 15 489 | 11 495 |
| Receivable to related party | - | 0 |
| Other current assets | 1 047 | 1 097 |
| Cash and cash equivalents | 11 488 | 10 419 |
| Total current assets | 41 556 | 38 380 |
| Total assets | 48 419 | 44 888 |
| Equity and liabilities | | |
| Equity | | |
| Share capital | 180 | 184 |
| Share premium | 13 060 | 12 049 |
| Other paid in capital | 19 | 143 |
| Foreign currency translation reserves | 442 | 24 |
| Retained earnings | 17 121 | 16 895 |
| Total equity | 30 822 | 29 295 |
| Non-current liabilities | | |
| Lease liabilities (non-current portion) | 1 075 | 1 685 |
| Contract liabilities (non-current portion) | 3 322 | 2 663 |
| Other non-current liabilities | 699 | 987 |
| Total non-current liabilities | 5 096 | 5 334 |
| Current liabilities | | |
| Lease liabilities (current portion) | 694 | 717 |
| Trade payable | 4 137 | 5 174 |
| Contract liabilities (current portion) | 3 006 | 2 173 |
| Current tax liabilities | 2 689 | 606 |
| Other current liabilities | 1 975 | 1 588 |
| Total current liabilities | 12 501 | 10 259 |
| Total liabilities | 17 597 | 15 593 |
| Total equity and liabilities | 48 419 | 44 888 |

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 | | | | | | |
| Balance at 1 January 2023 | 195 | 12 801 | 152 | 188 | 14 269 | 27 606 |
| Profit/(loss) for the period | | | | | 2 479 | 2 479 |
| Exchange differences on translation of foreign operation | | | | -164 | | -164 |
| Exchange differences on translation to another presentation currency | -11 | -751 | -9 | | 147 | -625 |
| Total comprehensive income/(loss) for the period | -11 | -751 | -9 | -164 | 2 626 | 1 690 |
| Balance at 31 March 2023 | 184 | 12 049 | 143 | 24 | 16 895 | 29 295 |
| Profit/(loss) for the period | | | | | 4 991 | 4 991 |
| Exchange differences on translation of foreign operation | | | | 387 | | 387 |
| Exchange differences on translation to another presentation currency | 5 | 355 | 4 | | -473 | -108 |
| Total comprehensive income/(loss) for the period | 5 | 355 | 4 | 387 | 4 518 | 5 270 |
| Repurchase of warrants | | | -127 | | | -127 |
| Dividend | | | | | -4 391 | -4 391 |
| Balance at 31 December 2023 | 189 | 12 404 | 20 | 411 | 17 022 | 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 | | -1 021 | -1 781 |
| Total comprehensive income/(loss) for the period | -11 | -747 | -1 | 30 | 99 | -631 |
| Issuance of ordinary shares | 2 | 1 403 | | | | 1 405 |
| Balance at 31 March 2024 | 180 | 13 060 | 19 | 442 | 17 121 | 30 822 |

*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 | Q1 2024 | Q1 2023 |
|---|---------------|---------------|
| Amounts in USD 1.000 | Jan - Mar | Jan - Mar |
| Cash flows from operating activities | | |
| Profit/(loss) before income tax | 1 466 | 3 178 |
| <i>Adjustments for:</i> | | |
| Depreciation and amortization | 558 | 420 |
| Interest | 80 | 120 |
| Change in inventory | 666 | 55 |
| Change in trade receivable | 1 464 | 4 419 |
| Change in contract liabilities (deferred revenue) | -236 | 721 |
| Change in trade payable | -346 | -657 |
| Change in other current assets and other liabilities | -1 204 | -2 463 |
| Interest received | 2 | 1 |
| Net cash inflow from operating activities | 2 452 | 5 794 |
| Cash flows from investing activities | | |
| Payment for property, plant and equipment | -522 | -391 |
| Payment for development cost | -112 | |
| Net cash (outflow) from investing activities | -635 | -391 |
| Cash flows from financing activities | | |
| Proceeds from issuance of ordinary shares | 1 405 | |
| Repayment of borrowing | -134 | -68 |
| Paid interest on borrowing | -83 | -20 |
| Repayments of lease liabilities | -211 | -203 |
| Net cash inflow from financing activities | 977 | -291 |
| Net increase/(decrease) in cash and cash equivalents | 2 795 | 5 112 |
| Cash and cash equivalents beginning of period | 9 321 | 5 660 |
| Effects of exchange rate changes on cash and cash equivalents | -629 | -353 |
| Cash and cash equivalents end of period | 11 488 | 10 419 |

SHARE INFORMATION

TABLE OF THE 20 LARGEST SHAREHOLDERS AS 31ST OF MARCH 2024

| # | Shareholders | Holding | Stake |
|----|-------------------------------|-------------------|-----------------|
| 1 | Coretech AS | 31 783 599 | 32.61 % |
| 2 | Kløvingen AS | 15 850 429 | 16.26 % |
| 3 | K-Spar Industrier AS | 13 426 422 | 13.78 % |
| 4 | Danske Invest | 3 522 164 | 3.61 % |
| 5 | Handelsbanken Fonder | 3 300 000 | 3.39 % |
| 6 | Janus Henderson Investors | 2 571 701 | 2.64 % |
| 7 | Avanza Bank AB | 2 180 530 | 2.24 % |
| 8 | Nordnet Bank AB | 2 155 882 | 2.21 % |
| 9 | Rasmussengruppen AS | 2 150 000 | 2.21 % |
| 10 | Swedbank Robur Fonder | 2 136 800 | 2.19 % |
| 11 | Magnus Grenfeldt | 1 857 489 | 1.91 % |
| 12 | John Even Øveraasen | 1 504 600 | 1.54 % |
| 13 | Ålandsbanken Fonder | 1 376 631 | 1.41 % |
| 14 | Mirabaud Asset Management | 1 363 103 | 1.40 % |
| 15 | Toluma Norden AS | 1 000 000 | 1.03 % |
| 16 | Varner AS | 963 391 | 0.99 % |
| 17 | AS Clipper | 963 391 | 0.99 % |
| 18 | Schroders | 690 000 | 0.71 % |
| 19 | Nore Invest AS | 537 598 | 0.55 % |
| 20 | Karl Thedéen | 493 078 | 0.51 % |
| | Others | 7 632 404 | 7.83 % |
| | Total number of shares | 97 459 212 | 100.00 % |

NOTES

GENERAL

These interim condensed consolidated financial statements for the period ended 31 March 2024, have been prepared in accordance with IAS 34 Interim Financial Reporting. 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 2023, prepared in accordance with International Financial Reporting Standards (IFRS).

EXCHANGE RATES

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

| Balance Sheet | 2024 | 2023 |
|---------------|-------|-------|
| Mar 31 | 10.82 | 10.47 |

| Profit and loss statement | 2024 | 2023 |
|---------------------------|---------|---------|
| Jan | 10.4083 | 9.9506 |
| Feb | 10.5463 | 10.2231 |
| Mar | 10.5857 | 10.5425 |

NOTE 1 - DEFERRED REVENUE

Service revenues are invoiced in advance and covers a contract period of typically 24-48 months. The service revenue is recognized during the contract period. "Current Deferred Revenue" will be recognized within the next 12 months.

| Deferred Revenue | Mar 31. 2024 | Mar 31. 2023 |
|------------------------------------|--------------|--------------|
| Amounts in USD 1,000 | | |
| Contract Liabilities (Current) | 3 006 | 2 173 |
| Contract Liabilities (Non-current) | 3 322 | 2 663 |
| Total Contract Liabilities | 6 327 | 4 836 |

NOTE 2 – RESEARCH AND DEVELOPMENT

Parts of the development cost is capitalized and depreciated over 5 years. The principle is to capitalize no more than 30% of direct salary costs in selected development projects reduced by expencted government grants. Net capitalization for the period Jan - Mar was USD 112 thousand.

NOTE 3 – 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 4 – LIABILITIES TO FINANCIAL INSTITUTIONS

There are two loans from Innovasjon Norge of combined USD 0.9 million. The loans are repaid on a quarterly basis and will be fully repaid by 2026 Q3. The group also has a credit facility with Nordea of NOK 75 million (USD 6.9 million) and a non-current loan of USD 0.3 million scheduled to be fully repaid by 2026 Q2. As of March 31st 2024, the credit line from Nordea was not utilized.

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 2023.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT SPLIT

| Property, plant and equipment | Mar 31. 2024 | Mar 31. 2023 | Change |
|---|--------------|--------------|------------|
| Amounts in USD 1,000 | | | |
| R&D equipment | 1 229 | 878 | 351 |
| Production equipment | 230 | 271 | -41 |
| Office & warehouse furniture and fixtures | 665 | 280 | 385 |
| Demo pool equipment | 752 | 586 | 166 |
| Total | 2 876 | 2 014 | 862 |

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 2024 | Q1 2023 |
|-------------------------------|------------|------------|
| Amounts in USD 1,000 | | |
| Property, plant and equipment | 284 | 165 |
| Product development | 81 | 69 |
| Right of use assets / leasing | 193 | 186 |
| Total | 558 | 420 |

ALTERNATE PERFORMANCE MEASURES (APM'S)

GROSS PROFIT

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

| Amounts in USD 1,000 | Q1 2024 | Q1 2023 |
|--|--------------|--------------|
| Total revenue and other operating income | 12 649 | 14 079 |
| Direct cost of sales | -6 502 | -6 940 |
| Gross profit | 6 147 | 7 139 |

GROSS MARGIN

Gross profit divided by total revenue

| Amounts in USD 1,000 | Q1 2024 | Q1 2023 |
|--|---------------|---------------|
| Total revenue and other operating income | 12 649 | 14 079 |
| Gross profit | 6 147 | 7 139 |
| Gross margin | 48.6 % | 50.7 % |

EBITDA

Earnings before interest, tax, depreciation and amortization

| Amounts in USD 1,000 | Q1 2024 | Q1 2023 |
|-------------------------------|--------------|--------------|
| Operating profit | 504 | 2 182 |
| Depreciation and amortization | 558 | 420 |
| EBITDA | 1 062 | 2 602 |

EBITDA MARGIN

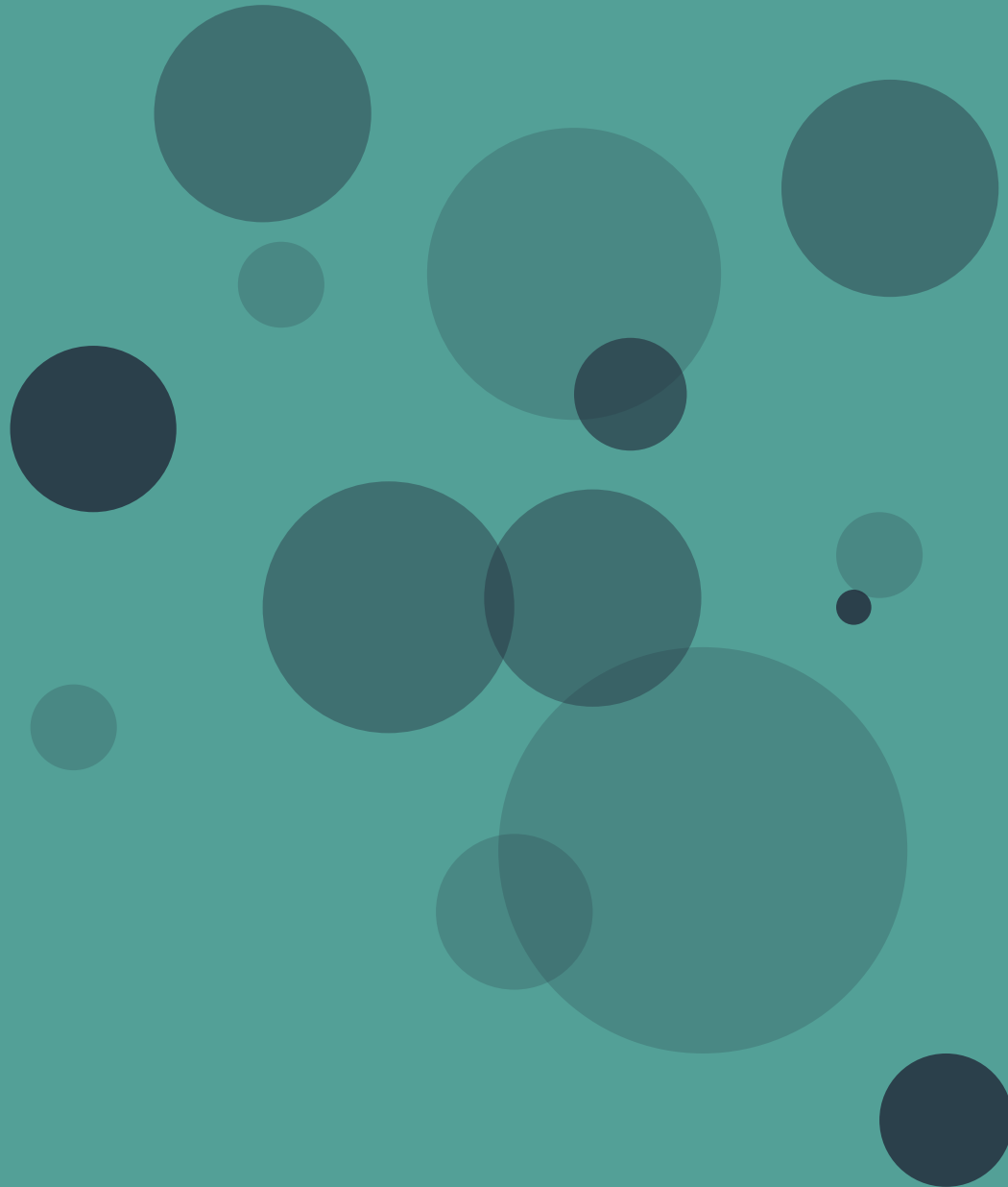
EBITDA divided by total revenue and other operating income

| Amounts in USD 1,000 | Q1 2024 | Q1 2023 |
|--|--------------|---------------|
| EBITDA | 1 062 | 2 602 |
| Total revenue and other operating income | 12 649 | 14 079 |
| EBITDA margin | 8.4 % | 18.5 % |

RETURN ON CAPITAL EMPLOYED

Annualized EBIT for actual period divided by average capital employed at beginning and end of period. Capital employed equals total assets deducted current liabilities.

| Amounts in USD 1,000 | Q1 2024 | Q1 2023 |
|---|--------------|---------------|
| Operating Profit (EBIT) | 504 | 2 182 |
| Annualized EBIT | 2 016 | 8 728 |
| Average capital employed | | |
| Capital employed at beginning of period | 35 522 | 32 782 |
| Capital employed at end of period | 35 918 | 34 629 |
| Average capital employed | 35 720 | 33 705 |
| Return on capital employed | 5.6 % | 25.9 % |



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