

Financial Presentation

Q4 2022

February 17, 2023



Q4 2022 Agenda

- Highlights of the quarter
- Operational highlights
- Key product development areas
- Business overview
- Financial details



Strong growth in Q4 and solid overall performance for 2022


Revenue

Q4: 18.1 MUSD 
2022: 58.2 MUSD


Revenue Growth

Q4: +45.2% 
2022: +26.7%


Gross Margin

Q4: 42.1% 
2022: 45.0%

EBITDA Margin

Q4: 19.5% 
2022: 20.3%

EBIT¹ Margin

Q4: 17.3% 
2022: 17.6%

Operating Cash Flow

Q4: - 0.2 MUSD 
2022: +1.9 MUSD

Highlights of Q4 2022

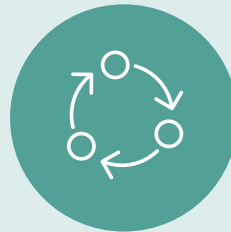
Strong growth in strategically important areas

- Growth in all product areas and all customers segments
 - Software and Services up 198%
 - Communication Service Providers up 79%
- Major wins for the DCP-R (ROADM) platform in Europe and USA, key enabler for larger projects and larger accounts
- Product portfolio perfectly positioned for growth
 - More than 30% of the revenue in the second half of 2022 is related to products released in the same period



Stable and normalized operational environment post pandemic

- Component shortage improving
 - Situation largely under control
 - Occasional disturbances may arise
 - Still long lead times in adjacent technology
- Inventory levels will likely start to return to more normal levels during 2023
 - Shorter lead times from suppliers
 - Less long-term commitments to get components
 - Less requirement on high inventory and improved ability to generate cash flow



Building the company to handle long-term growth

- Stronger organization – FTEs up by 11% during the quarter
- Continuous improvements to quality systems, CSR policies and ISO recertification
- We will continue to invest in all areas of the organization and our support systems



We are well positioned to capture future growth

**Trend toward cost
efficient open
optical networks
driven by 400G
demand**

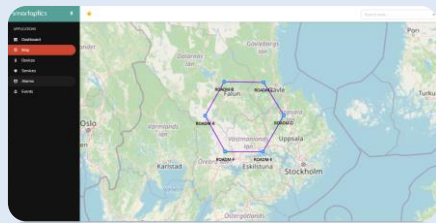
**400G technology
is moving from
early adopters to
early majority**

**30% of our
revenue is related
to new products
released in 2H
2022 (400G)**

Key product initiatives supporting strategy to become a leader in open optical networking

1 SoSmart software suite

- Domain orchestration
 - Ability to manage bandwidth in complex Smartoptics networks
- Network planning and simulation
 - Support customers network planning process and simplify bid and quotation processes
- Inventory, fault and performance management
 - Simplify and streamline customers day to day operation of networks



2 400Gbit/s and beyond

- Network performance
 - Wider use of Smartoptics products in green- and brown field applications
- Higher density
 - More bandwidth and ports per rack unit in Datacenters
- Wider scope
 - New product versions supporting more applications, expanding addressable market



3 Network flexibility

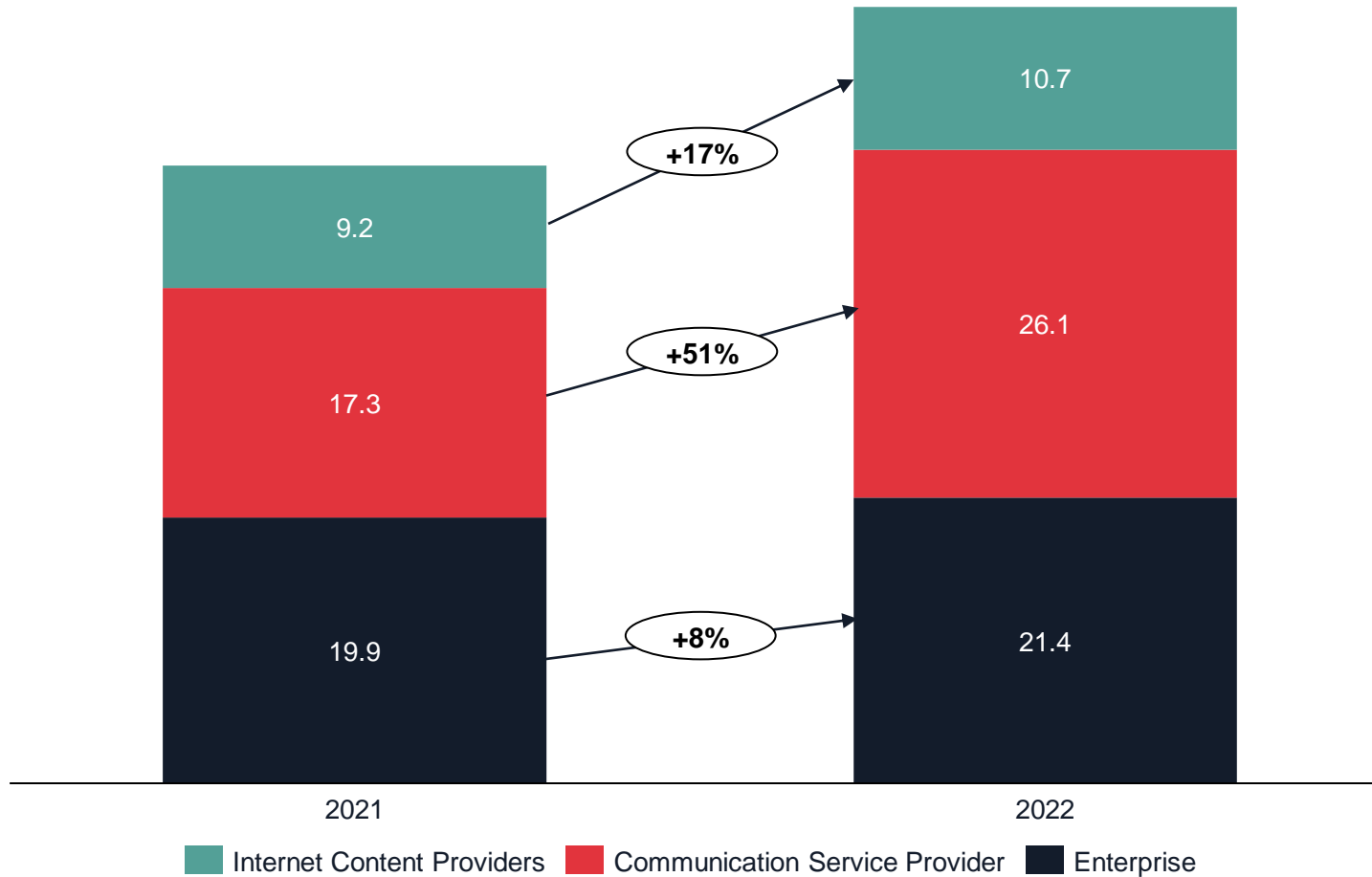
- New DCP-R (ROADM) versions
 - Supporting new network architectures and more deployment scenarios
 - Better support for future 800Gbit/s and beyond
- Performance of open line systems
 - New technology supporting longer reach, for e.g. regional network applications



Communication Service Providers drives the growth in 2022

2022 Full Year estimated Revenue (invoiced, unadjusted) by customer type

(MUSD)



Comments

- Strong development for Communication Service Providers (CSP) and Internet Content Providers (ICP) during 2022
- Growth in CSP and ICP a direct consequence of targeted product portfolio investments
- CSP and ICP represents 90% of world market and have larger projects with longer roll-out cycles

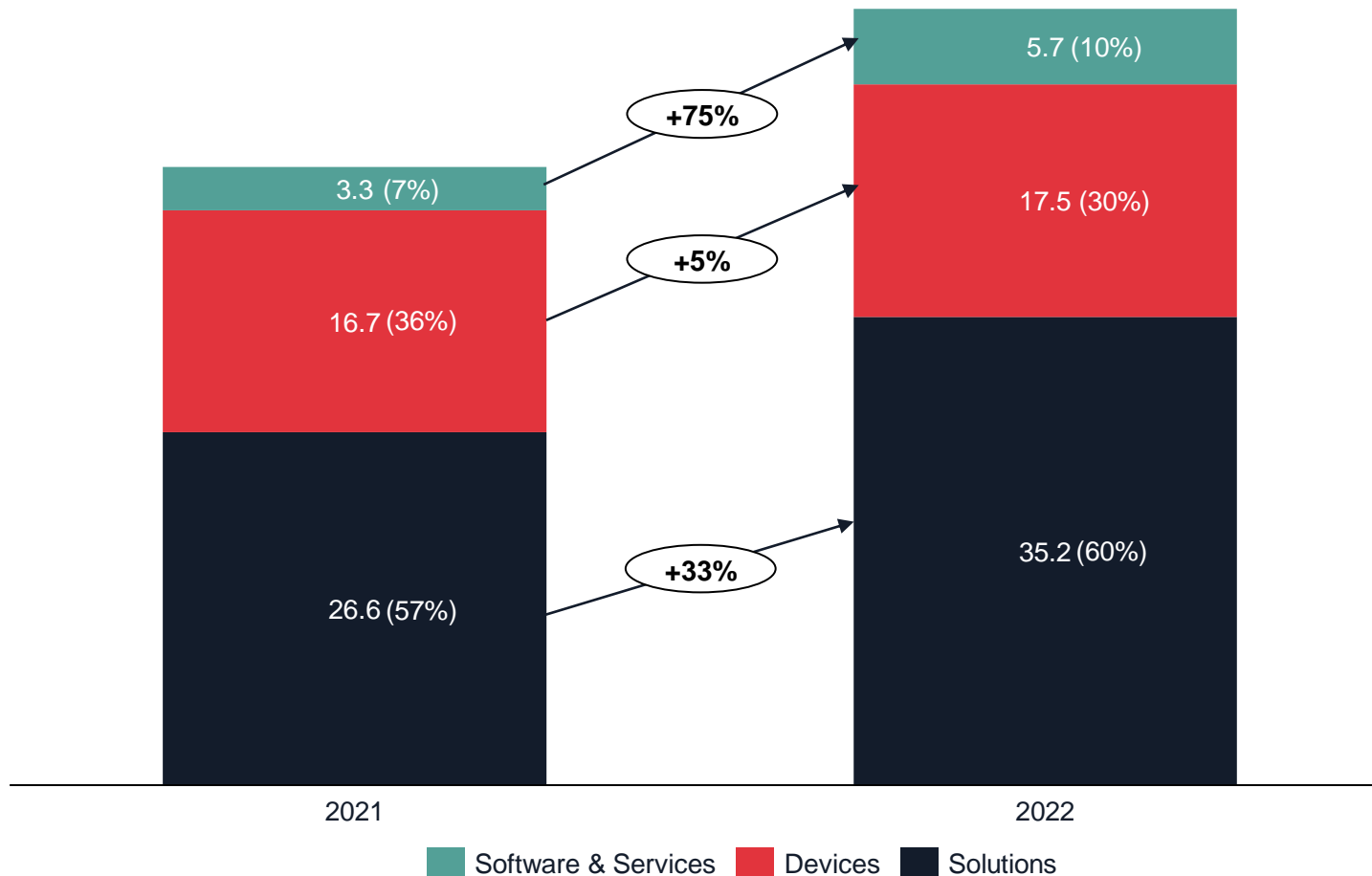
Note: Split estimated by categorizing all customers into either CSP, ICP or Enterprise

Continued strong growth for Solutions, Software & Services, driven by solid Q4 numbers, underpins stronger profitability

2022 Full Year estimated Revenue (invoiced, unadjusted) by business area

Q4 specific development

(MUSD)

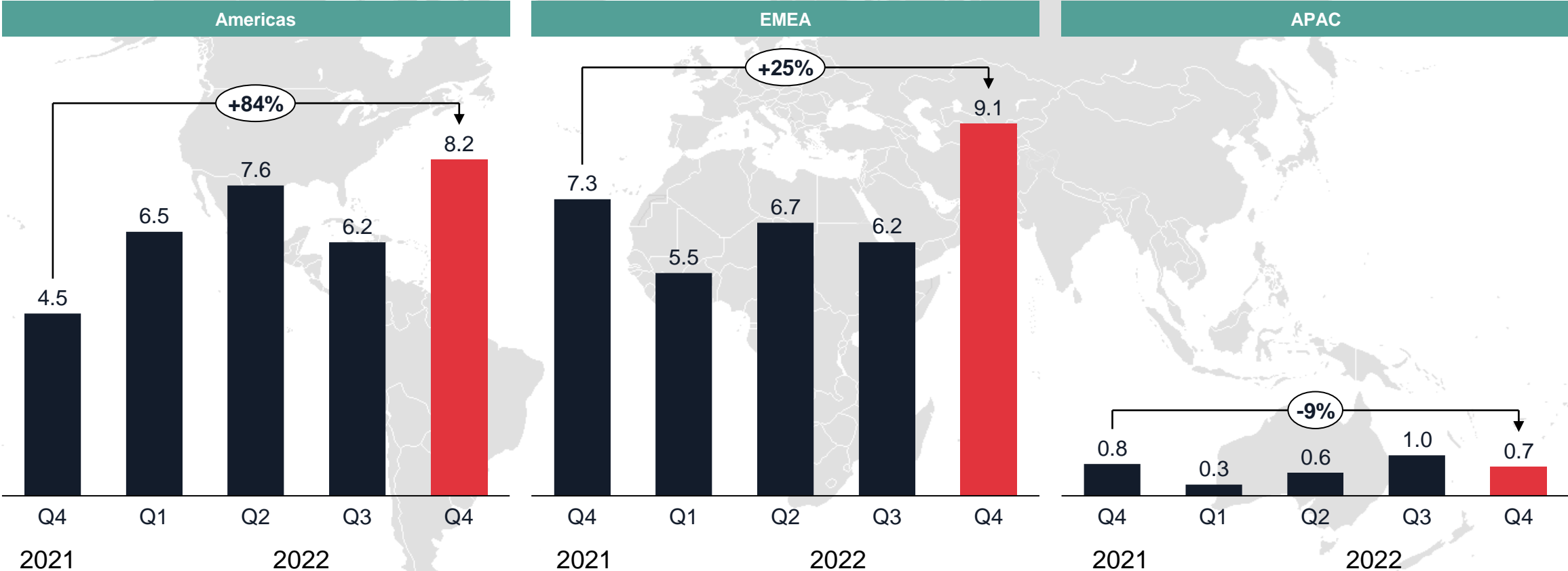


- Strong growth for Solutions and Software & Services in Q4
 - Solutions grew 61% to 11.3 MUSD YoY
 - Software & Services grew 198% to 2.0 MUSD YoY
- Revenue split in Q4 2022
 - Solutions 63%
 - Software & Services 11%
 - Devices 26%

EMEA and Americas performed well in Q4, return to more normal seasonality

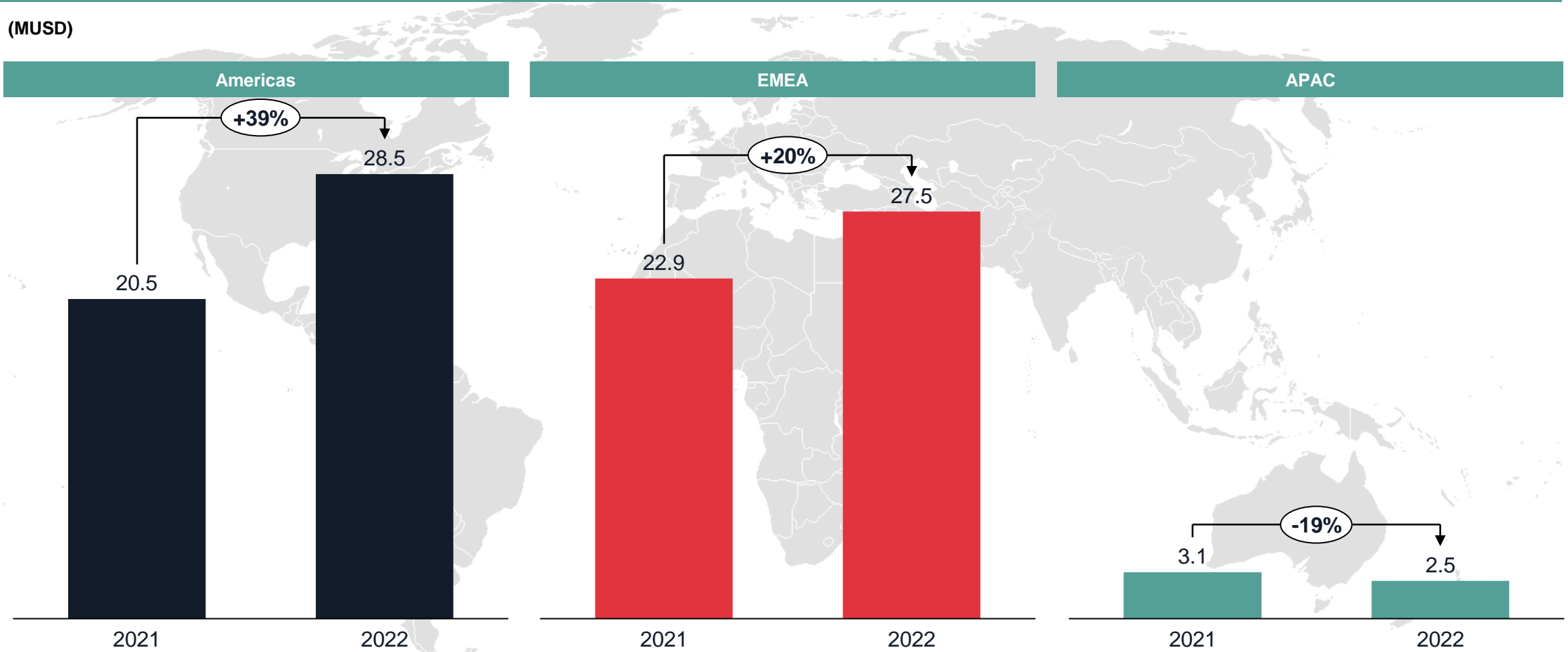
Revenue (invoiced, unadjusted) per Region and Quarter – Last 5 quarters

(MUSD)



Full year shows strong growth in Americas, solid performance in EMEA

Full year 2022 Revenue (invoiced, unadjusted) per Region

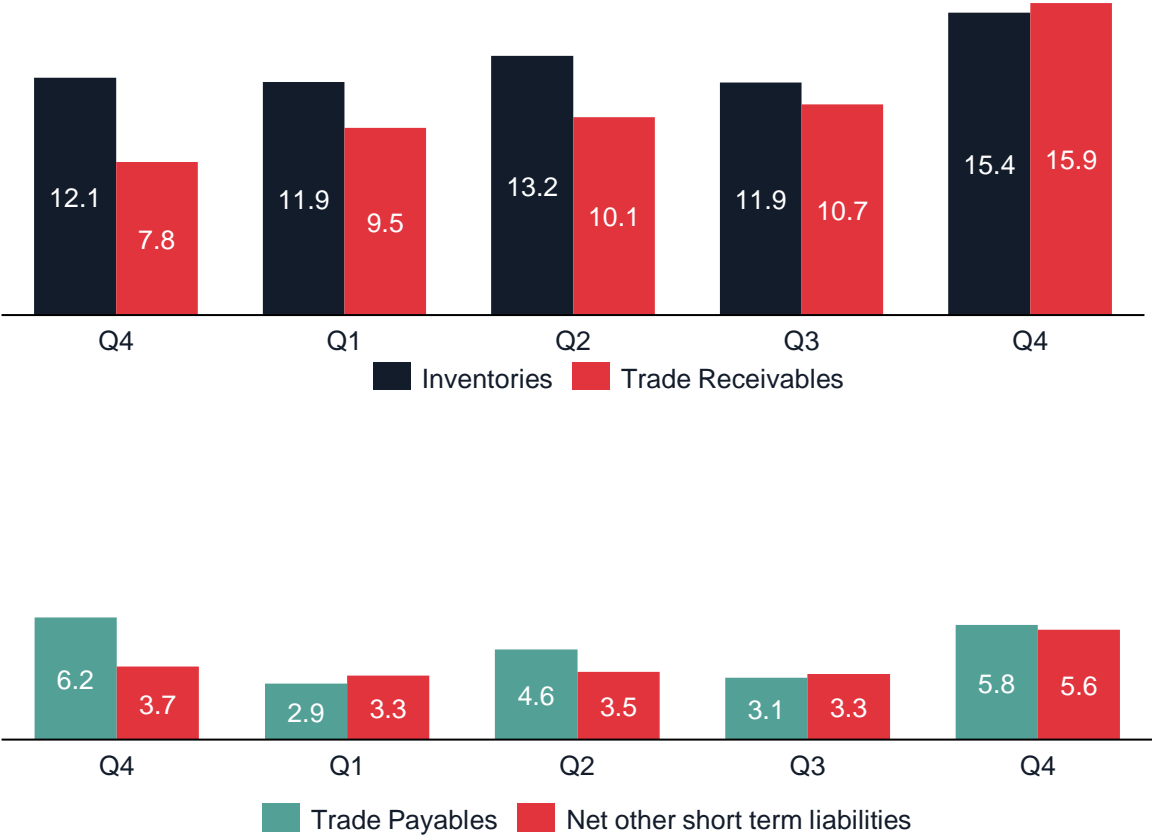


Solid financial position in Q4 – higher working capital due to seasonality, trend set to reverse as supply chain normalizes

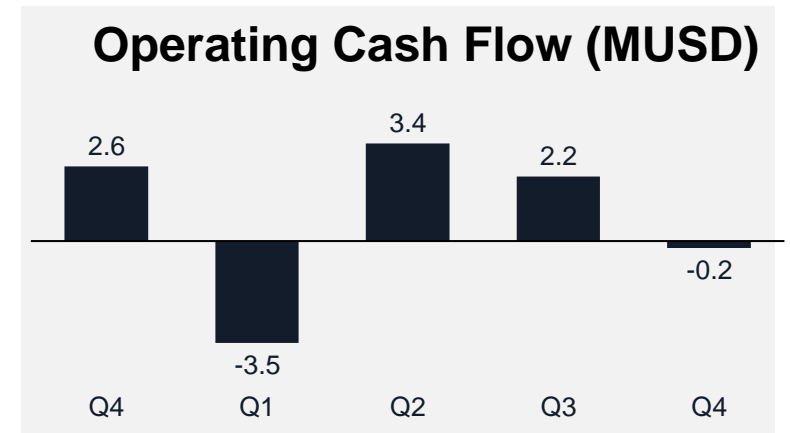
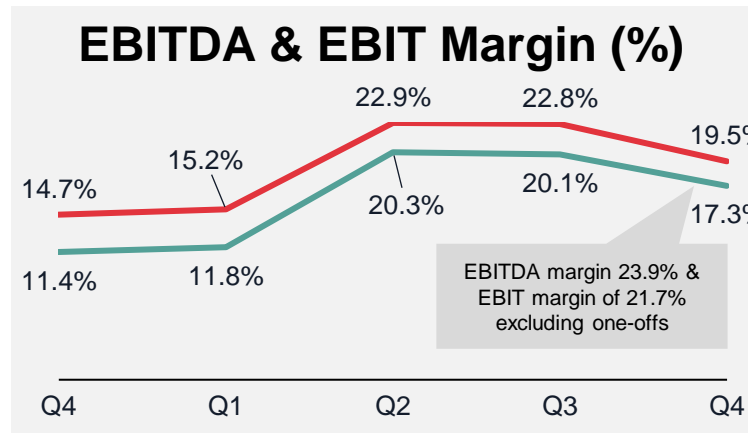
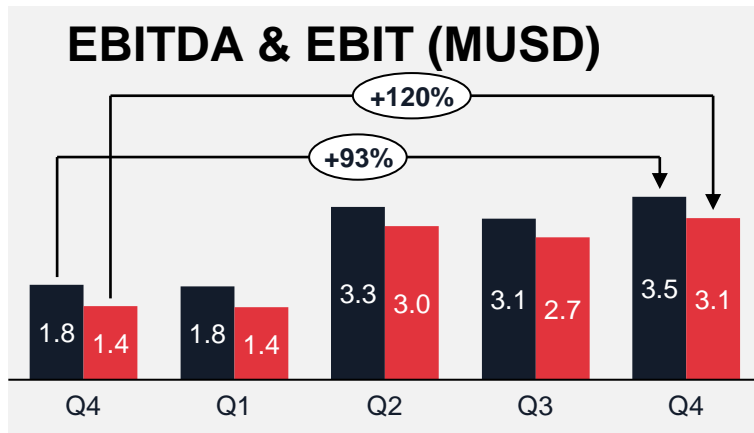
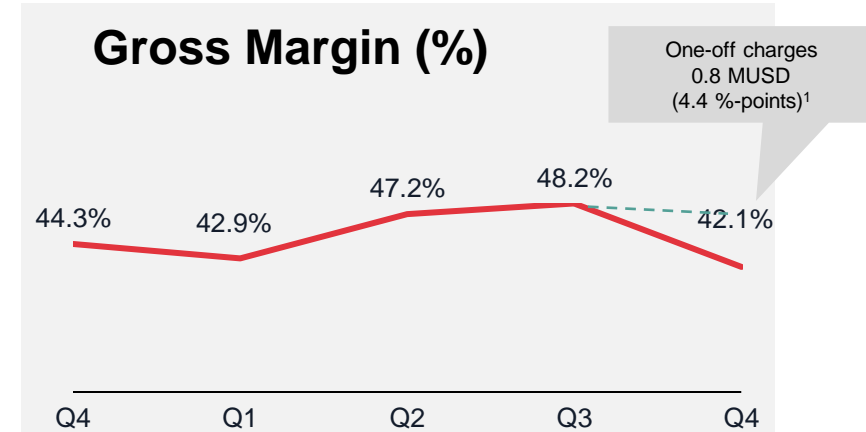
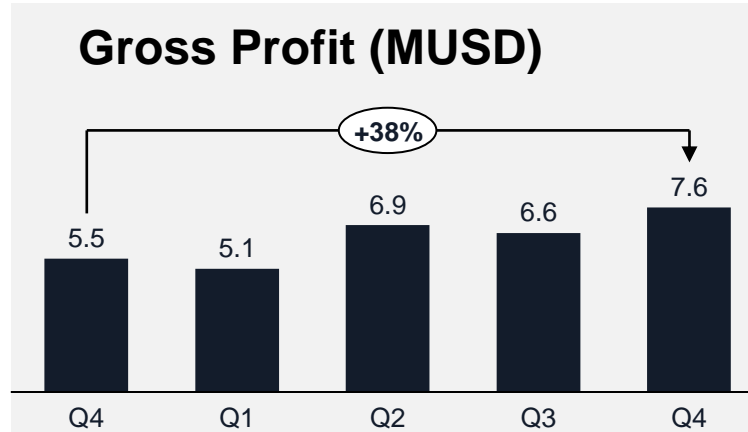
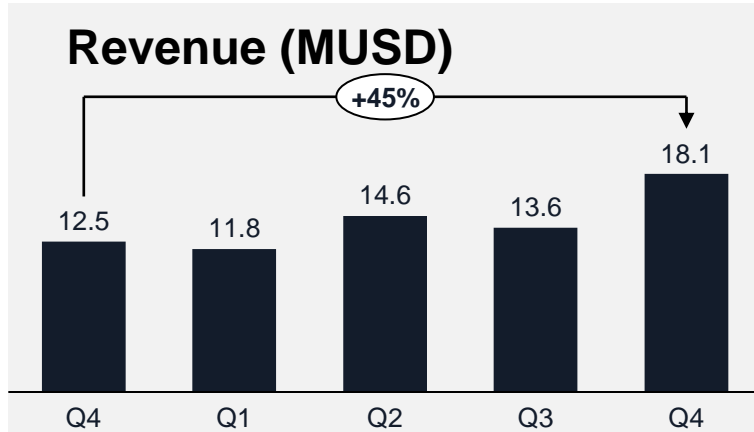
Balance Sheet Dec 31, 2022



Working Capital Development past 5 quarters



Strong revenue growth and profits



Note: 1) The Direct Cost of Sales for Q4 includes extra cost related to spot purchases of USD 0.7 million and revaluation of inventory of negative 0.1 million.

Long term ambitions stay firm

	2022 Full Year	2025/26 aspirations
Revenue	58.2 MUSD YoY Growth +26.7%	~100 MUSD
Gross margin	45.0%	~45%
EBITDA margin	20.3%	~17-20%
EBIT margin	17.6%	~13-16%

Profit and Loss Statement

Profit and Loss Statement Q4 2022, 2021

	kUSD			kNOK		
	2022	2021	Change	2022	2021	Change
	Q4	Q4		Q4	Q4	
Total revenue	18 076	12 452	45.2%	181 980	108 971	67.0%
Cost of Goods Sold	10 468	6 942		105 236	60 676	
Gross Profit	7 608	5 510	38.1%	76 744	48 295	58.9%
Gross Margin %	42.1%	44.3%	-2.2 p.p.	42.2%	44.3%	-2.1 p.p.
Operating Expenses	4 077	3 677	10.8%	41 442	32 008	29.5%
EBITDA	3 531	1 833	92.6%	35 302	16 287	116.7%
EBITDA Margin %	19.5%	14.7%	4.8 p.p.	19.4%	14.9%	4.5 p.p.
Depreciation and Amortization	409	414		4 160	3 609	
Operating profit	3 122	1 419	120.0%	31 142	12 678	145.6%
Operating Margin %	17.3%	11.4%	5.9 p.p.	17.1%	11.6%	5.5 p.p.
Net Financial Items	-708	188		-7 756	1 588	
Earnings before Tax	2 414	1 608	50.1%	23 386	14 266	63.9%
Profit Margin	13.4%	12.9%	0.5 p.p.	12.9%	13.1%	-0.2 p.p.
Estimated Tax	744	354		7 346	3 139	
Net Profit after Tax	1 669	1 254	33.1%	16 040	11 127	44.2%

Exchange rates

Shares outstanding (Basic)	96 286 593	96 286 593		96 286 593	96 286 593	
Shares outstanding (Diluted)	96 286 593	96 286 593		96 286 593	96 286 593	

Earnings per share (Basic)	\$	0.017	\$	0.013	kr	0.167	kr	0.116
Earnings per share (Diluted)	\$	0.017	\$	0.013	kr	0.167	kr	0.116

Comments to Q4 events

- Net financial items are largely currency translation differences
- Operating Expenses grow at a slower rate in USD, as most payroll expenses are other currencies than USD

Cash Flow Statement

Cash Flow Statement for Q4 of 2022 and 2021

	kUSD		kNOK	
	2022	2021	2022	2021
	Q4	Q4	Q4	Q4
Cash at the Beginning of Period	6 117	8 534	60 294	75 268
EBITDA	3 531	1 833	34 806	16 166
Changes in Trade Receivables	-5 159	1 032	-50 851	9 105
Changes in Trade Payable	2 692	2 596	26 538	22 895
Changes in Inventory	-3 572	-3 745	-35 212	-33 031
Changes in Contract Liabilities (Deferred Revenue)	153	126	1 506	1 111
Other Working Capital Changes	2 122	759	20 919	6 692
Cash Flow from Operating Activities	-233	2 601	-2 294	22 938
Payment for PPE and Development Costs	-771	-307	-7 604	-2 710
Other Investing Activities	0	0	0	0
Cash Flow from Investing Activities	-771	-307	-7 604	
Dividend	0	0	0	0
New Shares Issued	0	0	0	0
Changes in Credit Facility	0	0	0	0
Repayments of Lease Liabilities	-196	-208	-1 936	-1 832
Repayments of Borrowing	-377	-333	-3 712	-2 934
Paid Interest on Borrowing	-13	-36	-131	-316
Cash Flow from Financing Activities	-586	-576	-5 779	-5 082
Exchange Rate Changes	1 156	-872	11 392	-7 689
Net Cash Flow	-435	846	-4 286	7 457
Cash at the End of Period	5 682	9 380	56 008	82 725

Comments

- Higher Trade Receivables due to strong finish of the quarter
- Higher Inventory due to component shortage and required commitments on order volume from suppliers
- Exchange rate changes are driven by changes in USD/NOK, where holdings in NOK decreases when translated to USD, with a stronger USD
- The Cash Flow statements in NOK is directly translated from USD by using the following exchange rate
 - Q4 2022 9.8573
 - Q4 2021 8.8194

Balance Sheet

Balance Sheet for Dec 31, 2022, 2021

	kUSD		kNOK	
	2022	2021	2022	2021
	Q4	Q4	Q4	Q4
Non-Current Assets	6 175	7 851	60 870	69 240
Intangible Assets	941	904	9 274	7 976
Property, Plant and Equipment	1 787	1 392	17 617	12 272
Right of Use Asset	2 380	2 301	23 464	20 294
Financial Assets	0	0	0	0
Deferred Tax Asset	1 067	3 254	10 515	28 698
Current Assets	37 945	30 619	374 033	270 041
Inventory	15 423	12 095	152 032	106 675
Trade Receivables	15 899	7 812	156 724	68 899
Other Current Assets	940	1 331	9 269	11 742
Cash and Cash Equivalents	5 682	9 380	56 006	82 725
TOTAL Asset	44 120	38 470	434 903	339 281

Exchange rates	9.8573	8.8194
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	kUSD		kNOK	
	2022	2021	2022	2021
	Q4	Q4	Q4	Q4
TOTAL Equity	28 186	23 150	277 838	204 171
Non-Current Liabilities	4 653	4 854	45 867	42 812
Other non-current liabilities	0	0	0	0
Non-current deferred revenue	1 774	1 574	17 486	13 878
Non-current interest-bearing debt	1 120	1 724	11 042	15 208
Non-current lease liability	1 759	1 556	17 339	13 726
Current Liabilities	11 281	10 465	111 198	92 298
Credit facility	0	0	0	0
Current lease liability	674	782	6 642	6 894
Current deferred revenue	1 528	1 379	15 065	12 166
Trade Payable	5 841	6 215	57 574	54 814
Public Duties	972	59	9 580	519
Other Current Liabilities	2 266	2 030	22 337	17 905
TOTAL Liability	15 934	15 320	157 065	135 110
TOTAL Liability and Equity	44 120	38 470	434 903	339 281

Exchange rates	9.8573	8.8194
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Thank you