Annual report 2021

SmartCraft ASA

Contents

Letter from the CEO

SmartCraft simplifies business for construction companies and craftsmen. We free up time for construction companies, so they can generate additional revenue or simply spend more precious quality time with their families.

SmartCraft offers best of breed software. We have a proud history going back to 1989 and we have deep competence in the niches we focus on. Our employees accumulate more than 1000 years of experience in developing solutions to solve the specific needs of electricians, painters and plumbers. Our solutions are available on most devices to suit our customer needs. We support mobile phones or iPads for workers out in the field and have a rich web client for people that work at the office.

We still see that many small and medium sized construction- and craftsmen companies have a huge potential for digitalization. In fact, this industry is among the least digitalized. It is our firm belief that construction companies prioritizing to digitalize and modernize their business processes will be the future winners in the construction industry. At the same time, it is a fact that our take rate of customer's wallet is very low.

We expect that the potential market size is around NOK 10.5 billion in the Nordics alone. This implies an expected 15% annual growth in the period 2020-2025 and we are deeply committed to remain a leading player and a driving force in the industry going forward.

2021 was SmartCraft's first year as a listed company, with a clear strategy to continue our organic and M&A driven growth, high profitability and strong margins.

During the year we acquired HomeRun and Kvalitetskontroll, broadening our geographical footprint and strengthening our product portfolio. Financially, our revenue growth was strong, whereas our adjusted EBITDA margin in 2021 was 40%, which is in line with our medium-term guiding.

Our main performance indicator, Annual Recurring Revenue (ARR) has increased organically by 17% in 2021 and we see an ARR of NOK 267 million at the end of the year. The strong growth combined with a low churn level at stable 6% and the fact that 95% of our revenue is recurring puts us in a very good position.

Looking ahead, we continue to follow our strategy of profitable organic growth and M&A driven consolidation. We have a strong financial foundation following the successful listing on Oslo Børs in 2021, providing a solid balance sheet and a broad, international investor base. Hence, our growth strategy is fully funded, and our operating cash flow is strong. Our primary focus going forward is organic growth in the Nordics through upsell to existing customers, by winning new customers and by cross selling on our customer bases. Secondly, we are pursuing M&A opportunities both in existing and new geographies and are in dialogue with several companies. At the same time, we are patient. Capital discipline has high priority, and we will only pursue the right acquisition target at the right price. Our medium-term targets of annual organic revenue growth of 15-20% and growing EBITDA margins due to scalability of the business stay firm.

With a well-aligned organization following a range of acquisitions, we are now in an excellent position to continue to deliver on our strategy. We are looking forward to continuing to lead the way in digitalization of construction.

Gustav Line

Gustav Line
Chief Executive Officer

Key figures

	2021	2020
Revenue	270 762	195 941
Adjusted EBITDA	108 671	80 934
Adjusted EBITDA margin	40.1%	41.3%
R&D	21 737	11 579
ARR	266 843	204 689
Customers	≈ 11 000	≈ 8 500

Statement of the Board of Directors

Activities

The SmartCraft Group provides software solutions for the construction industry in Norway, Sweden and Finland. The parent company is SmartCraft ASA with head office in Ålesund, Norway. SmartCraft ASA owns 100% of the shares in the subsidiaries. In addition to the parent company the Group has 3 companies in Norway, 3 companies in Sweden and 2 companies in Finland.

In 2021 SmartCraft AS became SmartCraft ASA as it changed from a private limited company to a public limited company. The company was listed on the Oslo Stock Exchange "Oslo Børs" in June.

The Group has an active M&A strategy and has acquired complementary companies and solutions the last years. In 2021 the Group acquired the solutions HomeRun and Kvalitetskontroll.

The Group has many opportunities to upsell on our 11 000 customer base and 115 000 users and will continue to explore these in the short and medium term.

We are looking to integrate and synergize our solutions where it makes sense. However, we are pragmatic and do not want to jeopardize the uniqueness, flow and functionalities in our solutions at any cost, but will capitalize on areas where it benefits our customers.

The Group has successfully acquired and consolidated Homerunbynet Oy, SmartCraft Norway AS and Kvalitetskontroll AS during 2021. We will continue to execute on our M&A strategy; There are no changes in the activities related to M&A going forward and the Group still has an active strategy and focus on growth through acquisitions in addition to the organic growth.

Strategy And Objectives

The overall mission for the Group is to simplify business for craftsmen. To accomplish this SmartCraft has gathered several of the leading providers of digital solutions to the construction business ranging from quality and risk management software, procurement management and project management tools. This way we can provide specialized best-of-breed solutions that exactly fits our customers' needs.

The Group has a strategy to ensure sustained capital efficiency and profitable growth for the Group by continue to capitalize on the market leading position and underpenetrated Nordic market. A strong industry focus, leading SaaS solution and an efficient sales organization ensure great sales execution with low customer touch.

We strongly believe in a robust business model and are pleased to see that recurring revenue in 2021 has increased to 95% of the total revenue compared to 93% in 2020. This combined with a consistent and low churn at 6%, net cash positive and the fact that we are self-funded puts us in a great position to create further shareholder value.

Group Financial Statements

The consolidated financial statement for 2021 for the SmartCraft Group is prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and Norwegian authorities and effective as of December 31st 2021. These financial statements also provide disclosures as specified under the Norwegian Accounting Act (Regnskapsloven). In the Board's opinion, the financial statements provide an accurate view of the company's financial position at the end of the fiscal year.

The SmartCraft Group provides software solutions for the construction industry. As one of the least digitalized industries, the Group's solutions simplifies and streamlines daily operations for its customers. In 2021 the Group had a revenue of TNOK 270 762 (TNOK 195 941 in 2020), a total growth of 38% and an organic growth of 15%. As the organic growth was offset by a strategic decrease in non-recurring revenue, the Group is expecting higher organic growth going forward with the strong customer base, high recurring revenue and low churn.

During 2021 SmartCraft ASA prepared an IPO and completed the process to be listed on the Oslo Stock Exchange which affected EBITDA in a total of TNOK 21 737. EBITDA, adjusted for cost related to the IPO/restructuring and acquisitions costs, is TNOK 108 671 in 2021 (TNOK 80 934 in 2020). The total EBITDA is TNOK 80 312 in 2021 (TNOK 76 663 in 2020).

Total depreciation and amortization of tangible and intangible assets in 2021 is TNOK 22 726 (TNOK 17 053 in 2020) and operating profit is TNOK 57 586 (TNOK 59 610 in 2020).

Profit before tax is TNOK 48 867 in 2021 (TNOK 52 438 in 2020). The decrease in profit before tax is mainly due to the non-recurring costs related to the listing process. There is also some negative effects from the development in foreign exchange currency as the Group is exposed to fluctuations in NOK compared to SEK and EUR.

Net cash provided from operational activities was TNOK 106 525 in 2021 (TNOK 98 466 in 2020), a growth of 8.2%. The increase in net cash provided from operational activities is primarily due to growth, with increased profit and increased deferred revenue as well as an increase in other current liabilities.

Net cash outflows from investing activities were TNOK 99 465 in 2021 (TNOK 85 066 in 2020). This is primarily connected to the acquisition of Homerunbynet Oy and Kvalitetskontroll AS together with capitalized development cost on the Group of a total of TNOK 21 737 (TNOK 11 579 in 2020).

Net cash inflows from financing activities are highly affected by the capital increases when the company was listed on the Oslo Stock Exchange together with the redeeming of preference shares and repayments of loan facilities. In total the net cash provided by financing activities were TNOK 73 896 in 2021 (TNOK 33 225 in 2020).

In the Board's opinion the Group's liquidity is solid and the Group has sufficient funds to settle all obligations when due. As of December 31st 2021 the Group had cash and cash equivalents of TNOK 156 277 (TNOK 79 902 as of December 31st 2020). The Group had a loan facility in 2020 that was repaid during 2021 but has an unused credit facility in connection with the cash pool established between the Norwegian companies of TNOK 13 000. As of December 31st 2021 the Group is net cash positive and enables the Group to continue investing in growth and development in existing solutions and potential new solutions.

Shareholders' equity was TNOK 701 685 as of December 31st 2021 with an equity ratio of 79% (TNOK 323 914 as of December 31st 2020). This gives an increase in the equity ratio of 32%-points compared to December 31st 2020. The increase is due to capital increases performed in 2021 as well as the profit for 2021. The decrease in other components of equity is due to currency exchange differences when consolidating subsidiaries with functional currency other than NOK.

Smartcraft ASA Financial Statement

The financial statement for 2021 for SmartCraft ASA is prepared in accordance with the Norwegian Generally Accepted Accounting Principles. In the Board's opinion, the financial statements provide an accurate view of the company's financial position at the end of the fiscal year.

SmartCraft ASA is the parent company of the SmartCraft Group. Revenues in the company is solely management fees from the subsidiaries.

SmartCraft ASA had a total revenue of TNOK 8 292 in 2021 (TNOK 3 662 in 2020), and profit of TNOK 32 206 (TNOK 9 907 in 2020). As of December 31st 2021 the company has a total equity of TNOK 654 155 with an equity ratio of 98.9%.

In the Board's opinion the company's liquidity is satisfactory and the company has sufficient funds to settle all obligations when due.

Risk Management And Internal Control

The Group is subject to various types of risks relating to operations and finance. The Group's risk management system shall ensure a systematic and uniform approach to identify, evaluate and mitigate risks, and describe processes and internal control actions.

Operational risks

The Group's operations involve development and maintenance of software solutions sold to a third-party. Trends within the software industry can affect the overall level of demand for IT services and accordingly have an effect on the Group's sales. Further the ability to attract and retain sufficient competent personnel to secure the Group's ability to further develop existing and new solutions are crucial to the Group's operations. The Group has during 2021 hired a Group Chief Technical Officer that will oversee the technical resources within the Group and assess any measures if needed.

A significant part of the Group's growth is through acquisitions. The inability to secure an acquisition in line with the Group's product portfolio, technology and culture could result in negative effects in operational focus and financial performance. A thorough and tested M&A and onboarding process has historically limited any negative effects of acquisitions.

Volatile, negative or uncertain economic or political conditions may have a negative effect on the Group's operations and financial performance. Such events may result in loss of revenue as customer stop buying the solution, or increased costs if the Group needs to change to a more expensive business operation to keep the services running. The recent years' pandemic and war has had relatively limited effects on the Group, although in the uncertainty of the situation we consider the risk as moderate.

Financial risks

As the Group operates internationally it is exposed to other currencies than NOK (functional currency). However, there is a natural hedge on the currency exchange risk as all operating entities have material costs and revenue in their functional currency, and the Group has both assets and liabilities in foreign currency. The currency risk is considered low/moderate.

The active M&A strategy is a significant contributor to the Group's growth. As the Group's profitability and financial position may fluctuate, as well as the tech sector specifically and general financial market changes, there is a risk of the Group not being able to obtain funding on favorable terms. In this event, the use of a larger portion of the Group's cash will reduce the Group's funds available for operations or future business opportunities. The risk is considered moderate.

Credit risk is considered low as the Group invoice its services upfront and can swiftly block access to non-paying customers. The Group's customers are however operating in the same industry, exposing the Group to general market/industry risk. On historical basis the market risk is considered low.

The Group has ample cash to support operations and cover its current liabilities.

Working Environment, Equal Opportunities And Discrimination

The SmartCraft Group has 185 employees as of December 31st 2021. There has been no reported work-related injuries or accidents in 2021. Absence due to sickness was 7.1%.

The Group's human resource policy is based on equal rights for all, and there is no difference in treatment on any basis in terms of salary or recruitment. As of December 31st 2021 there are 8 men and 1 woman in General Manager positions including the Group executive suite.

SmartCraft ASA has 4 employees as of December 31st 2021. There has been no reported work-related injuries or accidents in 2021. There was no absence due to sickness. The company's human resource policy is based on equal rights for all, and there is no difference in treatment on any basis in terms of salary or recruitment.

The Board of Directors is comprised of 4 men and 3 women.

External Environment

The Group does not pollute the external environment beyond what ensues from normal office operations. The Board of Directors and employees are traveling as a part of daily operations. The Group encourages the use of environmentally friendly transport, and if possible video conferences, to reduce the effects on the environment. See the Sustainability at SmartCraft in page 14.

Insurance For Board Members And Executive Officers

The Company has directors' and officers' liability insurance. The insurance covers the Board of Directors as well as the executive officers of the company from legal personal liability for financial damage caused by the performance of their duties.

Corporate Governance

Good corporate governance is essential to ensure that the Group protects the long-term interest of the stakeholders. The Group's corporate governance principles is compliant with the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance. The Group's corporate governance practices are subject to annual reviews and discussion by the Board of Directors. The Group's corporate governance policy is available at *smartcraftready.com/investor-relations/corporate-governance*. The code is based on "comply or explain" principle and any deviations, if any, is explained under the relevant topic in the report on Corporate Governance for 2021 which is included in this Annual Report.

Going Concern Assumption

In accordance with the Norwegian accounting act, the Board confirms that the accounts have been prepared in conformity with the going concern assumption and this assumption is valid.

Subsequent Events

The start of the war in Ukraine in February 2022 caused a high level of uncertainty in the market. The war has had an impact in the global economy that could also affect the SmartCraft Group's operating costs going forward in 2022 due to increased inflation. However, we expect to offset potential cost increases to SmartCraft by increasing the price of our solutions, and therefore we do not see any significant impacts on the Group.

There have been no significant subsequent events that could affect the Group's financial statements as of December 31st 2021.

Gothenburg April 25th 2022

Board of Directors, SmartCraft ASA

Gunnar Haglund
Chairman

Carl Ivarsson
Board member

Christina Skogster Stange
Board member

Bernt Ulstein
Board member

Allan Engström
Board member

Marianne Bergmann Røren
Board member

Maria Danell
Board member

Gustav Line
Chief Executive Officer

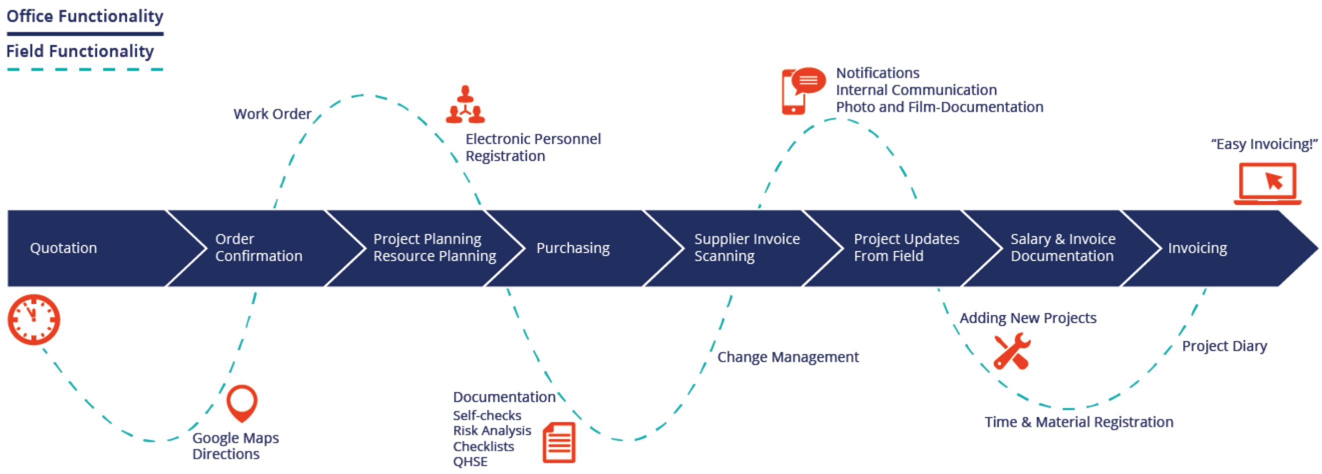
Sustainability at SmartCraft

Profitable and sustainable growth is part of SmartCraft's DNA. Our customers and stakeholders, both existing and future, expect us to operate to a high ethical standard. An ethical business culture is therefore a crucial cornerstone of a sustainable business – how we deliver is as important as what we deliver.

Our business and value chain

In 2021, SmartCraft employed 185 people across 12 locations in Norway, Sweden and Finland and is headquartered in Ålesund, Norway. SmartCraft's legal form is a Norwegian ASA - public limited company listed on the Oslo Stock Exchange in 2021.

SmartCraft delivers mission critical software to the construction industry in Norway, Sweden and Finland. Going forward the Group is targeting northwestern Europe.



Our governing documents

The company code of conduct (the "Code") sets the standard for what is expected in terms of business and personal conduct from each of the Group's employees.

The Code sets out our expectations, commitments and requirements for ethical conduct. The Code reflects our vision, mission and core values:

Our vision:	Our mission:	Our core values:
To become the leading provider of specialized digital solutions for construction companies in Northwestern Europe.	Simplify business for construction companies.	• **Inspiring** – we lead, are innovative and ambitious • **Team player** – we think of our customers and partners as our extended family, we work together to achieve the best results • **Trustworthy** – We deliver as planned, we have integrity and are fair in business

The Code applies to everyone working for or representing SmartCraft in any form, irrespective of the nature of the contract the relation is based on. This includes, but is not limited to, directors, employees, as well as hired contractors. The Code has been approved by the board of directors of SmartCraft. The Code covers key topics such as human rights, worker's rights, anti-corruption, environment and climate.

Business ethics

To secure good corporate governance, the Company has adopted a set of governance documents setting out principles for how its business should be conducted. The content of these documents apply to the entire Group and are available through our website.

SmartCraft respects and promotes internationally recognized human rights. We will conduct our business consistently with the United Nations Guiding Principles on Business and Human Rights, The European Convention on Human Rights and the United Nations Convention on the Rights of the Child.

SmartCraft has a zero tolerance policy against corruption in any form, including bribery, facilitation payments and trading in influence. Corruption undermines legitimate business activities and distorts free competition. Furthermore, it may lead to loss of reputation and may expose SmartCraft and responsible individuals to a range of risks. We will comply with all anti-corruption laws and regulations and take active steps to ensure that corruption does not occur in relation to SmartCraft's business activities.

SmartCraft requires employees to report immediately if they suspect a possible violation of the Code or other unethical misconduct. We have a non-retaliation policy, meaning that SmartCraft will not impose any sanctions on a person who in good faith and in a responsible manner informs about possible compliance violations.

In 2021, the company did not receive any reports about suspected incidents of corruption. The company has not been involved in any legal proceedings regarding business ethics.

Worker's rights and working environment

SmartCraft aims to be a great place to work. SmartCraft shall foster a corporate culture characterized by respect and concern for other people and their property. We shall behave in a way that inspires trust both when collaborating with colleagues and interacting with suppliers, customers, other business partners or authorities.

Each of the SmartCraft subsidiaries has their individual HR and HSE management system and supporting tools to follow up the Group wide policies.

SmartCraft workforce 2021	Men	Women	Total
Total workforce	139	46	185
Total workforce full-time employees	135	43	178
Total workforce part-time employees	4	3	7
Number of non-permanent employees	0	0	0

SmartCraft prohibits unlawful discrimination against employees, board members, customers and suppliers on account of ethnic or national origin, age, sex, religion or sexual orientation. The company aims to be an inclusive workplace.

In 2021, 20.4% of the total workforce operated under collective bargaining agreements.

In 2021 the Group established new core values, by undertaking an inclusive process involving employees from all Group companies to ensure that the company values reflect the company identity. Each subsidiary of the Group undertakes annual employee surveys to monitor the working environment and employee engagement. For the most recent survey, undertaken in March 2021, all subsidiaries maintained an employee engagement score of 80% or higher which the Group considers to be good.

In 2021 there were no serious work-related accidents recorded. Absence due to illness were at 7.1%. This is partly due to the Covid-19 pandemic and is expected to decrease as we emerge from the global pandemic. The employee turnover rate for the Group in 2021 was at 12.7%.

The knowledge and competence of our skilled employees are key to our competitive advantage. In 2021 the average number of external training hours per employee per year covered by the company was 2.35 hours. This in addition to internal training provided by the company to all employees as part of onboarding and day to day competence development.

Remuneration of the Board of Directors is decided by the General Meeting, for the CEO the Remuneration committee suggests remuneration for approval by the Board of Directors. Remuneration for other executive employees is approved by the Remuneration committee. For full Executive Remuneration report, please visit page smartcraftready.com/investor-relations/.

Environment and climate

As the world is facing great environmental challenges, we take our impact on the environment seriously, and see it as our responsibility to help change the ongoing negative course.

We work to limit greenhouse gas emissions, consumption of energy and natural resources and waste from our activities. SmartCraft will comply with all applicable environmental laws and regulations.

As a software company, SmartCraft's main sources of environmental and climate emissions are emissions from employee business travel and indirect emissions from our leased offices such as electricity and waste handling. In addition, the Group affects the environment through indirect emissions from purchased goods and services.

For 2021, SmartCraft has started gathering information from subsidiaries on activities impacting the external environment. The data gathering process is a work in progress, and going forward the Group will work to improve its systems and processes to measure and manage environmental impacts from our business.

Scope 1: The Group and its subsidiaries had no direct emissions from onsite combustion or owned company vehicles.

Scope 2: In 2021, the Group had no Scope 2 climate emissions to report, due to all companies leasing their offices and thus not paying for electricity.

Scope 3: In 2021, the Group reports Scope 3 emissions from employee business travel by car and employee business air travel.

Scope 3	**2021**	**Unit**
Employee business travel by car emissions	34 491.1	Kg CO^2
Business air travel emissions	7 144.6	Kg CO^2

Emissions from business travel by air has been calculated using the The ICAO Carbon Emissions Calculator.

Emissions from business travel by car has been calculated using emission factors from DEFRA UK as of 2019.

Board of Directors report on Corporate Governance

Reporting On Corporate Governance

The Group's corporate governance policy is compliant with the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance (NUES). The Group's corporate governance practices are subject to annual reviews and discussion by the Board of Directors. The Group's corporate governance policy is available at smartcraftready.com/investor-relations/corporate-governance. The code is based on "comply or explain" principle and any deviations, if any, is explained under the relevant topic in the report.

The Group believes that good corporate governance involves transparent and trustful cooperation between all parties involved with the Group and its business. This includes the Company's shareholders, Board of Directors and executive management team, employees, customers, suppliers, and other business partners, as well as public authorities and society at large.

The Board of Directors and executive management shall contribute to achieve the following core objectives when honoring the Company's corporate governance policy:

- Transparency. Communication with the Company's shareholders, stakeholders and other interest groups shall be based on transparency and openness on issues relevant for the evaluation of the development and position of the Company.
- Independence. The relationship between the Board of Directors, Executive Management and shareholders shall be based on independence principles. Independence shall ensure that all decisions are made on an unbiased and neutral basis.
- Equal treatment. A fundamental objective for good corporate governance is equal treatment and equal rights for all of the Company's shareholders.
- Control and management. Sound control and corporate governance mechanisms shall contribute to predictability and reduce the level of risk for the Company's shareholders, stakeholders, and other interest groups.

Business Objective

The Company's business objective, as set out in the Company's articles of association, reads as follows: "The Company's business is industry, trade and investments in shares and other assets in other companies and enterprises as well as all other activities related to this." The Board of Directors has defined objectives, strategies, and risk profiles for the Company's business activities as an effort to create value for its shareholders in a sustainable manner. These objectives, strategies and risk profiles are evaluated annually.

Equity And Dividends

The Board of Directors is responsible for ensuring that the Group is adequately capitalized relative to the risk and scope of operations and that the capital requirements set forth in laws and regulations are met. The Group's consolidated equity were TNOK 701 685 on December 31st 2021, representing an equity ratio of 79%. The Board monitors the capital situation and takes actions necessary to ensure that the equity or liquidity is adequate.

The Company shall, at all times, have a clear and predictable dividend policy. The company believes that it will serve its shareholders best by investing for the long term and growing and developing the business. The company's dividend policy is that the company does not expect to pay any dividend in the short to medium term as the company intends to use its profit for both organic and inorganic growth initiatives as well as product and technology innovation. The company will in the future continuously evaluate its capital allocation and will prioritize organic growth investments and acquisitions over dividends if the company expects that this will generate an attractive return on capital.

At an extraordinary general meeting on May 25th 2021, the Board was granted the following authorities:

- Authorization to increase the Company's share capital by up to NOK 555 129 in connection with the IPO. The shares issued pursuant to the authorization shall be A-shares (ordinary shares). The authorization covers only cash considerations and does not include mergers. Under this authorization, the company has issued new shares on the following:
    - June 22nd 2021, issued 28 089 888 new shares at NOK 0.01 per share as part of the listing on the Oslo Stock Exchange
    - July 5th 2021, issued 3 807 321 new shares at NOK 0.01 per share as part of the listing on the Oslo Stock Exchange (Greenshoe option)
- Authorization to increase the share capital in connection with acquisitions by up to NOK 138 872 provided that the authorization may not be used for an amount exceeding 10% of the Company's share capital following completion of the share capital increase carried out in connection with the initial public offering. The shares issued pursuant to the authorization shall be A-shares (ordinary shares). The authorization covers contribution in kind and the right to incur specific obligations on behalf of the Company and also includes mergers. Under this authorization, the company has issued new shares on the following:
    - June 22nd 2021, issued 337 078 new shares at NOK 0.01 per share as part of the acquisition of Homerunebynet Oy
    - July 9th 2021, issued 505 618 new shares at NOK 0.01 per share as part of the acquisition of Kvalitetskontroll AS
- Authorization to acquire own shares with a total nominal value up to NOK 138 872. The authorization may not be used for an amount exceeding 10% of the Company's share capital following completion of the share capital increase carried out in connection with the initial public offering. As of December 31st 2021, the authorization has not been used.

These authorizations are valid until the Company's Annual General Meeting in 2022, but not longer than, and including, June 30th 2022.

Equal Treatment of Shareholders

All shareholders shall be treated on an equal basis unless there is a just and factual cause for treating them differently. The company only has one class of shares as the preference shares was redeemed June 21st 2021. Each share in the Company carries one vote, and all shares carry equal rights, including the right to participate in general meetings and the right to dividends. Where the Board of Directors resolves to issue new shares and deviate from existing shareholders' pre-emptive rights pursuant to an authorization granted to the Board of Directors, the stock exchange announcement issued in connection with the share issue shall also include a justification for the deviation.

The Company's transactions in treasury shares shall be carried out through Oslo Stock Exchange' trading platform at the prevailing trading price or by making a public offer to all shareholders. All transactions in treasury shares shall be publicly disclosed in a stock exchange announcement. There was no transaction in treasury shares in 2021.

Transactions between the Company and its shareholders, a shareholder's parent company, members of the Board of Directors, executive management or closely associated persons to any such party, that are deemed material under the Norwegian Public Limited Liability Companies Act, are subject to approval by the general meeting. Furthermore, the Board of Directors is required to arrange for an independent auditor's valuation of the transaction. There was no such transaction in 2021.

Freely Transferable Shares

The shares of the Company are listed on the Oslo Stock Exchange and are freely transferable and there are no limitations on any party's ability to own or vote for the shares in the Company.

Deviation from the Code of Practice:
For primary insiders there is a lock-up agreement valid until June 24th 2022. Selling shareholders in the IPO and shareholders who received shares as part of acquisitions performed during 2021, entered lock-up agreements ending December 24th 2021.

General Meetings

The General Meeting is the Company's highest authority, and open to all shareholders. The Company encourages shareholders to participate and exercise their rights. The 2021 Annual General Meeting was held on April 21th 2021 in Oslo, with 100% of the Company's shares represented.

The Board, auditor, or shareholders representing at least 5% of the shares can call for Extraordinary General Meetings when deemed necessary. In 2021, the Board called for EGMs on May 25th 2021, to pass several resolutions to enable the listing of the Company's shares on the Oslo Stock Exchange. A total of 100% of the company's shares were represented.

The notice of the General Meeting and supporting documents are made available on the Company's website no later than 3 weeks prior to the date of the meeting. Shareholders may request the documents by mail. Efforts are made to ensure that proposed resolutions and supporting information are sufficiently detailed and comprehensive to allow the shareholders to form a view on all matters to be considered at the meeting. The notice includes information about shareholders' rights. The notice period, right to attend and agenda proposals are regulated in the Articles of Association.

The deadline for shareholders to notify the Company if they wish to participate at the General Meeting shall be set as close to the date of the general meeting as practically possible, but at the earliest three days before the General Meeting.

Shareholders who are unable to attend the general meeting shall be given the opportunity to be represented by proxy and to vote by proxy. The Board of Directors shall in this respect, with regards to the notice of the general meeting:

- provide information on the procedure for attending by proxy;
- nominate a person who will be available to vote on behalf of non-attending shareholders as their proxy (normally being the chair of the Board of Directors); and
- prepare a proxy form, which shall, to the extent possible, be set up so that it is possible to vote separately on each individual matter on the agenda and each candidate nominated for election.

Deviation from the Code of Practice:

The Code recommends separate voting for candidates to the Board. However, the Board must be in accordance with applicable legislation regarding gender representation and qualifications for committee assignments. The nomination committee's proposal is given with respect to such legislation. Should a situation arise where the composition of the Board might conflict with applicable legislation, the situation and consequences of electing a board contrary to legislation should be discussed at the General Meeting and shareholders should base their votes on the views discussed.

Nomination Committee

The Nomination Committee is governed by the Articles of Association section 10. The Extraordinary General Meeting on May 25th 2021, elected the following two members for the Nomination Committee for the period until the Annual General Meeting in 2022: Mr. Arild Bødal (chair) and Ms. Ingeborg Avatsmark. The nomination committee does not include any executive personnel or any member of the company's Board of Directors. Both members of the Nomination committee are independent of the Board of Directors and Group Management.

The General Meeting stipulates the rules of procedure for the Nomination Committee and determines the Committees' remuneration. The Nomination Committee gives its recommendation to the General Meeting on election of and compensation to members of the Board of Directors, in addition to election of members of the Nomination Committee. Each proposal is justified on an individual basis. All shareholders are entitled to nominate candidates to the Board of Directors, and information on how to propose candidates can be found on the company's website.

Composition And Independence Of The Board Of Directors

In accordance the articles of association section 7, the company's Board of Directors shall consist of three to nine members. On December 31st 2021, the Board of Directors consisted of seven members (see table below), of which three were female. The directors can be elected by the General Meeting for a term no longer than two years and may be re-elected.

The company's website provides information to illustrate the expertise of the members of the Board of Directors. The Board of Directors considers its composition to be diverse and represent required competencies including financial and industrial experience. Board members are encouraged to own shares in the company. An overview of board members' share ownership in the Company is available in note 24 to the consolidated financial statements.

Name	Role	Independent	Served since	Term expires	Meeting participation
Gunnar Haglund	Chairman (from 21.04.2021)	Yes	15.03.2017	AGM 2023	16 of 16
Christina Skogster Stange	Board member	Yes	21.04.2021	AGM 2023	12 of 16
Bernt Ulstein	Board member	Yes	15.03.2017	AGM 2023	16 of 16
Maria Danell	Board member	Yes	21.04.2021	AGM 2023	13 of 16
Carl Ivarsson	Board member	No	14.02.2017	AGM 2023	16 of 16
Marianne Bergmann Røren	Board member	Yes	21.04.2021	AGM 2023	14 of 16
Allan Engström	Board Member	No	14.02.2017	AGM 2023	16 of 16

Mr. Ivarsson and Mr. Engström represents Valedo Partners III AB which holds 39.6% of the shares in SmartCraft ASA. All board members are independent of Group management and material business contacts.

Work Of The Board Of Directors

The objectives, responsibilities and functions of the Board of Directors and the CEO shall be in compliance with rules and standards applicable to the Group, which are described in the Company's "Instructions for the board of directors of SmartCraft ASA". The Board has the ultimate responsibility for the management of the Company and the Group and for supervising Group Management.

The Board of Directors shall annually evaluate its performance and expertise for the previous year. This evaluation shall include the composition of the Board of Directors and the manner in which its members function, individually and as a group, in relation to the objectives set out for its work. The report shall be made available to the nomination committee.

The Board has established two committees, an Audit Committee, and a Remuneration Committee.

Audit Committee

Pursuant to section 6-41 of the Norwegian Public Limited Liability Companies Act, Rule Book II and recommendations set out in the Code, the Company is obliged to establish an audit committee. The Committee members are appointed by and among the Board of Directors. At December 31st 2021, the audit committee members were Mr. Gunnar Haglund (chair), Mrs. Marianne Bergmann Røren and Mr. Carl Ivarsson, all considered independent of Group Management. The Audit Committee held 4 meetings in 2021.

Remuneration Committee

The remuneration committee shall provide the Board of Directors with a guideline and recommendation for the salary and other remuneration for executive management, which shall be made in accordance with section 6-16a of the Norwegian Public Limited Liability Companies Act. The members of the remuneration committee are elected by and among the members of the Board of Directors for a term of up to two years. At December 31st 2021, the compensation committee members were Mr. Gunnar Haglund (chair), Mr. Allan Engström and Mr. Bernt Ulstein, all independent of the Group Management. During 2021, the Committee met 2 times.

Risk Management And Internal Control

The Group's risk management system shall ensure that the Group has a systematic and uniform approach to risk management. The system defines responsibilities, processes, tools and documentation, including considerations related to integrating stakeholders in relation to the Company's value creation.

Group Management sets the context in which risks are managed and supervises the risk management process. Risk assessments are presented to the Audit Committee and the Board of Directors. The Board performs a review of risks in connection with the approval of the annual budget.

Group Management regularly updates the Board of Directors including operational reviews, HSE (Health, Safety and Environment) measures, financial status and key performance indicators. Prior to each Board meeting, the CEO and CFO prepares a report to the Board of Directors, which includes this information in addition to any items requested by Board members and items requiring action by the Board of Directors. Because the Group operates internationally, it is required to comply with numerous national and international laws and regulations. All business activities and processes must be conducted in accordance with laws, and regulations.

The quarterly and yearly reporting process and significant accounting and reporting issues are discussed with the Audit Committee in the presence of the external auditor.

Remuneration Of The Board Of Directors

The member of the Board of Directors receive remuneration in accordance with their individual roles. The remuneration is not linked to Company performance and members are not granted share options. Remuneration for each member of the Board of Directors is detailed in note 11 to the consolidated financial statements.

Members of the Board of Directors and/or companies with which they are associated should not take on specific assignments for the Company in addition to their appointment as a member of the Board of Directors, but if they do, this shall be disclosed to the full Board. The remuneration for such additional duties will be approved by the Board of Directors. There were no such assignments in 2021.

Remuneration Of Executive Management

The policy for remuneration of executive management of the Group was last updated April 2022 and will be presented for the Annual General Meeting in 2022. Board determines remuneration of the Chief Executive Officer while remuneration of Group Management is determined according to guidelines. The Board's statement regarding compensation of leading employees, required by accounting act §7-31b, is included in note 11 of the consolidated financial statements.

Information And Communication

The Company treats its investors equally. Timely information is published simultaneously to all investors in accordance with applicable legislation and regulation in order to provide the best possible basis for evaluation of Company performance. All information is provided in English.

Interim reports are published on a quarterly basis, in line with Oslo Stock Exchange's recommendations. Interim reports include presentations to provide an overview of operational and financial developments, market outlook, and the Company's prospects. The presentations are open to the public and made available through a webcast. The Chief Executive Officer and the Chief Financial Officer are normally present at the quarterly presentations. Furthermore, the Company keeps an ongoing dialogue with its investors and makes presentations to analysts and investors through various conferences and events.

Takeovers

The Board of Directors have established the main principles for its actions in the event of a takeover offer. In a takeover process, the Board of Directors, and the Executive Management each have independent responsibilities to ensure that the Company's shareholders are treated equally and that there are no unnecessary interruptions to the Company's business activities. The Boards of Directors has a particular responsibility to ensure that the shareholders are given sufficient information and time to assess the offer. The Company has no written guidelines for procedures to be followed in the event of a takeover offer. The Board is open to initiatives that are commercially and financially attractive for the shareholders. The Board will assess potential offers in accordance with applicable legislation and Code of Practice requirements in due course.

Statutory Auditor

The Company's external auditor, PricewaterhouseCoopers AS, is appointed by the General Meeting and is independent from the Company.

The auditor shall participate in meeting(s) of the Board of Directors where any of the following topics is on the agenda: the annual accounts, accounting principles, assessment of any important accounting estimates and other matters of importance where there has been disagreement between the auditor and the Company's executive management and/or the audit committee.

The auditor shall at least once a year present to the Board of Directors or the audit committee a review of the Company's internal control procedures, including identification of weaknesses and proposals for improvement. The audit committee shall hold a meeting with the auditor at least once a year in which no representative of the executive management can be present. In order to strengthen the Board of Directors' work on financial reporting and internal control, the auditor shall provide a report to the audit committee on the main features of the audit in respect to the previous financial year, and especially mention any material weaknesses identified in the internal control relating to the financial reporting process.

Remuneration to the auditor is approved by the General Meeting and the Board of Directors shall specify the executive management's right to use the auditor for other purposes than auditing. For remuneration to the auditor see note 21 to the consolidate financial statements.

Statement Of Compliance

The Board of Directors and the Chief Executive Officer (CEO) have today considered and approved the report from the Board of Directors and CEO, the financial statements for the Group and for the parent company SmartCraft ASA (the Company) for the year ending December 31st 2021.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements as stated in the Norwegian Accounting Act that are applicable at December 31st 2021.

The financial statements for the Company have been prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles in Norway that are applicable at December 31st 2021. The report from the Board of Directors and CEO for the Group and the Company has been prepared in accordance with the Norwegian Accounting Act and the Norwegian Accounting Standard no. 16 applicable at December 31st 2021.

We confirm that, to the best of our knowledge:

- the financial statements for the period from 1st January to 31st December 2021 for the Group and the Company have been prepared in accordance with applicable accounting standards
- the financial statements give a true and fair view of the Company's and the Group's consolidated assets, liabilities, financial position and results of operations
- the Board of Directors' report provides a true and fair view of the development and performance of the business and the position of the Company and the Group, together with a description of the key risks and uncertainty factors that the company is facing

Gothenburg April 25th 2022

Board of Directors, SmartCraft ASA

Gunnar Haglund
Chairman

Carl Ivarsson
Board member

Christina Skogster Stange
Board member

Bernt Ulstein
Board member

Allan Engström
Board member

Marianne Bergmann Røren
Board member

Maria Danell
Board member

Gustav Line
Chief Executive Officer

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

Amounts in NOK (thousands)	Note	2021	2020
Revenue from customers	8	270 762	195 941
Total operating revenue		***270 762***	***195 941***
Purchase of goods and services		22 866	19 523
Payroll and related expences	10, 11	104 986	74 559
Other operating expenses	21	62 598	25 197
Depreciation and amortization	13, 23	22 726	17 053
Total operating expenses		***213 176***	***136 331***
Operating profit (loss) before financial items and tax		***57 586***	***59 610***
Financial income	22	5 615	8 029
Financial expenses	22	(14 334)	(15 201)
Financial income (expense), net		***(8 720)***	***(7 172)***
Profit (loss) before tax		***48 867***	***52 438***
Tax expense	20	12 171	13 298
Profit (loss)		***36 696***	***39 140***
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Currency translation differences, net of tax		(17 843)	15 787
Total		***(17 843)***	***15 787***
Total comprehensive income		***18 853***	***54 927***

Amounts in NOK (thousands)		2021	2020
Profit for the year due to holders of shares		36 696	39 140
Profit allocated to redeemed preferance shares		7 282	15 189
Profit for the year allocated to common shares		29 413	23 951
Average numbers of common shares	25	155 857 151	135 722 423
Earning per share and diluted earnings per share	***25***	***NOK 0.19***	***NOK 0.18***

Consolidated Statement of Financial Position

Amounts in NOK (thousands)

ASSETS	Note	31.12.2021	31.12.2020
Deferred tax assets	20	-	-
Goodwill	6, 12	491 223	421 900
Intangible assets	13	187 378	146 977
Right to use assets	23	17 009	17 111
Tangible Assets	23	4 732	4 353
Total non-current assets		***700 341***	***590 341***
Inventory		73	55
Other current assets	7, 16	4 987	4 101
Accounts Receivable	7, 15	24 583	16 454
Cash and cash equivalents	7, 17	156 277	79 902
Total current assets		***185 919***	***100 512***
Total assets		***886 261***	***690 853***

EQUITY AND LIABILITIES			
Share capital	24	1 715	4 497
Share premium		605 893	244 193
Retained earnings		100 067	63 371
Other components of equity		(5 990)	11 853
Total equity		***701 685***	***323 914***
Non-current financial liabilities	7, 27	1 158	171 339
Non-current lease liabilities	27	9 913	10 728
Deferred tax liabilities	20	34 637	28 993
Total non-current liabilities		***45 708***	***211 060***
Deferred revenue	8	59 593	41 627
Current portion of lease liabilities		6 952	6 047
Accounts payable	7, 18	6 501	5 567
Taxes payable	7, 20	14 216	8 053
Other current liabilities	7, 19, 27	51 607	94 586
Total current liabilities		***138 869***	***155 879***
Total liabilities		***184 576***	***366 939***
Total equity and liabilities		***886 261***	***690 853***

Gothenburg April 25th 2022

Board of Directors, SmartCraft ASA

Gunnar Haglund
Chairman

Carl Ivarsson
Board member

Christina Skogster Stange
Board member

Bernt Ulstein
Board member

Allan Engström
Board member

Marianne Bergmann Røren
Board member

Maria Danell
Board member

Gustav Line
Chief Executive Officer

Consolidated Cash Flow Statement

Amounts in NOK (thousands)	Note	2021	2020
Operating activities			
Profit before tax		48 867	52 438
Paid taxes	20	(5 811)	(7 258)
Depreciation	23	10 085	8 310
Amortisation of intangible assets	13	12 641	8 743
Accrued interest expense		-	(385)
Items classified as investing or financing activities		38 759	16 101
Net cash provided from operating activities before net working capital changes		***104 540***	***77 948***
Working capital adjustments:			
Changes in accounts receivable		(5 837)	182
Changes in deferred revenue		6 572	11 745
Changes in accounts payable		(67)	1 728
Changes in all other working capital items		1 316	6 863
Net cash provided from operating activities		***106 525***	***98 466***
Investing activities			
Investments in tangible and intangible assets	13, 23	(397)	(1 280)
Payments for acqusitions	6	(71 734)	(69 101)
Acquisition transaction costs	6	(5 775)	(3 106)
Payments for software development costs	13	(21 737)	(11 579)
Foreign currency effect		178	-
Net cash used in investing activities		***(99 465)***	***(85 066)***
Financing activities			
Cash proceeds from capital increases	6, 24	551 287	500
Cash proceeds from loan facilities	17	-	60 000
Downpayment on loan facilities	17	(235 434)	(14 280)
Interest payments	17, 22, 23	(4 794)	(7 751)
Repayments of capital decreases	24	(208 973)	-
Repayments of lease liabilities	17, 23	(6 783)	(5 244)
Other financial items	21	(21 407)	-
Net cash provided by (used in) financing activities		***73 896***	***33 225***
Net increase (decrease) in cash and cash equivalents		**80 956**	**46 625**
Cash and cash equivalents at the beginning of year		79 902	39 971
Foreign currency effects on cash and cash equivalents		(4 581)	(6 694)
Cash and cash equivalents at end of year	***17***	***156 277***	***79 902***

Cash and cash equivalents include restricted funds. For further information see note 17.

Consolidated Statement of Changes in Equity

Amounts in NOK (thousands)	Share capital	Share premium	Other components of equity	Retained earnings	Total equity
Total equity 01.01.2020	***4 380***	***227 752***	***(3 934)***	***24 231***	***252 429***
Profit / (-) loss for the period	-	-	-	39 140	39 140
Other comprehensive income	-	-	15 787	-	15 787
Capital increase 22.01.2020	10	800	-		810
Capital increase 02.03.2020	7	494	-	-	500
Capital increase 30.12.2020	100	15 147	-	-	15 248
Total equity 31.12.2020	***4 497***	***244 193***	***11 853***	***63 371***	***323 914***
Total equity 01.01.2021	***4 497***	***244 193***	***11 853***	***63 371***	***323 914***
Profit / (-) loss for the period	-	-	-	36 696	36 696
Other comprehensive income	-	-	(17 843)	-	(17 843)
Capital decrease 21.06.2021	(3 109)	(205 864)	-	-	(208 973)
Capital increase 22.06.2021	284	489 219	-		489 503
Capital increase 05.07.2021	38	67 732	-	-	67 770
Capital increase 09.07.2021	5	10 613	-	-	10 618
Total equity 31.12.2021	***1 715***	***605 893***	***(5 990)***	***100 067***	***701 685***

Notes

Note 1 Reporting Entity

The reporting entity reflected in these financial statements is comprised of SmartCraft ASA and the consolidated subsidiaries that make up the SmartCraft Group. The parent company SmartCraft ASA is a Norwegian entity and headquarters is located at Borgundfjordvegen 80, 6017 Ålesund, Norway. The Group operates with offices in Norway, Sweden and Finland.

SmartCraft ASA is a software company with a portfolio of related software brands. Currently, Bygglet, Cordel, Congrid, EL-VIS, HomeRun and Kvalitetskontroll are all brands in the Group's portfolio. The Group operates in the Nordic region and provides SaaS and subscription software solutions for construction- and craftsmen companies, with market leading positions in the Nordics.

Note 2 Basis of Preparation

The consolidated financial statements of SmartCraft ASA and its subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and Norwegian authorities and effective as of December 31st 2021. These financial statements also provide disclosures as specified under the Norwegian Accounting Act (Regnskapsloven).

The financial statements are prepared on a historical cost basis, except for certain assets, liabilities and financial instruments, which are measured at fair value. Preparation of financial statements including note disclosures requires management to make estimates and assumptions that affect amounts reported. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities. Actual results may differ from these estimates. Slight rounding differences may occur between the financial statements and the note disclosures.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, or if the revision affects both current and future periods.

Judgments made by management in the application of IFRS which have a significant effect on the consolidated financial statements and estimates, with a significant risk of material adjustment in the next year, are discussed in note 4.

Note 3 Significant Accounting Policies

This following description of accounting principles applies to the SmartCraft Group's 2021 financial reporting, including all comparative figures. The relevant accounting policies for selected financial statement line items are described in detail in the specific notes in this set of financial statements. Changes in accounting policies and new pronouncements are discussed at the end of this section.

3.1 Basis of consolidation

The consolidated financial statements include SmartCraft ASA and subsidiaries, in which SmartCraft ASA has the power to govern the financial and operating policies of the entity (control). Control is normally achieved through ownership, directly or indirectly, of more than 50% of the voting power. SmartCraft ASA has 100% of the voting power in all their subsidiaries.

Subsidiaries are included from the date control commences until the date control ceases. There were five acquisitions completed during 2019-2021. EL-Info Group where control was commenced as of April 1st 2019, Congrid Oy as of December 1st 2020, Homerunbynet Oy as of May 1st 2021, SmartCraft Norway AS as of June 1st 2021 and Kvalitetskontroll AS as of July 1st 2021.

Intercompany transactions and intercompany balances, including internal profits and unrealized gains and losses, are eliminated.

Business combinations

The acquiree's identifiable assets, liabilities and contingent liabilities are recognized separately at the acquisition date at their fair value irrespective of any non-controlling interest, and goodwill recognized to the extent the consideration exceeds identified net assets.

Goodwill

Goodwill is recognized as a part of business combinations. Goodwill is initially measured either as the excess of the consideration over the SmartCraft Group's interest or the fair value of 100% of the acquiree in excess of the acquiree's identifiable net assets (full goodwill). Goodwill is not amortized, but is tested for impairment annually, and more frequently if indicators of possible impairment are observed, in accordance with IAS 36 Impairment of Assets. Goodwill is allocated to the cash generating units or groups of cash generating units expected to benefit from the synergies of the combination and that are monitored for internal management purposes.

Foreign currency translation

The Group presents its financial statements in the Norwegian krone (NOK). This is also the parent company's functional currency. Each subsidiary has local currency of their market as the functional currency. For consolidation purposes, the balance sheet figures for subsidiaries with a different functional currency have been translated at the rate applicable at the balance sheet date. The income statement has been translated at the average rate for the reported period. Exchange rate differences are recognized in equity. Changes in exchange rate are recognized in the statement of comprehensive income as they occur during the period. When investments in foreign subsidiaries are sold the accumulated exchange rate differences relating to the subsidiary are recognized in the income statement.

3.2 Intangible assets

Intangible assets acquired individually or as a group are recognized at fair value when acquired. Intangible assets acquired in a business combination are recognized at fair value separately from goodwill when they arise from contractual or legal rights or can be separated from the acquired entity and sold or transferred.

Internally generated intangible assets are recognized when the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Development costs are capitalized as intangible assets at cost in accordance with IAS 38 Intangible Assets when the recognition criteria are met. Research expenditures are expensed as incurred.

Intangible assets with indefinite useful life are tested for impairment yearly. For intangible assets with definite useful life, SmartCraft reviews the residual value and useful life of its assets, with any estimate changes accounted for prospectively over the remaining useful life of the asset.

Research & Development

Expenses relating to research activities are recognized as they occur. Expenses relating to development activities are capitalized to the extent that the product or process is technically and commercially viable and the Group has sufficient resources to complete the development work. Expenses that are capitalized include the costs of materials, direct wage costs and a share of the directly attributable common expenses. Capitalized development costs are recognized at their cost minus accumulated amortization and impairment losses.

Cost of building new features and functionality together with significant and pervasive improvements of the core platform, provided that the significant and pervasive improvements of parts or main components of the core platform will generate probable future economic benefits, are capitalized as development costs and amortized on a straight-line basis over the estimated economic lifetime.

A significant portion of the work that developers perform is related to the implementation of the ongoing updates that are required to maintain the products functionalities. Examples of updates include “bug fixes”, updates made to comply with changes in laws and regulations and updates made to keep pace with the latest technology trends. These costs are expensed as maintenance costs.

Customer relationship

Customer relationships are recognized as a part of business combinations and measured initially as the net present value of the lifetime revenue from existing customers less cost to fulfill the contractual obligations. Customer relationships are depreciated on a straight-line basis over the expected lifetime the relationship.

Software

Software is recognized both as a part of business combinations and by internal development. Acquired software in a business combination is measured at fair value. The fair value measurement is if possible based on observable market date, if such date is not available, fair value is estimated as the expected cost to develop a similar software and internally develop software are capitalized in accordance with the measurement criteria in IAS 38, and amortized on a straight-line basis over the estimated economic lifetime.

Brand names

Brand names that contribute to future economic benefits are recognized separately from Goodwill as a part of business combinations. Brand names are measured using the royalty method, the management evaluates whether to have indefinite or definite useful lifetime and tested annually for impairment.

3.3 Tangible assets

Non-current assets are carried at cost less accumulated depreciation and impairment losses. When assets are sold or disposed of, the gain or loss is recognized in the income statement and the carrying amount is derecognized. The cost of tangible non-current assets is the purchase price including taxes/duties and costs directly linked to preparing the asset ready for its intended use. Repair and maintenance are charged to the income statement during the financial period in which they incurred.

The depreciation period and method are assessed each year to ensure that the method and period used harmonies with the financial reality of the non-current asset. Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over the estimated useful lives.

3.4 Inventory

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated sales price less the estimated transaction costs. Historical cost is calculated using first in first out principle and includes expenditures directly linked to getting the goods to their final location and condition. Foreseeable obsolescence is assessed continuously. The Group's inventories consist solely of goods purchased for resale.

3.5 Government grants

Government grants are recognized in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. Grants are recognized when there is a reasonable assurance that SmartCraft will comply with relevant conditions and that the grants will be received. Government grants are deferred in other non-current liabilities until the associated activity is performed or expenses recognized. Grants are deducted from the cost which the grant are meant to cover. Investment grants are capitalized and recognized as a deduction of the assets carrying amount and systematically depreciated over the asset's useful life.

3.6 Revenue from contracts with customers

At contract inception, SmartCraft identifies the promised licenses and services within the contract and determines which of those are separate performance obligations. SmartCraft performance obligations within the contracts are described below. The timing of the transfer is determined based on when the customer obtains control of the delivered licenses or services.

SmartCraft generates revenue from five main sources and subcategories in total.

SaaS (Software-as-a-Service)

Revenue from SaaS subscriptions (right to access) are recognized over time, as the customer simultaneously receives and consumes the benefits of the services.

Software subscriptions

Revenue from maintenance of on-premise software are recognized over the subscription period. Maintenance revenue are invoiced upfront with prepayment for a 12-month period.

Integrated services and bundled services

Revenue from the transactional use of integrated or bundled 3rd party services are recognized at a point in time, on the time of the services being rendered and invoiced subsequently at the end of the month.

Expert services

Revenue from the sale of support, consultancy, system set-up and other advisory services are recognized at a point in time, on the time of the services being rendered and invoiced subsequently at the end of the month. Expert services included in the SaaS and software subscriptions is not recognized as independent revenues.

Other

Revenue from sale of on-premise licenses (right to use) are recognized at the point in time when the customer gets access to the software.

Revenue from sale of hardware, books, manuals, etc are recognized at the point in time upon delivery.

3.7 Leasing

The Group applied IFRS 16 for the first time in 2020 using the modified retrospective approach.

Identifying a lease

At the inception of a contract, The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

For contracts that constitute, or contain a lease, the Group separates lease components if it benefits from the use of each underlying asset either on its own or together with other resources that are readily available, and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract. The Group then accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

Recognition of leases and exemptions

At the lease commencement date, the Group recognizes a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets (defined as less than NOK 50 000)

For these leases, the Group recognizes the lease payments as other operating expenses in the statement of profit or loss when they incur.

Lease liabilities

The lease liability is recognized at the commencement date of the lease. The Group measures the lease liability at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option either to extend or to terminate the lease when the Group is reasonably certain to exercise this option.

The lease payments included in the measurement compromise of:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- Amount 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.
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

The Group does not include variable lease payments dependent upon an index or a rate, in the lease liability. Instead, the

Group recognizes these variable lease expenses in the statement of profit or loss.

SmartCraft presents its lease liabilities as separate line items in the statement of financial position and has initially applied weighted average incremental borrowing rate in the range of 2.75% to 4.03% when recognizing the lease liability.

Right-of-use assets

The Group measures the right-of-use asset at cost, less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of the right-of-use asset comprise:

- The amount of the initial measurement of the lease liability recognized.
- Any lease payments made at or before the commencement date, less any incentives received.
- Any initial direct costs incurred by the Group. An estimate of the costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

SmartCraft applies the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset, except that the right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset.

The Group applies IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

3.8 Financial instruments

Financial assets

Financial assets represent a contractual right by the SmartCraft 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 SmartCraft has transferred the asset.

Financial liabilities

Financial liabilities represent a contractual obligation by the SmartCraft Group to deliver cash in the future and are classified as either current or non-current. Financial liabilities include the long-term loan, contingent liabilities, 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 SmartCraft is legally released from the primary responsibility for the liability.

Measurement of fair value

SmartCraft measures certain assets and liabilities at fair value for the purposes of recognition or disclosure. Non-recurring fair value measurement is used for transactions, such as business combinations, contingent consideration and other non-routine transactions. SmartCraft does not have any recurring fair value measurement as the Group does not have any derivative financial instruments, equity investments or other similar financial assets or liabilities that are measured at fair value.

3.9 Employee benefit expense

Payments to employees, such as wages, salaries, social security contributions, paid annual leave and bonus agreements are accrued in the period in which the associated services are rendered by the employee. All Group companies have defined contribution pension plans. The Group has no other obligations after payment of the pension premium has been made. The pension premiums are charged to expenses as they are incurred.

The company has established a pension scheme as required by Norwegian law for employees in the Norwegian entities.

3.10 Current and deferred income tax

The income tax expense consists of tax payable and changes to deferred tax. Deferred tax liability/tax assets are calculated on all taxable temporary differences, except for goodwill for which amortization is not deductible for tax purposes.

Deferred tax assets are recognized when it is probable that the company will have sufficient profit for tax purposes to utilize the tax asset. SmartCraft recognizes formerly unrecognized deferred tax assets to the extent that it has become probable that the Group can utilize the deferred tax asset. Similarly, the company reduces its deferred tax assets to the extent that it can no longer utilize these.

Deferred tax liabilities and deferred tax assets are measured based on the expected future tax rates applicable to the companies in the Group where temporary differences have arisen. Deferred tax liabilities and deferred tax assets are recognized at their nominal value and are classified as non-current liabilities or non-current assets in the balance sheet. The tax payable and deferred taxes are recognized directly in equity to the extent they relate to equity transactions.

3.11 Provisions

Provisions are recognized when, and only when, the Group has a valid liability (legal or estimated) because of events that have taken place and it can be proven probable (more probable than not) that a financial settlement will take place, as a result of a liability, and that the size of the amount can be measured reliably.

3.12 Changes in accounting policies and new pronouncements

There are no changes in accounting principles compared to previous years. The Group has applied all relevant IFRS standards that were in effect for 2021.

None of the issued, not yet effective, accounting standards or amendments to such standards are expected to have significant effects for the SmartCraft Group's financial reporting.

Note 4 Significant Estimates and Judgements

The application of accounting policies requires that management makes estimates and judgements in determining certain revenues, expenses, assets and liabilities. The following areas involve a significant degree of judgement and complexity, and may result in significant variation in amounts:

- Identification and initial measurement of intangible assets acquired in a business combination – see note 6
- Capitalization of internally generated intangible assets - see note 13
- Measurement of right of use assets and lease liabilities - see notes 3 and 23

Note 5 Financial Risk Disclosures

Credit risk

Credit risk for the Group consists of balances of accounts receivable in addition to cash deposits held at several banks that have a long history and credible reputations. Management believes customer risk is very low as customers generally need to pay upfront in order to receive services. As the Group has a very diverse customer base and limited customer acquisition cost as well as no material customer exposures, credit checks of new and existing customers are not deemed necessary. If existing customers are not paying for subscriptions the Group can block access to their systems. Exposure to default risk on individual customers is low as the Group has a large number of customers. However, most customers are related to the same industry and this exposes the Group to the industry specific risk. For additional information regarding loss and loss allowance, see note 15.

Liquidity risk

The Group needs to maintain enough liquidity in order to pay running operating costs. Non-current lease liabilities and non-current financial liabilities have a maturity of up to 7 years, and all other financial liabilities (current lease liabilities and accounts payable) are due within 12 months. The SmartCraft Group has ample cash to support operations and liabilities. The SmartCraft Group has no investments in equity securities and does not use financial derivatives. For information regarding future payments of liability, see note 27.

Capital management

Management believes that SmartCraft is in a growth phase with the intention of increasing market share and expand into new markets. Management will undertake M&A where it sees market growth opportunities. The Group intends to fund M&A and internal growth through current cash balances, equity, and external capital from bonds, banks and similar lenders. The Group prepares an annual detailed liquidity budget to ensure sufficient liquidity throughout the year. The Group policy is to keep its cash in a checking account. The banks where SmartCraft keeps excess liquidity are well established and reputable with a long history of holding deposits without defaults.

Interest risk

The Group has financial liabilities to lenders of TNOK 1 158 which bear an interest ranging between 3.20% and 4.96%. See notes 22 and 27 for more information. The Group has no hedging of interest risk.

Foreign exchange risk

As of December 31st 2021 SmartCraft ASA has financial liabilities of TEUR 318 and TSEK 28 218, and financial assets of TEUR 3 831 and TSEK 59 589. Net amount in foreign currency translates to a financial asset of TNOK 54 958, and the exposure of foreign currency risk is considered low.

Amounts in NOK (thousands)	**Amount 31.12.2021**	**Effect on EBT + 5%**	**Effect on EBT - 5%**
Foreign exchange risk sensitivity			
Financial assets in foreign currency	96 334	4 817	(4 817)
Financial liabilities in foreign currency	(30 673)	(1 534)	1 534
Total for SmartCraft ASA	***65 661***	***3 283***	***(3 283)***

The Group earns revenue in NOK, SEK and EUR. All operating entities have material costs and revenue in their functional currency. This works as a natural hedge on the currency exchange risk and as such the management considers the foreign exchange risk exposure for the Group to be low/moderate.

Amounts in NOK (thousands)	**Revenue 2021**	**Effect on revenue +/- 5%**	**EBITDA 2021**	**Effect on EBITDA +/- 5%**
Foreign exchange risk sensitivity				
SmartCraft Group consolidated	270 762	+/- 8 120	80 606	+/- 3 337

Note 6 Business Combinations

Significant judgment in accounting for business combinations

In a business combination, consideration, assets and liabilities are recognized at estimated fair value, and any excess purchase price included in goodwill. In the businesses SmartCraft operates, fair values of individual assets and liabilities are normally not readily observable in active markets. Estimation of fair values requires the use of valuation models for acquired assets and liabilities as well as ownership interests. Such valuations are subject to numerous assumptions and are thus uncertain. The quality of fair value estimates may impact periodic depreciation and amortization of fixed assets, and assessment of possible impairment of assets and/or goodwill in future periods. The specific significant judgements for SmartCraft during 2021 include the fair value of the shares issued as consideration in the acquisition of Congrid Oy, Homerunbynet Oy and Kvalitetskontroll AS and the identification and fair value of the acquired intangible assets. These are all discussed below in the specific relevant section.

Acquisition of Homerunbynet Oy

On May 1st 2021, Congrid Oy acquired 100% of the share capital and voting rights of Homerunbynet Oy. HomeRun is a digital tool for construction project communication, document and procurement management. HomeRun further complement the SmartCraft solutions by adding another segment of the construction industry to the SmartCraft portfolio. This acquisition was financed by cash transfer, issuing equity in SmartCraft ASA with no cash consideration to the sellers and a possible earn-out. The earn-out is calculated based on achieved revenue and EBITDA for FY2021 and FY2022. Management has assessed the likelihood of achieving the earn-out for each of the fiscal years separately. Total shares issued were 337 078 common shares.

Purchase consideration:	*Amounts in NOK (thousands)*
Cash paid	29 115
Ordinary shares issued	5 986
Contingent consideration (fair value at date of acquisition)	8 012
Total purchase consideration	***43 113***

The assets and liabilities recognized as a result of the acquisition are as follows:

Amounts in NOK (thousands)	Fair value as of acquisition date
Cash	1 904
Trade receivables	851
Office machinery and equipment	26
Other receivables	41
Brand	2 620
Technology	3 105
Customer relatonships	2 597
Total assets	***11 144***
Trade creditors	262
Public duties payable	639
Other short-term liabilities	3 906
Deferred tax liability	1 664
Total liabilities	***6 471***
Net identifiable assets	***4 673***
Goodwill	38 440
Total consideration for the shares	***43 113***

Net profit for Homerunbynet Oy is included in the consolidated financial statements from May 1st 2021. For the year 2021 Homerunbynet Oy's contribution to the SmartCraft Group amounted to TNOK 7 749 in revenues, an EBITDA of TNOK 1 933 and EBT of TNOK 1 584.

If Homerunbynet Oy had been included from January 1st, the SmartCraft Group had ended the year with TNOK 274 397 (+3 635) in revenues, an EBITDA of TNOK 80 567 (+255) and EBT of TNOK 48 703 (-164).

Significant judgement related to the identification of the acquired intangible assets and their valuation

HomeRun is the Nordic region's leading digital tool for project communication for construction companies and their customers. HomeRun is a cloud-based tool for project communication, including documentation and procurement management to over 100 customers

The management places a significant value on customer relationships and estimates its value based on existing customers' annual recurring revenue at the time of acquisition.

The HomeRun brand is well established in Finland and is registered for use in Europe. The brands value is based on existing Finnish customers and customer loyalty and the potential revenue growth for the brand.

Acquisition of Kvalitetskontroll AS

On July 1st 2021 SmartCraft Norway AS acquired 100% of the share capital and voting rights of Kvalitetskontroll AS. Kvalitetskontroll provides a quality assurance platform for construction companies. Kvalitetskontroll further complement the SmartCraft solutions by adding another segment of the construction industry to the SmartCraft portfolio. This acquisition was financed by cash transfer and issuing equity with no cash consideration to the sellers. Total shares issued were 505 618 common shares.

Purchase consideration:	*Amounts in NOK (thousands)*
Cash paid	52 362
Ordinary shares issued	10 618
Total purchase consideration	***62 980***

The assets and liabilities recognized as a result of the acquisition are as follows:

Amounts in NOK (thousands)	Fair value as of acquisition date
Cash	7 839
Trade receivables	1 441
Office machinery and equipment	1 737
Other receivables	391
Brand	5 788
Technology	19 220
Customer relatonships	7 620
Total assets	***44 038***
Trade creditors	740
Long-term liabilities	1 347
Public duties payable	2 099
Other short-term liabilities	15 101
Deferred tax liability	6 327
Total liabilities	***25 615***
Net identifiable assets	***18 423***
Goodwill	44 557
Total consideration for the shares	***62 980***

Net profit for Kvalitetskontroll AS is included in the consolidated financial statements from July 1st 2021. For the year 2021 Kvalitetskontroll AS's contribution to the SmartCraft Group amounted to TNOK 15 017 in revenues, an EBITDA of TNOK 2 774 and EBT of TNOK 2 397.

If Kvalitetskontroll AS had been included from January 1st, the SmartCraft Group had ended the year with TNOK 28 591 (+13 574) in revenues, an EBITDA of TNOK 1 590 (-1 184) and EBT of TNOK 179 (-2 218).

Significant judgement related to the identification of the acquired intangible assets and their valuation

Kvalitetskontroll has a software solution for complete quality management systems for the Norwegian construction industry with over 18 200 users across 1 880 customers. The solution is a cloud-based tool for quality management, including project management, deviation handlings, time registration and procedural functionality.

The management places a significant value on customer relationships and estimates its value based on existing customers' annual recurring revenue at the time of acquisition.

The Kvalitetskontroll brand is well established in Norway and is registered for use in Europe. The brands value is based on existing Norwegian customers and customer loyalty.

Acquisition of Congrid Oy

On December 1st 2020 the parent entity acquired 100% of the share capital and voting rights of Congrid Oy. Congrid provides a complete project management solution for construction companies. Congrid further complement the SmartCraft solutions by adding another segment of the construction industry to the SmartCraft portfolio. This acquisition was financed by loan used to pay the sellers in cash and issuing equity with no cash consideration to the sellers. Total shares issued were 30 065 common shares and 70 181 preference shares.

Purchase consideration:	*Amounts in NOK (thousands)*
Cash paid	76 447
Shares issued	15 311
Total purchase consideration	***91 758***

The assets and liabilities recognized as a result of the acquisition are as follows:

Amounts in NOK (thousands)	Fair value as of acquisition date
Cash	7 347
Trade receivables	3 664
Office machinery and equipment	51
Right-of-use assets	415
Other receivables	743
Brand	985
Technology	14 422
Customer relatonships	20 436
Total assets	***48 065***
Trade creditors	540
Lease liabilities	415
Public duties payable	2 141
Other short-term liabilities	5 166
Deferred tax liability	7 169
Total liabilities	***15 431***
Net identifiable assets	***32 633***
Goodwill	59 125
Total consideration for the shares	***91 758***

Net profit for Congrid Oy is included in the consolidated financial statements from December 1st 2020. For the year 2020 Congrid Oy's contribution to the SmartCraft Group amounted to TNOK 2 382 in revenues, an EBITDA of TNOK 332 and EBT of TNOK 133.

If Congrid Oy had been included from January 1st 2020, the SmartCraft Group had ended 2020 with TNOK 219 318 (+23 377) in revenues, an EBITDA of TNOK 80 096 (+3 433) and EBT of TNOK 53 344 (+906).

Significant judgement related to the identification of the acquired intangible assets and their valuation

Congrid has the preferred software solution for project management in the Finnish construction industry. The solution is a cloud-based tool for complete project management including quality and safety management, site documentation, and project analysis.

The management places a significant value on customer relationships and estimates its value based on existing customers' annual recurring revenue at the time of acquisition.

The Congrid brand is well established in Finland, but the Congrid trademark outside Finland belong to a German company. To successfully export Congrid's services to the EU, the company is therefore in need of rebranding its solution. The brands value is based on existing Finnish customers and customer loyalty, but its value is limited by the export potential of the brand.

Note 7 Financial assets and financial liabilities

Amounts in NOK (thousands)	**Category**	**31.12.2021**	**31.12.2020**
Financial assets			
Current financial assets	FAAC	-	-
Accounts Receivable	FAAC	24 583	16 454
Accrued revenue	FAAC	707	69
Cash and cash equivalents	FAAC	156 277	79 902
Total financial assets		***181 567***	***96 425***
Financial liabilities			
Non-current financial liabilities	FLAC	1 158	171 339
VAT and other public taxes	FLAC	33 126	24 049
Accrued operating cost	FLAC	20 425	9 410
Accounts payable	FLAC	6 501	5 567
Current financial liabilities	FLAC	-	64 877
Other non-interest bearing liabilities 1)	FLAC	8 018	-
Total financial liabilities		***61 210***	***275 242***

1) Includes estimated earn-out to sellers of Homerunbynet Oy.

FAAC - Financial Assets at Amortized Costs

FLAC - Financial Liabilities at Amortized Costs

Note 8 Revenue From Customers

Disaggregation of revenue from contracts with customers

Amounts in NOK (thousands)	**2021**	**2020**
Revenue from contracts with customers	270 762	195 941

At a point in time revenue recognition	**2021**	**2020**
Integrated services and bundled services	16 907	16 914
Expert services	9 086	7 253
Other revenue	12 173	6 524
Total at a point in time revenue recognition	***38 166***	***30 690***

Over time revenue recognition	**2021**	**2020**
SaaS (Software-as-a-Service)	190 773	105 232
Software subscriptions	41 823	60 018
Total over time revenue recognition	***232 596***	***165 250***

Disaggregation of recurring and non-recurring revenue

Amounts in NOK (thousands)	**Revenue recognition**	**2021**	**2020**
Fixed price subscriptions	Over time	232 596	165 613
Transaction priced subscriptions (add-on features)	Point in time	24 918	16 555
Total recurring revenue		**257 514**	**182 168**
Non-recurring revenue	Point in time	13 248	13 772
Total revenue		**270 762**	**195 940**

Geographical distribution of revenue

Amounts in NOK (thousands)	**2021**	**2020**
Norway	108 360	85 831
Sweden	126 772	107 728
Finland	35 630	2 382
Total revenues	***270 762***	***195 941***

Deferred revenue

Amounts in NOK (thousands)	**31.12.2021**	**31.12.2020**
Opening balance	41 627	29 882
Revenue recognized in this period that was included in the deferred revenue balance at the beginning of the period	(41 627)	(29 882)
Aquired through business combinations	2 363	-
Additions in the period	57 230	41 627
Deferred revenue in balance sheet	***59 593***	***41 627***

Note 9 Segment Information

The Group regularly reports detailed profit/loss statements with emphasis on operating revenue and EBITDA in functional operating segments to the Board of Directors. While the Group management uses both measures to analyze performance, the Group's strategy of profitable growth means that EBITDA is the prevailing measure of performance. Operating segments are reported in the consolidated financial statements by the emphasized measures as is presented to the Board of Directors.

The operating units that form a natural reporting segment are specialized contractors and general contractors.

- Specialized contractors includes the customers which provide specialized services within the construction industry, e.g. electricians, plumbers, etc.
- General contractors includes the customers in the construction industry providing services not defined as specialized services.

Revenue

Amounts in NOK (thousands)	**2021**	**2020**
Specialized construction	123 376	114 031
General construction	147 386	81 910
Total revenue	***270 762***	***195 941***

EBITDA

Amounts in NOK (thousands)	**2021**	**2020**
Specialized construction	64 749	54 516
General construction	50 704	30 035
Group	(35 141)	(7 888)
Total EBITDA	***80 312***	***76 663***

EBT

Amounts in NOK (thousands)	**2021**	**2020**
Specialized construction	60 891	54 516
General construction	43 843	30 035
Group	(55 867)	(32 113)
Total EBT	***48 867***	***52 438***

Assets

Amounts in NOK (thousands)	**2021**	**2020**
Specialized construction	65 417	47 566
General construction	118 415	67 955
Group	702 428	575 332
Total assets	***886 261***	***690 853***

Note 10 Payroll and Related Expenses

Amounts in NOK (thousands)	**2021**	**2020**
Salaries	94 077	67 363
Social security costs	21 004	14 731
Skattefunn (goverment tax relief)	(415)	(801)
Other personnel related costs	6 958	2 911
Pension expense defined contribution plans	5 099	3 707
Total payroll and related expences	**126 723**	**87 911**
Less capitalized personnell costs	21 737	13 352
Total payroll and related expenses recognized in the P&L	***104 986***	***74 559***
Average number of FTEs	161	115

Note 11 Management and Board of Directors Remuneration

Payments to Management and Board of Directors

			2021		
Amounts in NOK (thousands)	**Salary**	**Bonus**	**Pension benefit**	**Other remuneration**	**Total remuneration**
Gustav Line, CEO [1]	2 095	749	38	12	2 894
Kjartan Bø, CFO [2]	1 214	-	37	22	1 273
Christian Saleki, CTO [3]	632	-	147	8	787
Gunnar Haglund, Chairman of the Board [4]	-	-	-	300	
Carl Ivarsson, Board member [5]	-	-	-	-	-
Allan Engström, Board member [6]	-	-	-	-	-
Christina Skogster Stange, Board member [7]	-	-	-	131	131
Marianne Røren, Board member [8]	-	-	-	161	161
Maria Danell, Board member [9]	-	-	-	131	131
Bernt Ulstein, Board member [10]				139	
Gaute Engbakk, Chairman of the Board (resigned) [11]	-	-	-	196	196
Arild Hugleik Bødal, Board member (resigned) [12]	-	-	-	131	131
Bjørn Kristian Bentzen, Board member (resigned) [13]	-	-	-	-	-
Total	**3 941**	**749**	**222**	**1 232**	**5 706**

1. *If the company terminates the employment, Mr. Line is entitled to 6 months' salary after a 6-month termination period.*
2. *If the company terminates the employment, Mr. Bø is entitled to 3 months' salary after a 3-month termination period.*
3. *Mr. Saleki was hired as CTO for the Group from June 1st 2021.*
4. *Mr. Haglund was elected as Chairman of the Board from April 21st 2021. He has served as Board member from 2017. Mr. Haglund also serves as Chairman of the Audit Committee and Remuneration Committee.*
5. *Mr. Ivarsson represents Valedo Partners III AB on the Board of Directors. Mr. Ivarsson receives salary from Valedo and has waived his right to remuneration as a member of the Board. Mr. Ivarsson also serves as a member of the Audit Committee.*
6. *Mr. Engström represents Valedo Partners III AB on the Board of Directors. Mr. Engström receives salary from Valedo and has waived his right to remuneration as a member of the Board. Mr. Engström also serves as a member of the Remuneration Committee.*
7. *Ms. Stange was elected as Board member from April 21st 2021.*
8. *Ms. Røren was elected as Board member from April 21st 2021. Ms. Røren also serves as a member of the Audit Committee.*
9. *Ms. Danell was elected as Board member from April 21st 2021.*
10. *Mr. Ulstein was employed in a Group company until 3Q19 and has continued as a part time consultant. Mr. Ulstein also serves as a member of the Remuneration committee.*
11. *Mr. Engbakk resigned as the Chairman of the Board on April 21st 2021*
12. *Mr. Bødal resigned from the Board of Directors on April 21st 2021.*
13. *Mr. Bentzen is employed in a Group company and resigned from the Board of Directors on April 21st 2021.*

Amounts in NOK (thousands)	Salary	Bonus	2020 Pension benefit	Other remuneration	Total remuneration
Gustav Line, CEO [1]	1 769	652	36	4	2 462
Kjartan Bø, CFO	848	100	27	4	979
Gaute Engbakk, Chairman of the Board	-	-	-	150	150
Arild Hugleik Bødal, Board member	-	-	-	100	100
Gunnar Haglund, Board member	-	-	-	100	100
Carl Ivarsson, Board member [2]	-	-	-	-	-
Allan Engström, Board member [3]	-	-	-	-	-
Bernt Ulstein, Board member [4]	-	-	-	-	-
Bjørn Kristian Bentzen, Board member [5]	-	-	-	-	-
Total	**2 617**	**752**	**63**	**358**	**3 791**

1. *If the company terminates the employment, Mr. Line is entitled to 6 months' salary after a 6-month termination period.*
2. *Mr. Ivarsson represents Valedo Partners III AB on the Board of Directors. Mr. Ivarsson receives his salary from Valedo and has waived his right to remuneration as a member of the Board.*
3. *Mr. Engström represents Valedo Partners III AB on the Board of Directors. Mr. Engström receives his salary from Valedo and has waived his right to remuneration as a member of the Board.*
4. *Mr. Ulstein was employed in a Group company until Q3'19 and has continued as a part time consultant. Mr. Ulstein is not remunerated as a member of the Board.*
5. *Mr. Bentzen is employed in a Group company.*

The Group Management consists of the Chief Executive Officer, Chief Financial Officer and Chief Technical Officer.

The Group has not given any loans or security deposits to the CEO, the Chairman of the Board or their related parties for either 2020 or 2021.

A bonus program exists for the CEO of SmartCraft. A limit is set for the amount of bonus that can be achieved. The size of the bonus payment is dependent on actual Group performance compared to a set of predefined targets. The bonus program for the CEO is decided on by the Board of Directors.

The Group has issued a separate report for remuneration of Group Management in accordance with The Public Limited Liability Companies Act § 6-16b. The report is available at the Groups website smartcraftready.com/investor-relations/.

For shares owned by the management and Board of Directors see note 24.

Note 12 Goodwill And Impairment Testing Of Goodwill

Goodwill is recognized as a part of business combinations. Goodwill is initially measured either as the excess of the consideration over the SmartCraft Group's interest or the fair value of 100% of the acquiree in excess of the acquiree's identifiable net assets (full goodwill). Goodwill is not amortized, but is tested for impairment annually, and more frequently if indicators of possible impairment are observed, in accordance with IAS 36 Impairment of Assets. Goodwill is allocated to the cash generating units or groups of cash generating units expected to benefit from the synergies of the combination and that are monitored for internal management purposes.

The SmartCraft Group has goodwill in connection with the acquisitions of Cordel Norge AS in 2017, the Bygglet Group in 2018, the EL-Info Group in 2019, Congrid Oy in 2020, Homerunbynet Oy and Kvalitetskontroll AS in 2021.

Goodwill

Amounts in NOK (thousands)	**2021**	**2020**
Acquisition cost 01.01	421 900	347 786
Additions	82 997	59 125
Currency translation	(13 675)	14 989
Acquisition cost 31.12	***491 223***	***421 900***
Impairment 01.01	-	-
Impairment	-	-
Accumulated impairment 31.12	-	-
Net value 31.12	***491 223***	***421 900***

The goodwill is related to know-how and other non-identified assets from the acquisitions of shares in the acquired companies. Impairment testing of the goodwill is carried out at the end of the year for the respective cash generating units to which the goodwill relates to. Recoverable amount, which is determined based on the higher of the value in use or fair value, is derived from an assessment of the expected future cash flows before tax, discounted at an appropriate discount rate before tax that takes into account the maturity and risk. Recoverable amount will therefore demonstrate what the value of the asset is expected to contribute.

The estimated recoverable amount exceeds the carrying amount with a significant headroom for all Cash Generating Units (CGU). No impairment losses are recognized during 2021. In connection with the impairment testing of goodwill, sensitivity analysis has been carried out. The sensitivity analysis has tested changes in WACC, revenue growth rates, net working capital and EBITDA margins. There is significant headroom on all CGUs. Estimates relating to the impairment test are as follows:

Goodwill per CGU

Amounts in NOK (thousands)	**2021**	**2020**
Cordel Norge AS	197 647	197 647
The SmartCraft Sweden Group	154 957	165 929
The Congrid Group	94 048	58 324
The SmartCraft Norway Group	44 570	-
Total	***491 223***	***421 900***

The 5-year Compound Annual Growth Rate (CAGR) is the rate of return that is required for an investment to grow from its beginning balance to its ending balance five years later. The calculation assumes that profits are reinvested at the end of each period. When testing for impairment the Group has used a 5-year CAGR in the range between 12% and 26% to project the cash flows beyond the period covered by the most recent budgets. The discount rates applied to the cash flow projections range between 10% and 13%. When testing for impairment in 2020 the applied 5-year CAGR were between 11% and 20% and WACC ranging from 10% to 12%.

Budget and forecast period

The basis for the projection of the future cash flows estimated is based on the financial budget of one year. The budget in combination with the forecasts represent the management's best estimate of the range of economic conditions that will exist over the useful life of the asset. The remaining four years of the forecast period are estimated based on budget and projected performance. After the five-year period the growth rate is based on the risk-free rate in the applicable market.

Growth rate

Growth rate is represented by five-year CAGR, which is defined as the average annual gross profit growth rate over a five-year forecasting period. Average rates of growth in operating revenue are based on the management's expectations of future conditions in the markets in which the business operates, and historical growth rate for the CGUs.

EBITDA margin

EBITDA margins are based on the margins achieved historically, adjusted for expected future developments in market conditions.

WACC

Future cash flows are discounted to present value using a discount rate based on a calculation of a weighted average cost of capital (WACC). The pre-tax WACC for each CGU is calculated on basis of a risk-free rate and a risk premium, adjusted by a beta for the software market. Adjustments for country specific risks are applied where necessary.

Sensitivity

As of December 31st 2021, the Group's value in use for each CGU was significantly higher than the carrying amount of tested goodwill in all CGUs. A sensitivity analysis has been performed in order to determine if a reasonable change in key assumptions would cause the carrying amount to exceed the recoverable amount. Only a 10% reduction in EBITDA-margin would indicate impairment needs for the SmartCraft Norway Group.

Key assumptions for 2021		Estimated change in impairment			
Amounts in NOK (thousands)	**Change**	**Cordel Norge AS**	**The SmartCraft Sweden Group**	**The Congrid Group**	**The SmartCraft Norway Group**
Pre-tax discount rate	+/-1% point	-	-	-	-
Revenue growth rate	+/-5% point	-	-	-	-
Net working capital	+/-10% point	-	-	-	-
EBITDA-margin	+/-10% point	-	-	-	(14 792)

Note 13 Intangible Assets

SmartCraft has capitalized expenses related to new research and development activities that are technically and commercially viable for the business according to IAS 38. Activates related to maintenance of existing software have not been capitalized but is recognized in the income statement.

Total additions in 2021 is TNOK 21 666. Depreciations and write downs came to TNOK 1 811 in 2021. TNOK 21 737 has been recognized as R&D in the income statement (TNOK 12 819 in 2020). The directly attributable R&D costs that are capitalized as a part of the products include the software development employee costs and an appropriate portion of the relevant overhead costs. The costs of product development cost not fulfilling the criteria of capitalization are expensed over the income statement. Amortization of capitalized development projects are included in other operating expenses in the table below.

Customer relationships

Customer relationships is related to the purchase of the Bygglet Group in 2018, the EL-Info Group in 2019, Congrid Oy in 2020, Homerunbynet Oy and Kvalitetskontroll AS in 2021. The customer relationships are depreciated on a straight-line basis over 10-20 years as the history indicates at least 10 to 20-year average lifetime of customers. The SmartCraft Group has a significant number of recurring subscriptions.

Software

Software is related to the purchase of the Bygglet Group in 2018, the EL-Info Group in 2019, Congrid Oy in 2020, Homerunbynet Oy and Kvalitetskontroll AS in 2021 where the Group acquired the Bygglet, EL-VIS, Congrid, HomeRun and Kvalitetskontroll software. Software is depreciated on a straight-line basis over 10 years as the management expects economic benefits from the software over such period of time before the software are replaced or substituted by continuous improvements.

Individual significant assets are:

- Cordel: The existing Cordel software has no allocated value as asset. The new Cordel SaaS solution is included as capitalized development but is not finalized and is not depreciated as of December 31st 2021.
- Bygglet: Bygglet is a true-SaaS born in the cloud solution with accessibility on multiple platforms, book value December 31st 2021 is TNOK 13 643 and remaining useful life of 7 years.
- EL-VIS: The EL-VIS software is a modular solution offering mission critical services in the electricians' daily operations, book value December 31st 2021 is TNOK 10 221 and remaining useful life of 7 years.
- Congrid: The Congrid solution is a cloud-based tool for complete project management in construction companies, book value December 31st 2021 is TNOK 12 102 and remaining useful life of 9 years.

- HomeRun: The HomeRun solution is a digital tool for construction project communication, document and procurement management, book value December 31st 2021 is TNOK 2 898 and remaining useful life of 9 years.
- Kvalitetskontroll: The Kvalitetskontroll solution is a cloud-based project management solution and quality assurance platform for construction companies, book value December 31st 2021 is TNOK 18 259 and remaining useful life of 9 years.

Further information can be found in note 6 for acquired intangible assets.

Amounts in NOK (thousands)	**Capitalized R&D**	**Customer relationships**	**Software**	**Brand**	**Total**
Balance SmartCraft 01.01.2021	23 713	84 343	50 203	6 056	164 315
Additions	21 559	10 217	22 326	8 408	62 510
Capitalized employee benefit expense	-	-	-	-	-
Disposals	-	-	-	-	-
Foreign currency translation effect	(380)	(4 544)	(2 576)	(381)	(7 881)
Acquired cost 31.12.2021	***44 892***	***90 016***	***69 952***	***14 083***	***218 943***
Balance SmartCraft 01.01.2021	1 140	9 512	6 686	-	17 337
Amortization of the year	1 811	6 011	5 942	464	14 228
Accumulated amortization disposals	-	-	-	-	-
Accumulated amortization 31.12.2021	***2 951***	***15 523***	***12 628***	***464***	***31 565***
Carrying value 31.12.2021	***41 941***	***74 493***	***57 324***	***13 620***	***187 378***
Estimated lifetime	5-10 years	10-20 years	10 years	2 years/indefinite	
Amortization schedule	Straight line	Straight line	Straight line	Straight line	

Amounts in NOK (thousands)	Capitalized R&D	Customer relationships	Software	Brand	Total
Balance SmartCraft 01.01.2020	11 872	58 487	32 860	4 600	107 818
Additions	11 579	20 160	14 227	972	46 938
Capitalized employee benefit expense	-	-	-	-	-
Disposals	-	-	-	-	-
Foreign currency translation effect	262	5 697	3 116	484	9 559
Acquired cost 31.12.2020	***23 713***	***84 343***	***50 203***	***6 056***	***164 315***
Balance SmartCraft 01.01.2020	150	4 318	2 913	-	7 381
Amortization of the year	990	5 194	3 773	-	9 957
Accumulated amortization disposals	-	-	-	-	-
Accumulated amortization 31.12.2020	***1 140***	***9 512***	***6 686***	***-***	***17 337***
Carrying value 31.12.2020	***22 573***	***74 831***	***43 517***	***6 056***	***146 977***
Estimated lifetime	5-10 years	10-20 years	10 years	2 years/indefinite	
Amortization schedule	Straight line	Straight line	Straight line	Straight line	

Spesification of expensed research and development costs

Amounts in NOK (thousands)	2021	2020
Wages and personell costs	24 662	10 014
Consultancy	3 488	2 805
Total expenses	***28 150***	***12 819***

Note 14 Government Grants

Amounts in NOK (thousands)	2021	2020
Government grant booked as reduction in payroll expences	415	801
Government grant booked as reduction of the carrying value of the asset	-	1 839
Total government grants	***415***	***2 640***

The 2021 government grant has been received by the company during 2021.

Note 15 Accounts Receivable

Amounts in NOK (thousands)	31.12.2021	31.12.2020
Accounts receivable	25 325	16 888
Loss allowance	742	433
Total	***24 583***	***16 454***

Accounts receivables are initially recognized at transaction price, subsequently accounted for at amortized cost and are reviewed for impairment on an ongoing basis. Individual significant accounts are assessed for impairment taking into consideration indicators of financial difficulty and management assessment. The remaining receivables are impaired based on an Estimated Credit Loss-model (ECL). The SmartCraft Group's business model for accounts receivable is to hold the receivables to collect the contractual cash flows.

Distribution by currency

Amounts in NOK (thousands)	31.12.2021	31.12.2020
Accounts receivable NOK	3 969	1 470
Accounts receivable SEK	16 857	12 415
Accounts receivable EUR	4 499	3 003
Total	***25 325***	***16 888***

Aging of gross trade receivables

Amounts in NOK (thousands)	Total	Not overdue	< 30 days	30-60 days	60-90 days	>90 days
31.12.2021	25 325	19 767	3 286	1 043	473	756
Loss allowance	742	68	254	89	97	235
Book value 31.12.2021	***24 583***	***19 700***	***3 032***	***954***	***376***	***521***
31.12.2020	16 888	14 867	1 783	96	29	113
Loss allowance	433	7	321	3	1	100
Book value 31.12.2020	***16 454***	***14 860***	***1 462***	***92***	***27***	***13***
01.01.2020	14 463	11 033	1 866	555	275	735
Loss allowance	550	29	8	161	1	350
Book value 01.01.2020	***13 914***	***11 004***	***1 857***	***394***	***274***	***385***

Loss and loss allowances

The Group has minor losses historically, which also is expected going forward. The Group tests for loss allowance by reviewing historical losses against each interval of aging receivables. As of December 31st 2021, the Group has estimated TNOK 339 in loss allowance based on the ECL-model. In addition, the Group has other loss allowances of TNOK 403.

Amounts in NOK (thousands)	**31.12.2021**	**31.12.2020**
Opening balance 01.01.	433	350
Foreign currency translation effect	(7)	5
Acquired in business combinations	150	78
Net allowance / (reversal)	166	-
Closing balance 31.12.	***742***	***433***
Realised losses	***241***	***413***

Note 16 Other Current Assets

Other current assets

Amounts in NOK (thousands)	**31.12.2021**	**31.12.2020**
Prepaid expenses	3 574	2 714
Other accruals	1 413	1 317
Total Other current asset	***4 987***	***4 032***

Other current accruals consist primarily of VAT receivables.

Note 17 Cash And Cash Equivalents

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following on 31 December:

Amounts in NOK (thousands)	**31.12.2021**	**31.12.2020**
Cash at banks and on hand	153 841	77 868
Restricted cash balances	2 435	2 034
Total cash and cash equivalents	***156 277***	***79 902***

The Group has a Cash Pool with a facility of TNOK 13 000 that have not been utilized. The facility is not included in the total cash and cash equivalents.

Distribution of cash by currency

Amounts in NOK (thousands)	**31.12.2021**	**31.12.2020**
Cash Balances NOK	69 947	8 005
Cash Balances SEK	75 884	62 419
Cash Balances EUR	10 446	9 478
Total	***156 277***	***79 902***

Changes in liabilities arising from financing activities

Lease liabilities

Amounts in NOK (thousands)	**31.12.2021**	**31.12.2020**
Balance at the beginning of the period	16 775	16 266
Cash changes		
Principal payment to lessor	(6 783)	(5 244)
Interest payment to lessor	556	607
Non-cash changes		
Initial recognition	6 897	4 603
Accrued interest	549	-
Lease modifications	26	29
Foreign currency translation effect	(599)	1 121
Balance at the end of the period	***16 865***	***16 775***

Financial liabilities

Amounts in NOK (thousands)	**31.12.2021**	**31.12.2020**
Balance at the beginning of the period	236 216	180 871
Cash changes		
Cash proceeds received from lender	-	60 000
Principal payment to lender	(235 434)	(14 280)
Interest payment to lender	(791)	(7 144)
Non-cash changes		
Acquisition Congrid Oy	-	2 944
Acquisition Kvalitetskontroll	1 302	-
Delta accrued interest	-	2 076
Lease modifications	-	208
Foreign currency translation effect	(135)	4 396
Balance at the end of the period	***1 158***	***236 216***

Note 18 Accounts Payable

Amounts in NOK (thousands)	**31.12.2021**	**31.12.2020**
Accounts payable	6 501	5 567
Other	-	-
Total	***6 501***	***5 567***

All accounts payable to suppliers are due within 12 months.

Note 19 Other Current Liabilities

Amounts in NOK (thousands)	**31.12.2021**	**31.12.2020**
Payroll related liabilities	23 458	18 573
VAT	9 625	6 833
Accrued operating expenses	4 638	573
Earn-out for Homerunbynet Oy	8 018	-
Pre-payments from customers	2 690	2 318
Accrued payroll and bonuses	2 033	834
Other	1 145	577
Total other current liabilities	***51 607***	***29 708***

Note 20 Taxes

Calculation of deferred tax/deferred tax benefit

Amounts in NOK (thousands)	**2021**	**2020**
Differences evaluated to be offset:		
Intangible assets arising from business combinations	145 236	133 714
Property, plant and equipment	(620)	(586)
Non-current receivables	6 310	573
Other differences	1 262	(241)
Total	***152 189***	***133 459***
Deferred tax assets (-)	**-**	**-**
Deferred tax (+)	**34 637**	**28 993**
Deferred tax (-) / tax assets (+) in balance sheet of 31.12.		
Tax assets (-)/ deferred tax (+) Norwegian companies	8 455	349
Tax assets (-)/ deferred tax (+) foreign companies	26 182	28 644
Total tax assets (-) / deferred tax (+)	***34 637***	***28 993***

Basis for income tax expense, changes in deferred tax and tax payable

Amounts in NOK (thousands)	2021	2020
Total tax expense for the period		
Taxes payable on this years profit	12 822	13 770
Adjusted allocated tax from last year	-	-
Change in deferred tax for Norwegian companies	1 776	397
Change in deferred tax for foreign companies	(2 427)	(870)
Total	***12 171***	***13,297***
Tax rate	22 %	22 %
Taxes payable for the year		
Profit before tax	48 867	52 438
Permanent differences	22 082	12 062
Change in temporary differences	1 534	589
Utilisation of previously unrecognised tax losses	(10 608)	-
Basis for taxes payable	***61 876***	***65 088***
Specification of taxes payable		
Taxes payable on this years profit	12 628	13 770
Advance tax payment, foreign companies	427	(3 735)
Tax reduction by SkatteFunn grant	-	(2 640)
Tax obligation related to merger or acquisition	16	658
Carried forward tax compensation	1 146	-
Total taxes payable	***14 216***	***8 053***
Reconciling the tax cost		
Earnings before tax	48 867	52 438
Calculated tax at 22 %	10 751	11 536
Tax result permanent differences and tax rate difference	1 420	1 761
Tax expense	***12 171***	***13 297***

Deferred tax assets are recognized when the Group can document future taxable profits to utilize the tax asset per company. The deferred tax asset is recognized for the amount corresponding to the expected taxable profit based on the convincing evidence. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that convincing evidence no longer exists for the utilization. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that convincing evidence exists supporting that taxable profits will allow the deferred tax asset to be recovered. The actual outcome of future tax costs may deviate from these estimates.

Note 21 Other Operating Expenses

Amounts in NOK (thousands)	**2021**	**2020**
Miscellaneous office expenses	2 169	1 515
Short term and low value leases*	2 488	1 308
Fixtures and fittings	3 496	1 911
External services	32 831	6 323
Travel	3 206	2 790
Marketing	7 179	6 202
Loss on receivables	489	413
Transaction costs on acquisitions	5 775	3 106
Other	4 965	1 627
Total	***62 598***	***25 197***

**SmartCraft leases office spaces in an office community in Sweden where both parties have mutual right to terminate or make changes on short term basis. These leases are exempt from recognition requirements in IFRS 16 and as such these lease payments are expensed as other operating cost.*

In connection with the IPO in June 2021 the Group expensed TNOK 21 737 in external services, additionally the Group booked TNOK 16 497 directly against equity.

Audit fees

The Group has the following audit related fees, provided by our elected auditor, included in the legal and audit fees in the table above (all figures excl. VAT). The table below shows the cash paid to auditors of the different entities in 2020 and 2021. Other audit related services in 2021 are mainly related to the IPO process during 2021.

Amounts in NOK (thousands)	**2021**	**2020**
Statutory audit	653	412
Other audit related services	2 409	110
Tax consultant services	-	176
Other non-assurance services	125	218
Total	***3 187***	***916***

Note 22 Financial Items

Amounts in NOK (thousands)	**2021**	**2020**
Interest income	783	361
Exchange rate gains	4 830	7 615
Other financial income	2	53
Financial income	***5 615***	***8 029***
Interest expense	5 753	9 397
Interest expense on lease liabilties	565	607
Exchange rate losses	7 154	4 894
Other financial expense	864	302
Financial expense	***14 334***	***15 201***
Net financial items	**(8 720)**	**(7 172)**

The Group had December 31st 2020 a loan facility with a hybrid interest rate. The hybrid interest rate was in the money as of December 31st 2020. The value of the hybrid interest rate in 2020 was TNOK -569. The loan facility was repaid during 2021.

Note 23 Tangible Assets

Tangible assets consisting of office equipment and vehicles are recognized at acquisition cost. The carrying value is comprised of the historical cost less accumulated depreciation and accumulated impairment losses (if any). Office buildings consist of leased assets (right-of-use assets). The Group has contracts divided into the categories office buildings, vehicles and machinery. Short-term and low-value leases are excluded from the lease accounting. When measuring leases, SmartCraft includes fixed lease payments for extension periods reasonably certain to be used. As a practical expedient, non-lease components are not separated from lease contracts, and not recognized but expensed in the period when the lease expense is incurred. Judgement is applied in assessing whether renewal options are reasonably certain to be utilized. See note 27 for the specification of the current and non-current lease liabilities.

Depreciation expenses are measured on a straight-line basis over the estimated useful life of the asset, commencing when the asset is ready for its intended use.

At each financial year-end SmartCraft reviews the residual value and useful life of its assets, with any estimate changes accounted for prospectively over the remaining useful life of the asset.

Amounts in NOK (thousands)	**Vehicles**	**Office equipment**	**Total**
Balance SmartCraft 01.01.2021	-	8 496	8 496
Additions	-	397	397
Acquisitions of a subidiary	1 424	442	1 866
Disposals	-	(137)	(137)
Foreign currency translation effect	-	(217)	(217)
Acquried cost 31.12.2021	***1 424***	***8 981***	***10 405***
Accumulated depreciation and impairment			
Balance SmartCraft 01.01.2021	-	4 143	4 143
Depreciation of the year	146	1 384	1 530
Impairment of the year	-	-	-
Accumulated depreciation disposals	-	-	-
Accumulated depreciation and impairments 31.12.2021	***146***	***5 527***	***5 673***
Carrying value 31.12.2021	***1 278***	***3 454***	***4 732***

Amounts in NOK (thousands)	**Vehicles**	**Office equipment**	**Total**
Balance SmartCraft 01.01.2020	-	6 865	6 865
Additions	-	1 280	1 280
Acquisitions of a subidiary	-	-	-
Disposals	-	-	-
Foreign currency translation effect	-	351	351
Acquried cost 31.12.2020	***-***	***8 496***	***8 496***
Accumulated depreciation and impairment			
Balance SmartCraft 01.01.2020	-	2 418	2 418
Depreciation of the year	-	1 725	1 725
Impairment of the year	-	-	-
Accumulated depreciation disposals	-	-	-
Accumulated depreciation and impairments 31.12.2020	***-***	***4 143***	***4 143***
Carrying value 31.12.2020	***-***	***4 353***	***4 353***

Amounts in NOK (thousands)	Office buildings (Right-of-use assets)	Vehicles (Right-of-use assets)	Machinery (Right-of-use assets)	Total
Balance SmartCraft 01.01.2021	23 653	2 456	645	26 754
Additions	-	1 913	-	1 913
Acquisitions of a subidiary	5 194	-	-	5 194
Disposals	-	-	-	-
Foreign currency translation effect	(583)	(84)	-	(667)
Acquried cost 31.12.2021	***28 264***	***4 286***	***645***	***33 195***
Accumulated depreciation and impairment				
Balance SmartCraft 01.01.2021	8 262	1 059	322	9 643
Depreciation of the year	5 366	962	215	6 543
Impairment of the year	-	-	-	-
Accumulated depreciation disposals	-	-	-	-
Accumulated depreciation and impairments 31.12.2021	***13 628***	***2 021***	***537***	***16 186***
Carrying value 31.12.2021	***14 636***	***2 265***	***108***	***17 009***

Amounts in NOK (thousands)	Office buildings (Right-of-use assets)	Vehicles (Right-of-use assets)	Machinery (Right-of-use assets)	Total
Balance SmartCraft 01.01.2020	18 608	1 377	645	20 630
Additions	4 037	1 004	-	5 042
Acquisitions of a subidiary	-	-	-	-
Disposals	-	-	-	-
Foreign currency translation effect	1 008	75	-	1 082
Acquried cost 31.12.2020	***23 653***	***2 456***	***645***	***26 754***
Accumulated depreciation and impairment				
Balance SmartCraft 01.01.2020	3 570	364	108	4 042
Depreciation of the year	4 692	695	215	5 602
Impairment of the year	-	-	-	-
Accumulated depreciation disposals	-	-	-	-
Accumulated depreciation and impairments 31.12.2020	***8 262***	***1 059***	***322***	***9 643***
Carrying value 31.12.2020	***15 391***	***1 397***	***323***	***17 111***

Interest expense relating to lease recognized in the income statement for 2021 was TNOK 565 and NOK 607 in 2020. Total cash outflows for leases in 2021 was TNOK 6 854 and NOK 5 851 in 2020.

The SmartCraft Group has a few leases that are not accounted for as right-of-use assets and lease liabilities at the balance sheet date because they are exempted as low-value or short-term leases. The amount of the future minimum lease payments due under these leases is considered to not be material. For 2021 the total expenses related to contracts with exception for short-term leases or low-value assets were TNOK 1 174. Next years obligations related to contracts with exception from IFRS 16 is TNOK 534.

The Group has not included any extension options in recognizing right-of-use assets and lease liabilities, based on the high level of uncertainty regarding future needs.

Note 24 Subsidiaries And Shareholders

The consolidated Group financial statements include the financial statements of SmartCraft ASA and the subsidiaries listed in the following table:

	Ownership	Voting rights	Acquired	Location	Functional currency
Cordel Norge AS	100 %	100 %	2017	Ålesund, Norway	NOK
SmartCraft Norway AS	100 %	100 %	2021	Hønefoss, Norway	NOK
Kvalitetskontroll AS (indirect)	100 %	100 %	2021	Rong, Norway	NOK
SmartCraft Sweden AB	100 %	100 %	2018	Gothenburg, Sweden	SEK
Bygglet AB (indirect)	100 %	100 %	2018	Gothenburg, Sweden	SEK
El-Info i Växjö AB (indirect)	100 %	100 %	2019	Växjö, Sweden	SEK
Congrid Oy	100 %	100 %	2020	Helsinki, Finland	EUR
Homerunbynet Oy (indirect)	100 %	100 %	2021	Helsinki, Finland	EUR

All subsidiaries follow the same financial calendar as the Group with yearend on December 31st.

As of December 31st 2021, SmartCraft ASA had a share capital of NOK 1 715 223 distributed in 171 522 305 common shares, each with a nominal value of NOK 0.01. Each share grants 1 voting right.

It was performed a split of shares with a ratio of 1:100 May 25th 2021. All preference shares were redeemed June 21st 2021. There have subsequently been performed three capital increases during 2021. First related to the listing on Oslo Stock Exchange, June 22nd 2021 and the Greenshoe option July 5th 2021 and the acquisition of Kvalitetskontroll AS, July 9th 2021.

SmartCraft ASA shareholders as of December 31st 2021

Shareholders	Number of common shares	Percent of shareholding
Valedo Partners III AB	67 903 692	39.6 %
State Street Bank and Trust Comp	27 367 766	16.0 %
B. Ulstein AS	10 736 010	6.3 %
Skandinaviska Enskilda Banken AB	5 956 017	3.5 %
J.P. Morgan Bank Luxembourg S.A.	5 851 193	3.4 %
The Northern Trust Comp, London Br	5 193 229	3.0 %
Brown Brothers Harriman & Co.	4 022 429	2.3 %
Swedbank AB	3 925 509	2.3 %
Nordea Bank Abp	3 452 911	2.0 %
Svenska Handselsbanken AB	3 260 888	1.9 %
BNP Paribas Securities Services	3 175 105	1.9 %
HSBC Bank Plc	2 920 306	1.7 %
JPMorgan Chase Bank, N.A., London	2 554 459	1.5 %
Clearstream Banking S.A.	2 011 788	1.2 %
Nordnet Bank AB	1 817 147	1.1 %
Gunnar Haglund, Chairman of the Board via Skarvhaugen Förvaltning	1 004 800	0.6 %
Marianne Bergmann Røren, Board member	5 617	0.0 %
Maria Danell, Board member	5 617	0.0 %
Christine Skogster Stange, Board member	589	0.0 %
Gustav Line, CEO (via Line Invest AS)	2 078 025	1.2 %
Kjartan Bø, CFO (via KBI AS)	298 000	0.2 %
Christian Saleki, CTO	18 149	0.0 %
Other (< 1%)	17 963 059	10.5 %
Total	***171 522 305***	***100.0 %***

SmartCraft ASA shareholders as of December 31st 2020

Shareholders	Number of common shares	Number of preference shares	Total number of shares	Percent of shareholding
Valedo Partners III AB	910 779	2 125 154	3 035 933	67.5 %
Bernt Ulstein, Board member (via B. Ulstein AS)	144 000	336 000	480 000	10.7 %
Armada Mezzanine Fund IV Ky	25 968	60 592	86 560	1.9 %
Hanna Konyi	25 409	57 713	83 122	1.8 %
Mats Eriksson Småland AB	23 975	55 941	79 916	1.8 %
Tjenssen AS	21 596	50 390	71 986	1.6 %
Gustav Line, CEO (via Line Invest AS)	27 707	33 054	60 761	1.4 %
Bjørn Kristian Bentzen, Board member (via Spijker AS)	9 152	17 354	26 506	0.6 %
Arild Bødal, Board member (via AHB Invest AS)	8 248	15 244	23 492	0.5 %
Gunnar Haglund, Board member (via Skarvhagen Förvaltning AB)	10 048	13 444	23 492	0.5 %
Gaute Engbakk, Chairman of the Board (via Antares Group AS)	6 250	7 916	14 166	0.3 %
Kjartan Bø, CFO (via KBI AS)	2 730	5 329	8 059	0.2 %
Other (< 1%)	171 962	330 768	502 730	11.2 %
Total	1 387 824	3 108 899	4 496 723	100.0 %

Note 25 Earning Per Share

Amounts in NOK (thousands)	2021	2020
Profit for the year due to holders of shares	35 793	39 140
Profit allocated to redeemed preferance shares	7 282	15 189
Profit for the year allocated to common shares	28 510	23 951
Average numbers of common shares	155 857 151	135 722 423
Earning per share and diluted earnings per share	***NOK 0.18***	***NOK 0.18***

Increase in average number of common shares is due to split of shares 1:100 and capital increases performed during 2021. The split of shares have had an retroactive effect on the calculation of the average number of common shares.

2020	Number of shares	Ytd average	Number of days
01.01.2020	1 351 623	81 245	22
22.01.2020	1 355 489	148 141	40
02.03.2020	1 357 759	1 124 046	303
30.12.2020	1 387 824	3 792	1
Shares outstanding 31.12	***1 387 824***	***1 357 224***	***366***

2021	Number of shares	Ytd average	Number of days
01.01.2021	138 782 400	65 779 055	173
23.06.2021	167 209 366	5 497 294	12
05.07.2021	171 016 687	1 874 155	4
09.07.2021	171 522 305	82 706 646	176
Shares outstanding 31.12	***171 522 305***	***155 857 151***	***365***

SmartCraft ASA had preference shares that were redeemed June 21st 2021. Preference shares had a maximum yearly return of NOK 5 per share. With the split of shares from January 1st 2021 the profit for the redeemed shares for 2021 is estimated to TNOK 7 282. Estimated profit for preference shares in 2020 is estimated to TNOK 15 189.

As of December 31st 2021, the SmartCraft Group has no share options, share incentive schemes or employee share purchase programs.

Note 26 Related Parties

The sales to and purchases from related parties are made at arm's length prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

The following are the significant related party activities for the SmartCraft Group during 2020 and 2021. All transactions are at arm's length market prices.

- B. Ulstein AS is wholly-owned by Bernt Ulstein and his family. B. Ulstein AS the third largest shareholder in SmartCraft ASA. Bernt Ulstein was a full-time employee in a Group company till August 31st 2019. From September 1st 2019 Bernt Ulstein, through B. Ulstein AS, has an hourly based consultancy contract with a Group company. Bernt Ulstein is also a member of the Board of Directors and remuneration committee, for which he receives remuneration. Bernt did not receive any remuneration during 2020.

Note 27 Current And Non-Current Financial Liabilities

Current financial liabilities

Amounts in NOK (thousands)	31.12.2021	31.12.2020
Current portion of loan facilities	-	64 087
Accrued interest	-	790
Other	6 952	6 047
Total current financial liabilities at 31.12	***6 951***	***70 923***

Non-current financial liabilities

Amounts in NOK (thousands)	Lease liabilities	Financial liabilities	Total
1-2-years	6 030	257	6 287
2-3 years	2 105	257	2 361
3-4 years	919	134	1 053
4-5 years	681	121	802
More than 5 years	1 143	132	1 275
Total undiscounted financial liabilities at 31.12	***18 046***	***1 158***	***19 204***

Covenants

Financial liabilities at December 31st 2021 is external loans related to acquisition of vehicles in Kvalitetskontroll AS. The Group has no covenants regarding its financial liabilities.

Collateral

As security for the Group's financial liabilities, Kvalitetskontroll AS has provided the vehicles as collateral. Booked value for the vehicles was TNOK 1 278 as of December 31st 2021.

Note 28 Subsequent Events

The start of the war in Ukraine in February 2022 has had an impact on the global economy that could also affect the SmartCraft Group's revenue and operating costs going forward in 2022. Although uncertainty is high as of the date of publishing the Annual report, we see no significant impact on the Group. The sanctions introduced by the government has relatively limited effect on Group operations nor do we see any significant effects on our customers' customers.

There have been no significant subsequent events that could affect the Group financial statements as of 31st December 2021.

Alternative Performance Measures (APMs)

The following terms are used by the Group in definitions of APMs:

- **EBITDA:** Is defined as operating income before depreciation of tangible and intangible non-current assets.
- **Adjusted EBITDA:** Is defined as EBITDA adjusted for special operating items that distorts comparison, such as acquisition related expenses, listing preparation costs and other items which are special in nature compared to ordinary operational income or expenses.
- **Adjusted EBITDA margin (%):** Is defined as Adjusted EBITDA divided by sales, expressed as a percentage.
- **Adjusted EBITDA – Capex margin (%):** Is defined as Adjusted EBITDA – R&D capex divided by sales, expressed as a percentage.
- **Annual Recurring Revenue ("ARR"):** Is defined as a 12 month subscription value of the Group's customer base at the end of the reporting period. The ARR metric only includes fixed price subscriptions.
- **Recurring Revenue (%):** Is defined as subscription revenue generated over the historical period divided by sales for the same period, expressed as a percentage. Recurring Revenue includes both fixed price and transaction-based subscription revenues.
- **Average Revenue Per Customer ("ARPC"):** Is defined as the annualized monthly total operating revenue divided by the number of customers at the end of the month.
- **Churn Rate (%):** Is a measure of loss of ARR on a rolling 12-month basis, expressed as a percentage of average monthly ingoing ARR for the same 12-month period.

Amounts in NOK (thousands)	**2021**	**2020**
Revenue from customers	270 762	195 941
Total operating revenue	***270 762***	***195 941***

Amounts in NOK (thousands)	**2021**	**2020**
EBITDA	80 606	76 663
Adjustments of special items	27 857	4 271
Adjusted EBITDA	***108 463***	***80 934***
EBITDA-margin	*29.8 %*	*39.1 %*
Adjusted EBITDA-margin	*40.1 %*	*41.3 %*

Amounts in NOK (thousands)	**2021**	**2020**
Adjusted EBITDA	108 463	80 934
Capitalized development expenses	21 737	11 579
Adjusted EBITDA - CAPEX margin	***32.0 %***	***35.4 %***

		2021	**2020**
Annual Recurring Revenue (ARR) (EoP)	TNOK	266 843	204 589
Recurring revenue		94.9 %	93.0 %
Average Revenue per Customer (ARPC)	NOK	26 994	23 063
Churn rate (Annualized / R12m)		*6.3 %*	*5.7 %*

Financial statements - SmartCraft ASA

Revenue statement

Amounts in NOK (thousands)	Note	2021	2020
Operating income and operating expenses			
Revenue	9	8 292	3 662
Total income		***8 292***	***3 662***
Employee benefits expense	10	8 519	5 617
Other expenses	10, 13	23 197	1 252
Total expenses		***31 716***	***6 869***
Operating profit		***(23 424)***	***(3 208)***
Financial income and expenses			
Income from subsidiaries		64 194	19 972
Interest income from group companies		1 553	1 283
Other interest income	12	219	211
Other financial income	12	4 821	9 604
Interest expense to group companies		255	697
Other interest expenses	12	5 639	9 379
Other financial expenses	12	8 059	5 075
Net financial items		***56 834***	***15 919***
Net profit before tax		33 410	12 711
Income tax expense	7	1 205	2 804
Net profit after tax		***32 206***	***9 907***
Net profit or loss	***5***	***32 206***	***9 907***
Other equity		32 206	9 907
Total		***32 206***	***9 907***

Balance sheet

Assets

Amounts in NOK (thousands)	Note	2021	2020
Non-current assets			
Non-current financial assets			
Investments in subsidiaries	1	488 123	486 593
Total non-current financial assets		***488 123***	***486 593***
Total non-current assets		***488 123***	***486 593***
Current assets			
Debtors			
Accounts receivables	2	-	3 662
Other short-term receivables		113	-
Receivables from group companies	2	104 814	88 784
Total receivables		***104 927***	***92 446***
Cash and cash equivalents	4	68 242	6 192
Total current assets		173 169	98 638
Total assets		***661 292***	***585 231***

Equity and liabilities

Amounts in NOK (thousands)	Note	2021	2020
Equity			
Contributed equity			
Share capital	6	1 715	4 497
Share premium reserve		605 893	244 193
Total contributed equity		***607 608***	***248 690***
Retained earnings			
Other equity		46 547	14 341
Total retained earnings		***46 547***	***14 341***
Total equity	***5***	***654 155***	***263 031***
Liabilities			
Deferred tax	7	1 388	183
Total provisions		***1 388***	***183***
Other non-current liabilities			
Liabilities to financial institutions	3	-	113 813
Other non-current liabilities	3	-	57 526
Total non-current liabilities		***-***	***171 339***
Current liabilities			
Liabilities to financial institutions		-	61 142
Trade payables		1 201	1 590
Tax payable	7	1 146	2 850
Public duties payable		696	304
Liabilities to group companies	2	-	82 644
Other current liabilities	3, 8	2 706	2 148
Total current liabilities		***5 749***	***150 678***
Total liabilities		***7 137***	***322 201***
Total equity and liabilities		***661 292***	***585 231***

Gothenburg April 25th 2022

Board of Directors, SmartCraft ASA

Gunnar Haglund
Chairman

Carl Ivarsson
Board member

Christina Skogster Stange
Board member

Bernt Ulstein
Board member

Allan Engström
Board member

Marianne Bergmann Røren
Board member

Maria Danell
Board member

Gustav Line
Chief Executive Officer

Indirect cash flow

Amounts in NOK (thousands)	Note	2021	2020
Cash flows from operating activities			
Profit/loss before tax		33 410	12 711
Tax paid	7	(1 705)	(1 034)
Change in accounts receivable		3 662	(3 662)
Change in accounts payable		(389)	1 587
Effect of exchange rate fluctuations		-	(5 009)
Items classified as investment or financing activities		5 639	(12 820)
Change in other accrual items		837	4 924
Net cash flows from operating activities		***41 455***	***(3 304)***
Cash flows from investment activities			
Payments to buy shares and participations in other companies		(1 530)	(79 230)
Group contributions		19 972	20 572
Net cash flows from investment activities		***18 442***	***(58 659)***
Cash flows from financing activities			
Proceeds from the issuance of new long-term liabilities		-	60 000
Repayment of long-term liabilities		(232 481)	(14 280)
Proceeds from equity	5	567 891	500
Repayments of equity	5	(208 973)	-
Change in intercompany debt		(127 839)	11 915
Change in cashpool account		9 193	17 398
Interest paid		(5 639)	(7 751)
Other financial items		-	208
Net cash flows from financing activities		***2 152***	***67 991***
Net change in cash and cash equivalents		62 050	6 028
Cash and cash equivalents at the start of the period		6 192	164
Cash and cash equivalents at the end of the period		***68 242***	***6 192***

Accounting principles

The annual accounts have been prepared in conformity with the provisions of the Accounting Act and good accounting practice.

Use of estimates

In the preparation of the annual accounts estimates and assumptions have been made that have affected the profit and loss account and the valuation of assets and liabilities, and uncertain assets and liabilities on the balance sheet date in accordance with generally accepted accounting practice. Areas which to a large extent contain such subjective evaluations, a high degree of complexity, or areas where the assumptions and estimates are material for the annual accounts, are described in the notes.

Revenues

Services are posted as income as they are delivered. The company provide management services for the other companies in the SmartCraft Group.

Tax

The tax charge in the profit and loss account consists of tax payable for the period and the change in deferred tax. Deferred tax is calculated at the tax rate at 22% on the basis of tax-reducing and tax-increasing temporary differences that exist between accounting and tax values, and the tax loss carried forward at the end of the accounting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are set off and entered net. The net deferred tax receivable is entered on the balance sheet to the extent that it is likely that it can be utilised.

Classification and valuation of current assets

Current assets and short-term liabilities consist normally of items that fall due for payment within one year of the balance sheet date, as well as items related to the stock cycle. Current assets are valued at the lower of acquisition cost and fair value. Short-term liabilities are entered on the balance sheet at the nominal amount at the time of the transaction.

Subsidiaries and associated companies

Subsidiaries and associated companies are valued using the cost method in the company accounts. The investment is valued at acquisition cost for the shares unless a write-down has been necessary. A write-down to fair value is made when a fall in value is due to reasons that cannot be expected to be temporary and such write-down must be considered as necessary in accordance with good accounting practice. Write-downs are reversed when the basis for the write-down is no longer present.

Dividends, group contributions and other distributions from subsidiaries are posted to income in the same year as provided for in the distributor's accounts. To the extent that dividends/ group contributions exceed the share of profits earned after the date of acquisition, the excess amounts represents a repayment of invested capital, and distributions are deducted from the investment's value in the balance sheet of the parent company.

Receivables

Receivables from customers and other receivables are entered at par value after deducting a provision for expected losses. The provision for losses is made on the basis of an individual assessment of the respective receivables. In addition an unspecified provision is made to cover expected losses on claims in respect of customer receivables.

Revenues

Income from the sale of goods is recognised on the date of delivery. Services are posted as income as they are delivered.

Cash flow statement

The cash flow statement has been prepared using the indirect method. Cash and cash equivalents consist of cash, bank deposits and other short-term, liquid investments.

Note 1 Subsidiaries, associated companies etc.

Sub.	Office	Acquisition registered	Ownership interest	Book value	Share of equity cap.	Share of result
Cordel Norge AS	Ålesund, NOR	2017	100%	247 388	31 178	31 088
SmartCraft Sweden AB	Göteborg, SWE	2018	100%	144 728	51 064	24 203
Congrid Oy	Helsinki, FIN	2020	100%	95 948	8 161	4 249
Bygglet AB	Göteborg, SWE	2018	100%	-	11 332	25 807
El-Info i Växsjö AB	Växsjö. SWE	2019	100%	-	33 025	14 454
Homerunbynet Oy	Helsinki, FIN	2021	100%	60	1 356	1 287
SmartCraft Norway AS	Hønefoss, NOR	2021	100%	-	40	(324)
Kvalitetskontroll AS	Rong, NOR	2021	100%	-	3 376	2 526
Total				***488 123***		

Investments in subsidiaries are recognised according to the cost method in the company's financial statements.

Profit in foreign subsidiaries is converted to the average exchange rate for 2021, equity is converted to the closing rate at December 31st 2021.

Note 2 Intercompany items between companies in the same group etc.

	Customer receivables		Other receivables	
Amounts in NOK (thousands)	**2021**	**2020**	**2021**	**2020**
Companies in the same group	-	-	193 197	88 784
Total	**-**	**-**	***193 197***	***88 784***

	Debt to suppliers		Other long-term liabilities	
Amounts in NOK (thousands)	**2021**	**2020**	**2021**	**2020**
Companies in the same group	-	-	88 383	82 644
Total	**-**	**-**	***88 383***	***82 644***

Note 3 Receivables and liabilities

Long-term debt with a maturity later than 5 years	**2021**	**2020**
Debt to credit institutions	-	-
Other long-term debt	-	-
Total	**-**	**-**
Secured total debt	-	212 172
Charged assets:		
Investments in subsidiaries	-	486 593
Customer receivables (max 50 mNOK)	-	3 662
Total	**-**	***490 255***

Note 4 Bank deposits

Funds standing on the tax deduction account (restricted funds) are TNOK 268.

SmartCraft ASA is the owner of the Cash Pool organized together with Cordel Norge AS and SmartCraft Norway AS. The Cash Pool has an unused facility of TNOK 13 000.

Note 5 Equity

Amounts in NOK (thousands)	**Share capital**	**Share premium**	**Other equity capital**	**Total equity capital**
Pr. 31.12.2020	4 497	244 193	14 341	263 031
Capital decrease 21.06.2021	(3 109)	(205 864)	-	(208 973)
Capital increase 22.06.2021	284	489 219	-	489 503
Capital increase 05.07.2021	38	67 732	-	67 770
Capital increase 09.07.2021	5	10 613	-	10 618
Result of the year			32 206	32 206
Pr 31.12.2021	***1 715***	***605 893***	***46 547***	***654 155***

Note 6 Shareholders

Share capital in Smartcraft ASA pr. December 31st 2021 consists of:

	Total	Nominal value	Share capital
Common shares	171 522 305	0.01	1 715
Total	***171 522 305***		***1 715***

There have been performed a split of the shares in the company in 2021 with the ratio 1:100.

Shareholders

The largest shareholders as of December 31st 2021 were:

Shareholders	Number of common shares	Percent of shareholding
Valedo Partners III AB	67 903 692	39.6 %
State Street Bank and Trust Comp	27 367 766	16.0 %
B. Ulstein AS	10 736 010	6.3 %
Skandinaviska Enskilda Banken AB	5 956 017	3.5 %
J.P. Morgan Bank Luxembourg S.A.	5 851 193	3.4 %
The Northern Trust Comp, London Br	5 193 229	3.0 %
Brown Brothers Harriman & Co.	4 022 429	2.3 %
Swedbank AB	3 925 509	2.3 %
Nordea Bank Abp	3 452 911	2.0 %
Svenska Handselsbanken AB	3 260 888	1.9 %
BNP Paribas Securities Services	3 175 105	1.9 %
HSBC Bank Plc	2 920 306	1.7 %
JPMorgan Chase Bank, N.A., London	2 554 459	1.5 %
Clearstream Banking S.A.	2 011 788	1.2 %
Nordnet Bank AB	1 817 147	1.1 %
Gunnar Haglund, Chairman of the Board via Skarvhaugen Förvaltning	1 004 800	0.6 %
Marianne Bergmann Røren, Board member	5 617	0.0 %
Maria Danell, Board member	5 617	0.0 %
Christine Skogster Stange, Board member	589	0.0 %
Gustav Line, CEO (via Line Invest AS)	2 078 025	1.2 %
Kjartan Bø, CFO (via KBI AS)	298 000	0.2 %
Christian Saleki, CTO	18 149	0.0 %
Other (< 1%)	17 963 059	10.5 %
Total	***171 522 305***	***100.0 %***

SmartCraft ASA is the parent company in the SmartCraft Group and prepares consolidated accounts which can be handed out at the company's offices in Hvervenmoveien 45, 3511 Hønefoss.

Note 7 Tax

This year's tax expense

Amounts in NOK (thousands)	2021	2020
Entered tax on ordinary profit/loss:		
Payable tax	-	2 850
Changes in deferred tax	1 205	(46)
Tax expense on ordinary profit/loss	***1 205***	***2 804***
Taxable income:		
Ordinary result before tax	33 410	12 711
Permanent differences	(47 127)	(19 936)
Changes in temporary differences	(5 477)	208
Received intra-group contribution	19 194	19 972
Taxable income	***-***	***12 956***
Payable tax in the balance:		
Payable tax on this year's result	(3 077)	(1 544)
Payable tax on received Group contribution	4 223	4 394
Total payable tax in the balance	***1 146***	***2 850***
Calculation of effective tax rate		
Profit before tax	33 410	12 711
Calculated tax on profit before tax	7 350	2 796
Tax effect of permanent differences	(6 145)	8
Total	1 205	2 804
Effective tax rate	***3.6 %***	***22.1 %***

The tax effect of temporary differences that has formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences

Amounts in NOK (thousands)	2021	2020	Difference
Long-term receivables and liabilities in foreign currency	6 310	-	(6 310)
Other differences	-	833	833
Total	***6 310***	***833***	***(5 477)***
Basis for deferred tax	***6 310***	***833***	***(5 477)***
Deferred tax (22 %)	***1 388***	***183***	***(1 205)***

Note 8 Provisions for liabilities

Long-term provisions

Amounts in NOK (thousands)	**Total**
Balance 31.12.2021	**-**

Short-term provisions

Amounts in NOK (thousands)	**Accrued costs**	**Total**
Balance 01.01.2021	2 148	2 148
Provisions	2 706	2 706
Provisions utilised	(2 148)	(2 148)
Balance 31.12.2021	***2 706***	***2 706***

There are no contingent liabilites as of December 31st 2021.

Note 9 Sales income

Amounts in NOK (thousands)	**2021**	**2020**
By business area		
Management services	8 292	3 662
Total	***8 292***	***3 662***
Geographic breakdown		
Norway	3 618	1 676
Sweden	3 377	1 935
Finland	1 297	51
Total	***8 292***	***3 662***

Note 10 Salary costs and benefits, remuneration to the chief executive, board and auditor

Salary cost

Amounts in NOK (thousands)	2021	2020
Salaries	5 972	4 947
Employment tax	827	579
Pension costs	94	70
Other benefits	1 626	22
Total	***8 519***	***5 617***

In 2021 the company employed 4 full time employees.

Pension liabilities

The company is liable to maintain an occupational pension scheme under the Mandatory Occupational Pensions Act. The company's pension schemes are defined contribution schemes and satisfy the requirements of this Act.

Remuneration to leading personnel

Amounts in NOK (thousands)	2021	2020
Salaries	2 095	0
Pension costs	62	0
Other remuneration	761	1 190
Total	***2 918***	***1 190***

SmartCraft ASA has prepared a report for remuneration to leading personnel in accordance with the Accounting Act § 7-31b.

Auditor

Audit fees expensed for 2021 amount to TNOK 320 ex. vat. In addition there is a fee for other services of TNOK 1 463 ex. vat and TNOK 946 incl. vat. Other services are mainly related to the IPO prepared in the first part of 2021.

Note 11 Financial market risk

Smartcraft ASA have a limited activity other then management of group companies.

Credit risk

The company has a credit risk related to receivables from group companies. The risk of a counterpart not having the financial capacity to fulfil its obligations is considered to be low. Historically, there have been no losses on intercompany receivables.

Currency risk

The company's currency exposure is related to intercompany balances being booked in the local currency of the counterpart. As of December 31st 2021 SmartCraft ASA has financial liabilities of TEUR 318 and TSEK 28 218, and financial assets of TEUR 3 831 and TSEK 59 589. The exposure of foreign currency is concidered low.

Amounts in NOK (thousands)	**Amount 31.12.2021**	**Effect on EBT +/- 5%**	**Effect on EBT +/- 5%**
Foreign exchange risk sensitivity			
Financial assets in foreign currency	96,334	4,817	(4,817)
Financial liabilities in foreign currency	(30,673)	(1,534)	1,534
Total	***65,661***	***3,283***	***(3,283)***

Note 12 Items that are aggregated in the accounts

Finacial income

Amounts in NOK	**2021**	**2020**
Interest income from companies in the same group	1 553	1 283
Other interest income	219	211
Total financial income	***1 773***	***1 494***

Financial costs

Amounts in NOK	**2021**	**2020**
Interest costs from companies in the same group	255	697
Other interest costs	5 639	9 379
Other financial costs	953	290
Total financial costs	***6 847***	***10 367***

Note 13 Individual transactions

In 2021 the company has been through a Initial Public Offering process and the subsequent listing on Oslo Stock Exchange. The annual account for 2021 inlcludes costs related to the process of TNOK 21 528 which has been posted to other operating expenses.

Audit report

To the General Meeting of SmartCraft ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SmartCraft ASA, which comprise:

- The financial statements of the parent company SmartCraft ASA (the Company), which comprise the balance sheet as at 31 December 2021, the revenue statement and indirect 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 SmartCraft ASA and its subsidiaries (the Group), which comprise the Statement of Financial Position as at 31 December 2021, the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 2021, 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 financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

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 laws and regulations 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 5 years from the election by the general meeting of the shareholders on 3 March 2017 for the accounting year 2017.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Impairment of goodwill	
At the balance sheet date, the net book value of goodwill was NOK 491 223 thousand, distributed between four different cash generating units (CGU's). The values involved are significant and constitute a major part of total assets in the balance sheet. No impairment charge was recognized for 2021. Management performs an impairment test at least annually by estimating the recoverable amount of goodwill. Determination of the recoverable amount requires application of significant judgement by management, in particular with respect to cash flow forecasts and the applied discount rate. We focused on goodwill due to the pervasive effect of goodwill in the balance sheet and management's use of judgement in estimating the recoverable amount. See notes 3.1 and 12 in the consolidated financial statement for further explanation of the group's principles for accounting and valuation of goodwill and management's impairment test as at the balance sheet date.	We obtained an understanding of management's process related to impairment review of goodwill. We obtained management's impairment review and satisfied ourselves that the impairment review and the valuation model used, contained the elements required by IFRS. We also tested the mathematical accuracy of management's calculations and noted no material deviations. We challenged management's assumptions on future revenues and margins by comparing them to historical financial data. We also tested the sensitivity of significant management assumptions. Furthermore, we evaluated management's precision and ability to forecast by comparing historical forecasts against actual performance. We evaluated the discount rate used by management by assessing the various elements of the discount rate against both internal and external information. Based on our audit procedures we found management's assumptions to be reasonable. Finally, we considered the adequacy of the disclosures to the financial statements, including the sensitivities provided for the growth expectations. We fount notes 3.1 and 12 to be appropriate and sufficient.

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 appears 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 legal requirements.

Our opinion on the Board of Director’s report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements 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 and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion
We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name smartcraftasa-2021-12-31-en have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities
Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities
For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: https://revisorforeningen.no/revisjonsberetninger

Oslo, 25 April 2022
PricewaterhouseCoopers AS

Jone Bauge
State Authorised Public Accountant

SmartCraft

BETTER DIGITAL TOOLS