Annual report 2022

SmartCraft ASA

Contents

Letter from the CEO

We are happy to say that we in 2022 delivered well on the goals we set out despite turbulences caused by the pandemic, global supply chain issues, high energy prices, and the war in the Ukraine. We have grown revenues and margins strongly, executed value-accretive acquisitions, established a strong commercial country-based organization, and aligned our development strategy towards domains to enable further growth and to utilize our scalable technology platform "SmartCraft Core".

Our digital solutions ease 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 1987 and we have deep competence in the niches we focus on. Our dedicated employees develop solutions to solve the specific needs of different niches in the construction industry like electricians, plumbers, painters and general contractors. Our solutions are available on most devices to suit our customer needs. We support smartphones and tablets for workers out in the field and have a rich web client for people that work at the office.

SmartCraft recognizes that sustainability is a strategic area and that SmartCraft and our solutions can play an important role in this field. We will in 2023 evaluate how the Group and our solutions can contribute to making the construction industry more sustainable and we will analyze the impact in different areas and set ESG targets for the areas with the highest impact.

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 the customer's wallet is very low.

The markets we operate in today are expected to grow 15 percent annually in the period 2020-2025 and the potential market size in the Nordics is estimated to be above NOK 10 billion. We are deeply committed to remain a leading player and a driving force in the industry going forward.

We are pleased to deliver on our guiding of 15-20 percent organic growth and increasing margins in seven consecutive quarters since the IPO in June 2021. We believe this shows the solidity of our business model and that our solutions have a good fit in the market.

Our teams focus on creating great marketing initiatives to be visible and present in the market and to create effective customer lead generation. Efficient marketing combined with strong sales execution gives us a 61 percent sales conversion rate from "a customer meeting to a closed sale" in 2022, up from 55 percent in 2020.

Annual Recurring Revenue (ARR) is our main performance indicator, as it measures our level of repetitive revenue. In 2022 ARR increased organically by 17 percent and we see an ARR of NOK 318 million at the end of the year. The strong growth combined with a stable low churn level at 6 percent and the fact that 96 percent of our revenue is recurring puts us in a very good position for continued growth. Our adjusted EBITDA margin in 2022 was 39 percent, in line with our medium-term guiding. The Group has a solid financial position. We are net cash positive and have a negative net working capital that contribute to the operating cash flow. SmartCraft has a positive cash contribution from operations every year and every quarter.

Acquisitions are an important part of our strategy to gain market share and new functionality, and in addition to organic growth, we acquired the Norwegian solutions El-verdi in June and ELinn in October. Both companies and their solutions are early in their commercial phase but show good growth. Although they have low margins they have proven to be commercially viable. Both solutions provide new functionality for electrician companies and hence both solutions open for cross-sell opportunities on existing and the acquired customer bases.

In 2022 we can see that the robustness of our company has increased. The number of customers is 33 percent higher than at the time of the IPO, and we have extremely low single customer dependency. Our sales model is highly efficient, and we see that the customer acquisition cost has a payback time of only one year, which combined with a very low churn rate of around 6 percent and the high incremental cash contribution from new customers means that the return on investments in sales are very attractive. We are satisfied with strong organic growth in 2022 despite being cautions on price increases with only minor price adjustments at the beginning of the year. This leaves us with headroom for higher price increases in 2023 broadly in line with CPI.

"In 2022 ARR increased organically by 17 percent and we see an ARR of NOK 318 million at the end of the year"

After nine acquisitions the last years we have started to align and synergize parts of our organization and the way we do business. In the beginning of October, we launched the amended leadership team with a good balance of different experiences and gender. By organizing business by country, we will be in a better position to execute marketing and sales initiatives towards our partners and customers.

With rising energy prices and need for energy efficiency, we see a clear potential for our solutions aimed at electrician companies. We already have a large share of our customers from the electro domain and with the recent acquisitions of El-verdi and ELinn we have 5 best of breed solutions addressing these customers. Aligning our resources will allow for more cross selling and eventually increase our share of wallet from these customers. Going forward we will further investigate how to realize synergies in sales and development

All in all, we have a good setup to continue our growth journey. With our highly skilled colleagues we are motivated to execute on future market opportunities both with regards to organic growth and M&A. We are confident about continuing to deliver in accordance with our medium-term targets of annual organic revenue growth of 15-20 percent and growing EBITDA margins due to the scalability of the business.

Gustav Line

Gustav Line
Chief Executive Officer

Key figures

	2022	2021	2020	2019
ARR	318 348	266 843	204 689	144 740
Revenue	333 423	270 762	195 941	153 701
Adjusted EBITDA	131 331	108 671	80 934	55 320
Adjusted EBITDA margin	39.4%	40.1%	41.3%	36.0%
R&D	23 857	21 737	11 579	8 493
Customers	≈ 12 000	≈ 11 000	≈ 8 500	≈ 8 000

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 Hønefoss, Norway. In addition to the parent company the Group comprises of 7 companies in Norway, 3 companies in Sweden and 2 companies in Finland. SmartCraft ASA owns 100% of the shares in the subsidiaries except in SMCRT MGMT 1 AS where management and key employees holds 20% related to the long-term investment program. SmartCraft ASA is listed on the Oslo Stock Exchange "Oslo Børs".

The Group has an active M&A strategy and has acquired complementary solutions the last years. In 2022 the Group acquired the solutions El-verdi and ELinn.

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, procurement management and project management tools. This way we can provide out-of-the-box best-of-breed solutions that exactly fits our customers' needs, and ease the digital transformation of one of the least digitized industries.

The Group has a strategy to ensure sustained capital efficiency and profitable growth for the Group by continuing to capitalize on the market leading position in the underpenetrated Nordic market. A strong industry focus, a leading SaaS solution and an efficient sales organization ensure great sales execution with low customer touch. We also recognize sustainability as a strategic area, and we have increased focus on identifying areas for improvement and areas where SmartCraft can have an impact. We will continue this work and set sustainability targets that enable us to measure our progress and contribution.

We strongly believe in a robust business model and are pleased to see that recurring revenue in 2022 has increased to 96 percent of the total revenue compared to 95 percent in 2021. This combined with a consistent and low churn at 6 percent, net cash positive and the fact that we are self-funded puts us in a great position to create further shareholder value.

The Group has many opportunities to upsell on our base of more than 12 000 customer and 120 000 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 Elverdi Norge AS and Inprog AS during 2022. We will continue to execute on our M&A strategy; Targeting complementary functionality, customer base and new geographies, and focus on growth through acquisitions in addition to the organic growth.

Group Financial Statements

The consolidated financial statement for 2022 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, 2022. 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.

In 2022 the Group has a revenue of TNOK 333 423 (TNOK 270 762 in 2021), a growth of 23 percent and an organic growth of 17 percent. With a strong customer base with high recurring revenue and stable low churn, the Group is expecting continued high organic growth going forward.

During 2022 SmartCraft has aligned the Group companies in order to have a stronger focus on country activities. Additionaly, we have implemented a Long-term Investment

Program (LTIP). The costs related to the restructuring and the implementation of the LTIP has affected EBITDA for the Group in a total of TNOK 1 959. Adjusted EBITDA, which excludes cost related to the LTIP/restructuring and acquisitions costs as defined in the Alternative Performance Measures, is TNOK 131 331 in 2022 (TNOK 108 671 in 2021). The total EBITDA for the Group is TNOK 128 419 in 2022 (TNOK 80 312 in 2021).

The SmartCraft Group has high profitability and is guiding on increasing margin in the medium term. As acquired companies have had lower margins, the Group margin is diluted by acquisitions. In 2022 the Group has an adjusted EBITDA margin of 39.4 percent (40.1 percent in 2021), while the diluting effect from acquisitions is 1.5 percentage points. The Group also invests in marketing and development which may decrease the margin in the short term but is expected to increase growth in the longer term.

Total depreciation and amortization of tangible and intangible assets in 2022 is TNOK 27 657 (TNOK 22 726 in 2021), where TNOK 14 050 (TNOK 12 641 in 2021) is amortization of intangible assets related to M&A. Operating profit is TNOK 100 762 (TNOK 57 586 in 2021).

Profit before tax is TNOK 89 173 in 2022 (TNOK 48 867 in 2021). The increase in profit before tax is mainly due to revenue growth, the non-recurring costs related to the listing process in 2021, and less negative effect from the changes 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 115 650 in 2022 (TNOK 106 525 in 2021), a growth of 8.6 percent. The increase in net cash provided from operational activities is primarily due to growth and increased deferred revenue as well as an increase in other current liabilities.

Net cash outflows from investing activities were TNOK 59 492 in 2022 (TNOK 99 465 in 2021). This is primarily connected to the acquisition of Elverdi Norge AS and Inprog AS together with capitalized development costs of a total of TNOK 23 857 (TNOK 21 737 in 2021).

Net cash outflows from financing activities are mostly affected by down payments of loan facilities in the acquired companies, repayment of lease liabilities and purchase of 451 001 treasury shares. The total cash outflow related to purchase of treasury shares in 2022 were TNOK 7 012. In total the net cash outflows by financing activities were TNOK 19 398 in 2022 (Net cash inflows of TNOK 73 896 in 2021).

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, 2022, the Group had cash and cash equivalents of TNOK 191 587 (TNOK 156 277 as of December 31st, 2021). In 2022 the Group has cancelled an unused credit facility in connection with the cash pool among the Norwegian companies of TNOK 13 000.

Shareholder's equity was TNOK 765 569 as of December 31st, 2022, (TNOK 701 685 as of December 31st, 2021) with an equity ratio of 79 percent, the same equity ratio as December 31st, 2021. The retained equity increased due to the profit in 2022. During 2022 the Group has acquired own shares in SmartCraft ASA as part of a buy-back program managed by Carnegie. The difference between par value of the shares and the purchase price gives a total reduction in retained equity of TNOK 7 008 during 2022. As part of establishing the LTIP there is also recognized a non-controlling interest in the Group of TNOK 4 881 as of December 31st, 2022. The LTIP is structured as a geared instrument with a corresponding risk for the participants. As of December 31st, 2022, the LTIP is out-of-the-money. The decrease in other components of equity is due to currency exchange difference when consolidating subsidiaries with functional currency other than NOK.

Smartcraft ASA Financial Statement

The financial statement for 2022 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 11 332 in 2022 (TNOK 8 292 in 2021), and profit of TNOK -6 534 (TNOK -23 424 in 2021). As of December 31st, 2022, the company has a total equity of TNOK 668 902 with an equity ratio of 88 percent.

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 managements 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 influence 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's Chief Technical Officer oversees 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. The extraordinary high inflation in 2022 has had effects on the Group in terms of increased costs at the same time as the Group decided not to raise prices additionally. Historically, the Group has adjusted prices in line with inflation on an annual basis, and the effect is therefore considered temporary. Although limited effects, we consider the operational risks as moderate given the uncertainty of the situation.

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 may be 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. The Groups financial position as of December 31st, 2022, leaves the Group with little exposure to the increased interest rates across the operating countries.

Credit risk is considered low as the Group invoice a significant share of 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 186 employees as of December 31st, 2022. There has been no reported work-related injuries or accidents in 2022. Absence due to sickness was 3.8%.

Society is increasing its expectations of companies' corporate actions and transparency about diversity and equal employment opportunities. The Group is, by its Code of Conduct, committed to build a highly skilled workforce and ensuring that recruitment processes actively foster equal opportunities and diversity. The company prohibits discrimination in any form, whether based on political views, union membership, sexual orientation, disability, or age. As of December 31st, 2022, there are 4 men and 3 women in manager positions including the Group executive suite.

SmartCraft ASA has 4 employees as of December 31st, 2022. There has been no reported work-related injuries or accidents in 2022. 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.

The Transparency Act was implemented from July 1st, 2022, and the SmartCraft Group is according to the Act required to carry out due diligence assessments according to OECD's guidelines. The Group will publish an annual report in accordance with the Transparency Act at smartcraft.com no later than June 30th, 2023.

The Groups corporate social responsibilities are included in the Sustainability at SmartCraft in page 11.

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 11.

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 smartcraft.com/investor-relations/corporate-governance. The code is based on the "comply or explain" principle and deviations, if any, is explained under the relevant topic in the report on Corporate Governance for 2022 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 ongoing war in Ukraine has had an impact on the global economy. There has been no direct impact on SmartCraft other than the general effects on the macroeconomy, however we continuously monitor the situation to take preemptive actions.

We see increasing unrest in the financial sector in 2023. This has no significant direct effect on the Group but may indirectly affect the Group negatively as our customers customer may face challenges in funding new projects. The rising inflation enhances the challenge of securing satisfactory funding.

March 27th, 2023

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

SmartCraft is dedicated to run a responsible business, minimize its negative impact on the environment, and provide a safe and happy workplace. Our approach to sustainability includes environmental, social and governance (ESG) impacts important to SmartCraft and to where SmartCraft will have an impact.

The SmartCraft Group furthered its sustainability agenda in 2022 and the focus through 2022 have been to identify areas for improvement, and we will continue to work on the materiality analysis and stakeholder interaction.

Although we have yet to set targets for sustainability results, we have started to measure areas of importance to benchmark development year over year as a recognition that you cannot manage what you don't measure.

The first ESG scorecard shows performance in 2022 and SmartCraft will continue to improve the sustainability reporting.

Environmental data	Unit	2022	2021
Scope 1	tCO2e	13.9	-
Scope 2	tCO2e	6.2	-
Scope 3	tCO2e	567.4	n.m.*
Social data			
Full-time workforce (female/male)		26% / 74%	24% / 76%
Part-time workforce (female/male)		67% / 33% (3% of total workforce)	43% / 57% (4% of total workforce)
Gender diversity, Management (female/male)		33% / 67%	25% / 75%
Governance data			
Whistleblower – number of incidents reported		0	0
Gender diversity, BoD (female/male)		43% / 57%	29% / 71%

** Emissions in 2021 of tCO2e 41.6 is based on different criteria and is not comparible to 2022. For further information see page 14.*

The carbon footprint analysis for 2022 is based on the international standard; A Corporate Accounting and Reporting Standard (GHG Protocol). The definitions for Scope 1, 2 and 3 have been updated accordingly. For 2021, emissions from business travel by air was calculated using the The ICAO Carbon Emissions Calculator. Emissions from business travel by car was calculated using emission factors from DEFRA UK as of 2019.

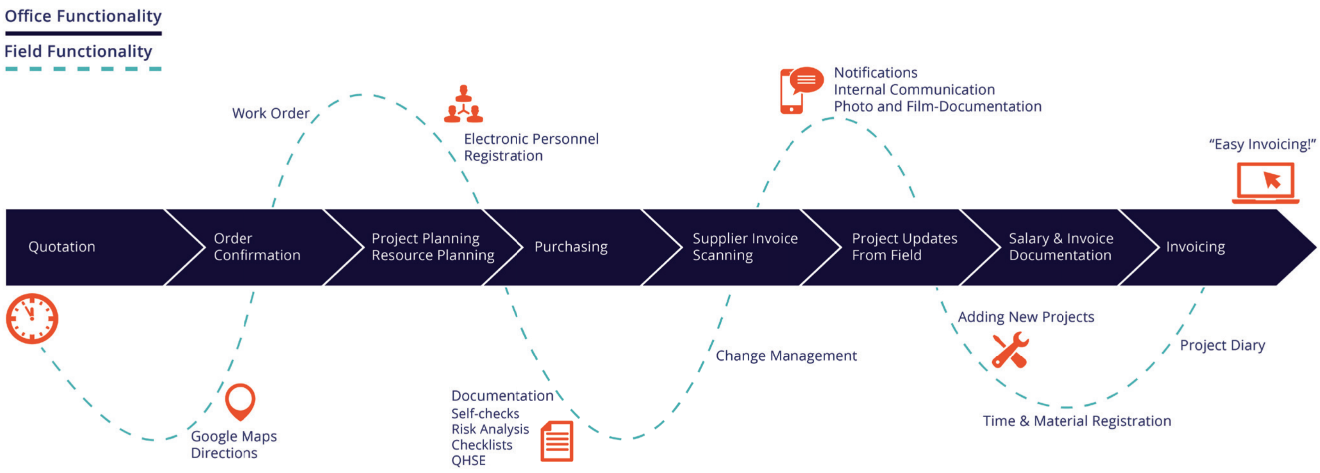
Going forward SmartCraft plan to include the expected requirements of the Corporate Sustainability Reporting Directive (CSRD) into our reporting for sustainability. This is not only to ensure the compliance as a listed entity but to make the ESG factors an integrated part of our ongoing reporting. This includes developing science-based targets and including sustainability into the Groups strategies and policies.

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 2022, SmartCraft employed 186 people across 14 locations in Norway, Sweden and Finland and is headquartered in Hønefoss, 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.

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.

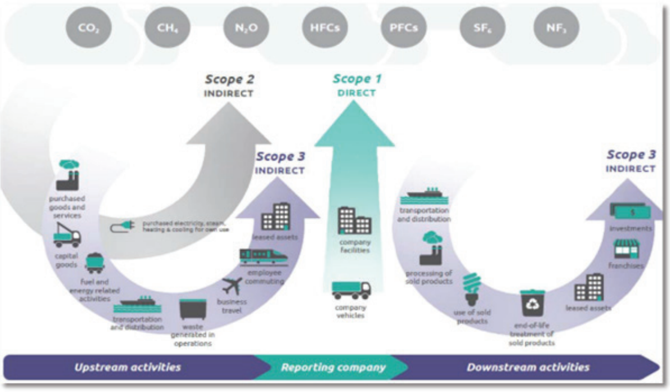
As a software company, SmartCraft's main sources of environmental and climate emissions are emissions from employee business travel and indirect emissions from our leased offices such as electricity. In addition, the Group affects the environment through indirect emissions from purchased goods and services.

We will 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.

SmartCraft is reporting the organization's greenhouse gas (GHG) emissions, which will be an integrated part of the organization's climate strategy. In 2023 our goal is to implement a holistic ESG strategy.

Carbon Accounting

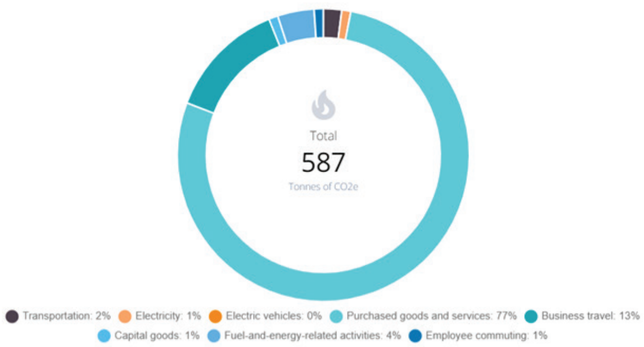
Developed by the World Resource Institute and the World Business Council for Sustainable Development, the GHG Protocol is the most widely used method for carbon accounting globally. Emissions data is gathered and classified by Scope (1, 2 and 3), covering direct and indirect emission sources as defined by the GHG protocol.



Carbon accounting is a fundamental tool in identifying tangible measures to reduce GHG emissions. The annual carbon accounting report enables the organizations to benchmark performance indicators and evaluate progress over time.

The GHG Protocol includes a set of reporting principles one should follow when reporting carbon emissions. The five principles are relevance, completeness, consistency, transparency, and accuracy. SmartCraft has therefore, in 2022, invested in reporting tools that enable all group companies to structure and report their consumptions and emissions accordingly.

The total climate accounting for the Group was 587.5 tons of Co2 equivalents (tCO2e) and the total energy consumption was 600.9 MWh. This is equal of 3.2 tCO2e and 3.3 MWh pr FTE in the Group. The emissions cover the six main greenhouse gases: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2 O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF6).



Scope 1: For the Group, the Scope 1 emissions include a total emission of 13.9 tCO2e in 2022. These emissions include diesel and petrol consumption from owned and rented vehicles. The emissions accounts for 2.4% of the emission share of the entire group.

Scope 2: Emissions from scope 2 in 2022 were 6.2 tCO2e and accounts for 1.1% of the total emission share. Scope 2 includes electricity from offices and electric vehicles.

Purchased electricity is defined as electricity that is purchased or otherwise brought into the organizational boundary of the company. Scope 2 emissions physically occur at the facility where electricity is generated. When calculating the emissions related to electricity the purchase of guarantees of origin (GOOs) gives an emission from electricity of 0 tCO2e. SmartCraft has one office in Ålesund with purchased guarantees of origin. In the future, more group companies will consider purchasing GOOs/RECs, while also initiating measures to reduce our energy-consumption.

Scope 3: Scope 3 is an optional reporting category that allows the company to report emissions for all other indirect emissions. Scope 3 emissions are a consequence of the activities of the company but occur from sources not owned or controlled by the company. For instance, SmartCraft has begun its process to calculate indirect emissions linked to purchased goods or services. We have also included the following Scope 3 categories: business travel, capital goods, fuel- and energy related activities and employee commuting. The total emissions for 2022 in Scope 3 are 567.4 tCO2e. Most of these emissions are from our purchased goods and services (453.2 tCO2e). The category for purchased goods and services were not included in the reporting for 2021.

When calculating emissions there are different data types required. Primary data is specific to a company's value chain, while secondary data is not. For the most part, secondary data includes industry-average-data or other generic data.

For SmartCraft our emissions from purchased goods and services are based mostly on using a spend-based method. The 453.2 tCO2e emissions in Scope 3 is estimated using secondary data sources. Emissions for goods and services have been collected on the economic value of goods and services purchased and multiplied it by relevant secondary emission factors (e.g., average emissions per monetary value of goods).

For the next reporting period, SmartCraft expects to shift to more specific primary data to ensure good quality data in the carbon accounting.

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 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 2022 there were no serious work-related accidents recorded. Absence due to illness were at 3.8%. The employee turnover rate for the Group in 2022 was 13.0%.

The knowledge and competence of our skilled employees are key to our competitive advantage. SmartCraft provide the opportunity of both external and internal education to all employees, based on both needs and personal interest.

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 determined by the CEO and discussed with the Remuneration committee. For full Senior Executive Remuneration report, please visit page smartcraft.com/investor-relations/.

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 applies 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. For any kind of reporting on violations or misconduct, SmartCraft has established a whistleblower portal easily accessible through smartcraft.com. 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. The SmartCraft whistleblower policy shall secure fair treatment to all parties; confidentiality, the right to be heard and without bias or prejudice. Reports may also be submitted anonymously.

In 2022, 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.

In 2022 the Transparency Act entered into force, making it mandatory for certain Norwegian companies to conduct due diligence on human rights in value chains. SmartCraft supports the new legislation and has carried out several measures to ensure the Group is compliant.

Appointing Group responsibilities, establishing systems for information requests from the public, performing due diligence of suppliers, and embedding responsible business conduct into policies and management systems are part of the measurements implemented.

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 smartcraft.com/investor-relations/corporate-governance.

The code is based on the "comply or explain" principle and 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 objects 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 765 569 on December 31st, 2022, representing an equity ratio of 79 percent. 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 the Annual General Meeting on May 20th, 2022, the Board was granted the following authorities:

- Authorization to increase the Company's share capital by up to NOK 17 152.23 in connection with the Long Term Investment Program. The shareholders' preferential right to subscribe for the new shares may be deviated from. The authorization covers contribution in kind and the right to incur specific obligations on behalf of the Company and does not include mergers. There have not been issued any new shares under this authorization. The authorization is valid until the Company's Annual General Meeting in 2024, but not longer than June 30th, 2024.
- Authorization to increase the share capital in connection with acquisitions by up to NOK 171 522.305. The authorization covers contribution in kind and the right to incur specific obligations on behalf of the Company and includes mergers. There have not been issued any new shares under this authorization. The authorization is valid until the Company's Annual General Meeting in 2023, but not longer than June 30th, 2023.

At an Extraordinary General Meeting on November 2nd, 2022, the Board was granted the following authorities:

- Authorization to acquire own shares with a total nominal value up to NOK 85 761.15 which is equivalent to 5 percent of the current share capital. The maximum purchase price is NOK 50 and minimum NOK 1. As of December 31st, 2022, the authorization has been used to purchase 451 001 shares of a total of TNOK 7 012. The authorization is valid until the Company's Annual General Meeting in 2023, but not longer than June 30th, 2023.

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. 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 a total of 41 transaction in treasury shares in 2022 which was carried out by Carnegie on behalf of the Company.

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. When restructuring the Group companies there was performed several transfers of shares internally. The transactions were not subject to approval by the general meeting as it was defined as an intercompany transaction.

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:

Sellers of the shares in Elverdi Norge AS and Inprog AS has entered into a lock-up agreement for shares purchased as part of the settlement. The lock-up period for the sellers of Elverdi Norge AS is valid until July 27th, 2023, while the lock-up period for the sellers of Inprog AS is valid until January 26th, 2024, and February 21st, 2024.

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 2022 Annual General Meeting was held digitally on May 20th, 2022, with 68.85 percent of the Company's shares represented.

The Board, auditor, or shareholders representing at least 5 percent of the shares can call for Extraordinary General Meetings when deemed necessary. In 2022, the Board called an EGM on November 2nd, 2022, to pass the authorization of purchase of treasury shares. A total of 60.75 percent 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 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 members of the Nomination Committee were elected at the Extraordinary General Meeting on May 25th, 2021. Mr. Arild Bødal (chair) and Ms. Ingeborg Aavatsmark were elected for two years at a time.

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, 2022, 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	Yes	15.03.2017	AGM 2023	10 of 10
Christina Skogster Stange	Board member	Yes	21.04.2021	AGM 2023	8 of 10
Bernt Ulstein	Board member	Yes	15.03.2017	AGM 2023	9 of 10
Maria Danell	Board member	Yes	21.04.2021	AGM 2023	10 of 10
Carl Ivarsson	Board member	No	14.02.2017	AGM 2023	10 of 10
Marianne Bergmann Røren	Board member	Yes	21.04.2021	AGM 2023	9 of 10
Allan Engström	Board Member	No	14.02.2017	AGM 2023	10 of 10

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.

Per December 31st, 2022, 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 9 meetings in 2022.

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. Per December 31st, 2022, the compensation committee members were Mr. Gunnar Haglund (chair), Mr. Allan Engström and Mr. Bernt Ulstein, all independent of the Group Management. For 2022, 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 2022.

Remuneration Of Executive Management

The policy for remuneration of executive management of the Group was last updated in April 2022 and presented at the Annual General Meeting in 2022. The remuneration policy must be approved by the Annual General Meeting upon any material changes and at minimum every four years. The 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 published on smartcraft.com.

Information And Communication

The Company treats its investors equally. Timely information is published simultaneously to all investors in accordance with applicable legislation and regulation 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 Board 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. 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, 2022.

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, 2022.

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, 2022. 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, 2022.

We confirm that, to the best of our knowledge:

- the financial statements for the period from January 1st to December 31st, 2022, 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

March 27th, 2023

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	2022	2021
Revenue from customers	8	333 423	270 762
Total operating revenue		***333 423***	***270 762***
Purchase of goods and services		27 271	22 866
Payroll and related expences	10, 11	128 737	104 986
Other operating expenses	21	48 996	62 598
Depreciation and amortization	13, 23	27 657	22 726
Total operating expenses		***232 661***	***213 176***
Operating profit (loss) before financial items and tax		***100 762***	***57 586***
Financial income	22	17 188	5 615
Earn-out related to acqusitions	22	(12 364)	-
Financial expenses	22	(16 413)	(14 334)
Financial income (expense), net		***(11 589)***	***(8 720)***
Profit (loss) before tax		***89 173***	***48 867***
Tax expense	20	21 083	12 171
Profit (loss)		***68 090***	***36 696***
Attributeable to:			
Shareholders in SmartCraft ASA		68 090	36 696
Non-controlling interests		-	-
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Currency translation differences, net of tax		(2 073)	(17 843)
Total		***(2 073)***	***(17 843)***
Total comprehensive income		***66 016***	***18 853***

Amounts in NOK (thousands)		2022	2021
Profit for the year due to holders of shares		68 090	36 696
Profit allocated to redeemed preferance shares		-	7 282
Profit for the year allocated to common shares		68 090	29 413
Average numbers of common shares		171 484 845	155 857 151
Earning per share and diluted earnings per share	***25***	***0.40***	***0.19***

Consolidated Statement of Financial Position

Amounts in NOK (thousands)

ASSETS	Note	31.12.2022	31.12.2021
Deferred tax assets	20	-	-
Goodwill	6, 12	517 302	491 223
Intangible assets	13	209 939	187 378
Right to use assets	23	14 152	17 009
Tangible Assets	23	3 314	4 732
Total non-current assets		***744 707***	***700 341***
Inventory		182	73
Other current assets	7, 16	7 579	4 987
Accounts Receivable	7, 15	29 477	24 583
Cash and cash equivalents	7, 17	191 587	156 277
Total current assets		***228 826***	***185 919***
Total assets		***973 533***	***886 261***

EQUITY AND LIABILITIES			
Share capital	24	1 715	1 715
Own shares		(5)	-
Share premium		605 893	605 893
Retained earnings		161 149	100 067
Other components of equity		(8 064)	(5 990)
Non-controlling interests	24	4 881	-
Total equity		***765 569***	***701 685***
Non-current financial liabilities	7, 17, 27	-	1 158
Non-current lease liabilities	27	7 002	9 913
Deferred tax liabilities	20	35 015	34 637
Total non-current liabilities		***42 016***	***45 708***
Current portion of deferred revenue	8	69 937	59 593
Current portion of lease liabilities		7 602	6 952
Accounts payable	7, 18	7 829	6 501
Taxes payable	7, 20	14 845	14 216
Other current liabilities	7, 19, 27	65 736	51 607
Total current liabilities		***165 948***	***138 869***
Total liabilities		***207 964***	***184 576***
Total equity and liabilities		***973 533***	***886 261***

March 27th, 2023

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	2022	2021
Operating activities			
Profit before tax		89 173	48 867
Paid taxes	20	(19 371)	(5 811)
Earn-out without cash effects	22	12 364	-
Gains/losses sold assets	23	(7)	-
Depreciation	13, 23	13 607	10 085
Amortisation of intangible assets	13	14 050	12 641
Accrued interest expense		-	-
Items classified as investing or financing activities		1 780	38 759
Net cash provided from operating activities before net working capital changes		***111 596***	***104 540***
Working capital adjustments:			
Changes in accounts receivable		(4 814)	(5 837)
Changes in deferred revenue		9 893	6 572
Changes in accounts payable		388	(67)
Changes in all other working capital items		(1 413)	1 316
Net cash provided from operating activities		***115 650***	***106 525***
Investing activities			
Investments in tangible and intangible assets	13, 23	(1 156)	(397)
Payments for acqusitions	6	(33 455)	(71 734)
Acquisition transaction costs	6	(952)	(5 775)
Payments for software development costs	13	(23 857)	(21 737)
Foreign currency effect		(72)	178
Net cash used in investing activities		***(59 492)***	***(99 465)***
Financing activities			
Cash proceeds from capital increases	24	4 881	551 287
Downpayment on loan facilities	17	(7 834)	(235 434)
Interest payments	17	(827)	(4 794)
Repayments of capital decreases	24	-	(208 973)
Repayments of lease liabilities	17	(7 537)	(6 783)
Other financial items	25	(8 079)	(21 407)
Net cash provided by (used in) financing activities		***(19 398)***	***73 896***
Net increase (decrease) in cash and cash equivalents		**36 760**	**80 956**
Cash and cash equivalents at the beginning of year		156 277	79 902
Foreign currency effects on cash and cash equivalents		(1 449)	(4 581)
Cash and cash equivalents at end of year	***17***	***191 587***	***156 277***

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	Own shares	Share premium	Other components of equity	Retained earnings	Non-controlling interests	Total equity
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***
Total equity 01.01.2022	***1 715***	***-***	***605 893***	***(5 990)***	***100 067***	***-***	***701 685***
Profit / (-) loss for the period	-	-	-	-	68 090	-	68 090
Other comprehensive income	-	-	-	(2 073)	-	-	(2 073)
Capital increase 13.07.2022	-	-	-	-	-	4 881	4 881
Purchase of own shares	-	(5)	-	-	(7 008)	-	(7 012)
Total equity 31.12.2022	***1 715***	***(5)***	***605 893***	***(8 064)***	***161 149***	***4 881***	***765 569***

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 Hvervenmoveien 45, 3511 Hønefoss, 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, Kvalitetskontroll, El-verdi and ELinn 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, 2022. 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 2022 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 percent of the voting power. SmartCraft ASA has 100 percent of the voting power in all subsidiaries, except for SMCRT MGMT 1 AS where the voting power is 80 percent and SmartCraft Software AS 99.8 percent.

Subsidiaries are included from the date control commences until the date control ceases. There were nine acquisitions completed during 2019-2022. 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, Kvalitetskontroll AS as of July 1st, 2021, SMCRT MGMT 1 AS as of June 1st, 2022, SmartCraft Software AS as of June 1st, 2022, Elverdi Norge AS as of June 1st, 2022 and Inprog AS as of October 1st, 2022.

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 percent 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 of 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 internal 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 harmonizes 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 6.63 % 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 2022.

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 no financial liabilities to lenders which bear an interest as of December 31st, 2022. See notes 22 and 27 for more information. The group has no hedging of interest risk.

Foreign exchange risk

As of December 31st, 2022, SmartCraft ASA has financial liabilities of TSEK 49 516, and financial assets of TEUR 4 524 and TSEK 69 236. Net amount in foreign currency translates to a financial asset of TNOK 66 205, and the exposure of foreign currency risk is considered low.

Amounts in NOK (thousands)	**Amount 31.12.2022**	**Effect on EBT + 5%**	**Effect on EBT - 5%**
Foreign exchange risk sensitivity			
Financial assets in foreign currency	113 013	5 651	(5 651)
Financial liabilities in foreign currency	(46 808)	(2 340)	2 340
Total for SmartCraft ASA	***66 205***	***3 310***	***(3 310)***

The Group earns revenue in NOK, SEK and EUR. All operating entities have all 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 the low/moderate. The calculated effect on revenue and EBITDA is based on a change of 5 percent in the currency rate for SEK and EUR towards NOK.

Amounts in NOK (thousands)	Revenue 2022	Effect on revenue +/- 5%	EBITDA 2022	Effect on EBITDA +/- 5%
Foreign exchange risk sensitivity				
SmartCraft Group consolidated	333 423	+/- 9 634	128 419	+/- 4 475

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 2022 include the identification and fair value of the acquired intangible assets in Elverdi Norge AS and Inprog AS. These are all discussed below in the specific relevant section.

Acquisition in 2022

In 2022 SmartCraft Norway AS has acquired 100% of the share capital and voting rights of two companies:

- June 1st, 2022, Elverdi Norge AS with the solution El-verdi that provides a digital sales tool for electricians. El-verdi further complements the SmartCraft solutions by adding important functionality to the SmartCraft portfolio. This acquisition was financed by cash transfer.
- October 1st, 2022, Inprog AS with the solution ELinn that provides a SaaS based service for craftsmen and contractors. ELinn further strengthens the SmartCraft portfolio in the electro domain even further. This acquisition was financed by cash transfer and a possible earn-out. The earn-out is calculated based on achieved EBITDA for FY2023. Management has assessed the likelihood of achieving the earn-out.

Purchase consideration:	*Amounts in NOK (thousands)*
Cash paid	30 650
Contingent consideration (fair value at date of acquisition)	***4 000***
Total purchase consideration	***34 650***

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	2 186
Receivables	1 925
Office machinery and equipment	16
Brand	1 654
Technology	13 776
Deferred tax asset	2 983
Customer relationships	1 270
Total assets	***23 810***
Short-term liabilities	6 014
Other long-term liabilites	5 177
Deferred tax liability	3 674
Total Liabilites	***14 864***
Net identifiable assets	***8 946***
Goodwill	25 704
Total consideration for the shares	***34 650***

Net profit for Elverdi Norge AS is included in the consolidated financial statements from June 1st, 2022, while Inprog AS is included from October 1st, 2022. For the year 2022 the companies' contribution to the SmartCraft Group amounted to TNOK 3 823 in revenues, an EBITDA of TNOK 1 844 and EBT of TNOK 730.

If the companies had been included from January 1st, the SmartCraft Group had ended the year with

TNOK 340 483 (+7 060) in revenues, an EBITDA of TNOK 129 591 (+1 172) and EBT of TNOK 88 986 (-187).

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

ELinn and El-verdi are digital industry system for electricians that covers orders, project management and the sales process. The solution is at an early stage in its life cycle but is popular among smaller and new established electrician companies.

The management places a significant value on the technology and estimates its value based on the cost incurred related to the development of the technology at the time of acquisition.

The brands are established in Norway and registered for use in Europe. The brands value is based on existing Norwegian customers and customer loyalty and the potential revenue growth for the brand.

Acquisition of Homerunbynet Oy

On May 1st, 2021, Congrid Oy acquired 100% of the share capital and voting rights of Homerunbynet Oy. Homerun provides a digital tool for construction project communication, document and procurement management. Homerun further complete 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 2021 with TNOK 274 397 (+3 635) in revenues, an EBITDA of TNOK 80 567 (+255) and PBT 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 2021 with TNOK 284 336 (+13 574) in revenues, an EBITDA of TNOK 79 128 (-1 184) and EBT of TNOK 46 649 (-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.

Note 7 Financial assets and financial liabilities

Amounts in NOK (thousands)	Category	31.12.2022	31.12.2021
Financial assets			
Current financial assets	FAAC	660	-
Accounts Receivable	FAAC	29 478	24 583
Accrued revenue	FAAC	416	707
Cash and cash equivalents	FAAC	191 587	156 277
Total financial assets		***222 141***	***181 567***
Financial liabilities			
Non-current financial liabilities	FLAC	-	1 158
VAT and other public taxes	FLAC	21 460	33 126
Accrued operating cost	FLAC	19 773	20 425
Accounts payable	FLAC	7 829	6 501
Current financial liabilities	FLAC	-	-
Other non-interest bearing liabilities [1)]	FLAC	20 063	8 018
Total financial liabilities		***69 124***	***61 210***

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

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)	**2022**	**2021**
Revenue from contracts with customers	333 423	270 762

Disaggregation of recurring and non-recurring revenue

Amounts in NOK (thousands)	**Revenue recognition**	**2022**	**2021**
Fixed price subscriptions	Over time	291 253	232 596
Transaction priced subscriptions (add-on features)	Point in time	29 169	24 918
Total recurring revenue		***320 423***	***257 514***
Non-recurring revenue	Point in time	13 001	13 248
Total revenue		***333 423***	***270 762***

Geographical distribution of revenue

Amounts in NOK (thousands)	**2022**	**2021**
Norway	140 742	108 360
Sweden	143 164	126 772
Finland	49 517	35 630
Total revenues	***333 423***	***270 762***

Deferred revenue

Amounts in NOK (thousands)	**31.12.2022**	**31.12.2021**
Opening balance	59 593	41 627
Revenue recognized in this period that was included in the deferred revenue balance at the beginning of the period	(59 593)	(41 627)
Aquired through business combinations	1 842	2 363
Additions in the period	68 094	57 230
Deferred revenue in balance sheet	***69 937***	***59 593***

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 through 2022 and for previous years have been 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)	**2022**	**2021**
Specialized construction	140 578	123 376
General construction	192 845	147 386
Total revenue	***333 423***	***270 762***

EBITDA

Amounts in NOK (thousands)	**2022**	**2021**
Specialized construction	70 823	64 749
General construction	80 451	50 704
Group/eliminiations	(22 854)	(35 141)
Total EBITDA	***128 419***	***80 312***

EBT

Amounts in NOK (thousands)	**2022**	**2021**
Specialized construction	65 682	60 891
General construction	58 340	43 843
Group/eliminations	(34 850)	(55 867)
Total EBT	***89 173***	***48 867***

Assets

Amounts in NOK (thousands)	**2022**	**2021**
Specialized construction	78 033	65 417
General construction	128 631	118 415
Group/eliminations	766 869	702 428
Total assets	***973 533***	***886 261***

From 2023 and going forward the Group will change the operating segments to countries as one focus area is to expand the solutions across borders. This also aligns with the organizational structure that has been settled during 2022 with Country Managers. As part of the new segments the local holding companies have been included in the country segments while with the old segments were included as part of the Group segment.

Revenue

Amounts in NOK (thousands)	**2022**	**2021**
Norway	140 742	108 268
Sweden	143 164	126 888
Finland	49 517	35 606
Total revenue	***333 423***	***270 762***

EBITDA

Amounts in NOK (thousands)	**2022**	**2021**
Norway	56 731	46 918
Sweden	74 033	60 079
Finland	15 465	6 550
Group/eliminations	(17 809)	(33 235)
Total EBITDA	***128 419***	***80 312***

EBT

Amounts in NOK (thousands)	**2022**	**2021**
Norway	50 770	42 660
Sweden	67 993	53 550
Finland	(59)	5 364
Group/eliminations	(29 532)	(52 707)
Total EBT	***89 173***	***48 867***

Assets

Amounts in NOK (thousands)	**2022**	**2021**
Norway	80 915	49 126
Sweden	98 159	92 906
Finland	27 590	18 805
Group/eliminations	766 869	725 424
Total assets	***973 533***	***886 261***

Note 10 Payroll and Related Expenses

Amounts in NOK (thousands)	**2022**	**2021**
Salaries	109 521	94 077
Social security costs	19 534	21 004
Governmental tax relief (SkatteFUNN)	(489)	(415)
Other personnel related costs	8 800	6 958
Pension expense defined contribution plans	9 834	5 099
Total payroll and related expences	**147 200**	**126 723**
Less capitalized personnell costs	18 463	21 737
Total payroll and related expenses recognized in the P&L	***128 737***	***104 986***
Average number of FTEs	183	161

Note 11 Management and Board of Directors Remuneration

Payments to Management and Board of Directors

			2022		
Amounts in NOK (thousands)	**Salary**	**Bonus**	**Pension benefit**	**Other remuneration**	**Total remuneration**
Gustav Line, CEO [1]	2 313	998	40	10	3 361
Kjartan Bø, CFO [2]	1 370	-	40	10	1 420
Christian Saleki, CTO	1 269	-	265	84	1 618
Gunnar Haglund, Chairman of the Board [3]	-	-	-	400	400
Carl Ivarsson, Board member [4]	-	-	-	-	-
Allan Engström, Board member [5]	-	-	-	-	-
Christina Skogster Stange, Board member	-	-	-	175	175
Marianne Røren, Board member [6]	-	-	-	215	215
Maria Danell, Board member	-	-	-	175	175
Bernt Ulstein, Board member [7]	-	-	-	185	185
Total	**4 952**	**998**	**345**	**1 254**	**7 549**

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. Haglund also serves as Chairman of the Audit Committee and Remuneration Committee.*
4. *Mr. Ivarsson represents Valedo Partners III AB on the Board of Directors. Mr. Ivarsson receives salary from Valedo and has refrained from remuneration as a member of the Board. Mr. Ivarsson also serves as a member of the Audit Committee.*
5. *Mr. Engström represents Valedo Partners III AB on the Board of Directors. Mr. Engström receives salary from Valedo and has refrained from remuneration as a member of the Board. Mr. Engström also serves as a member of the Remuneration Committee.*
6. *Ms. Røren also serves as a member of the Audit Committee.*
7. *Mr. Ulstein also serves as a member of the Remuneration committee.*

			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	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	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**	**6 144**

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 refrained from 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 refrained from 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.*

The Group Senior Executive Management consists of the Chief Officer Suite.

The Group has not given any loans or security deposits to the CEO, the Chairman of the Board or their related parties for either 2021 or 2022.

A bonus program exists for the Senior Executive Management 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 for the CEO is decided on by the Board of Directors.

The Group has issued a separate report for remuneration of Group Senior Executive Management in accordance with The Public Limited Liability Companies Act § 6-16b. The report is available at the Groups website smartcraft.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, Elverdi Norge AS and Inprog AS in 2022.

Goodwill

Amounts in NOK (thousands)	**2022**	**2021**
Acquisition cost 01.01	491 223	421 900
Additions	25 744	82 997
Currency translation	335	(13 675)
Acquisition cost 31.12	***517 302***	***491 223***
Impairment 01.01	-	-
Impairment	-	-
Accumulated impairment 31.12	-	-
Net value 31.12	***517 302***	***491 223***

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). Due to the changes in segments and restructuring of the Group in 2022, Cordel Norge AS has now been included in the CGU for SmartCraft Norway. No impairment losses are recognized during 2022. 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)	**2022**	**2021**
Cordel Norge AS	*incl. in Norway Group*	197 647
The SmartCraft Sweden Group	150 314	154 957
The Congrid Group	99 027	94 048
The SmartCraft Norway Group	267 961	44 570
Total	***517 302***	***491 223***

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 13 % and 15.2 % 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 14 % and 15.5 %. When testing for impairment in 2021 the applied 5-year CAGR were between 12 % and 26 % and WACC ranging from 10 % to 13 %.

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 a reasonable estimate for impairment purposes 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, 2022, 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. No such changes indicate impairment needs. Even with no growth after the budget/forecast period, it would not trigger impairment.

		Estimated change in impairment			
Key assumptions for 2022 *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	-	-	-	-

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. Activities related to maintenance of existing software have not been capitalized but is recognized in the income statement. Total additions in 2022 is TNOK 23 857 that is reduced by TNOK 571 due to government grants. Depreciations and write downs came to TNOK 3 524 in 2022. TNOK 31 291 has been recognized as R&D in the income statement (TNOK 28 150 in 2021). 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 and Elverdi Norge AS and Inprog AS in 2022. 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 and Elverdi Norge AS and Inprog AS in 2022 where the group acquired the Bygglet, EL-VIS, Congrid, Homerun, Kvalitetskontroll, El-verdi and ELinn 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 is replaced or substituted by continuous improvements.

Individual significant assets are:

- **Cordel:** The existing Cordel software has no allocated value as an asset. The new Cordel SaaS solution is included as capitalized development but is not finalized and is not depreciated as of December 31st, 2022.
- **Bygglet:** Bygglet is a true-SaaS born in the cloud solution with accessibility on multiple platforms, book value December 31st, 2022, is TNOK 11 344 and remaining useful life of 6 years.
- **EL-VIS:** The EL-VIS software is a modular solution offering mission critical services in the electricians' daily operations, book value December 31st, 2022, is TNOK 8 547 and remaining useful life of 6 years.
- **Congrid:** The Congrid solution is a cloud-based tool for complete project management in construction companies, book value December 31st, 2022, is TNOK 11 310 and remaining useful life of 8 years.
- **HomeRun:** The HomeRun solution is a digital tool for construction project communication, document and procurement management, book value December 31st, 2022, is TNOK 2 724 and remaining useful life of 8 years.
- **Kvalitetskontroll:** The Kvalitetskontroll solution is a cloud-based project management solution and quality assurance platform for construction companies, book value December 31st, 2022, is TNOK 16 337 and remaining useful life of 8 years.
- **El-verdi:** The El-verdi solution is a digital sales tool for electricians, book value December 31st, 2022, is TNOK 5 188 and remaining useful life of 9 years.
- **ELinn:** The ELinn solution is a cloud based solution for electricians to make offers and handle project management, book value December 31st, 2022, is TNOK 8 059 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 01.01.2022	44 892	90 016	69 952	14 083	218 943
Additions	-	1 270	14 239	1 812	17 321
Capitalized employee benefit and other expenses	23 286	-	-	-	23 286
Disposals	-	-	-	-	-
Foreign currency translation effect	(61)	(289)	23	(1)	(328)
Acquired cost 31.12.2022	***68 117***	***90 997***	***84 214***	***15 894***	***259 222***
Balance SmartCraft 01.01.2022	2 951	15 524	12 636	484	31 596
Amortization of the year	3 524	6 168	7 488	507	17 687
Accumulated amortization disposals	-	-	-	-	-
Accumulated amortization 31.12.2022	***6 475***	***21 692***	***20 124***	***991***	***49 283***
Carrying value 31.12.2022	***61 642***	***69 305***	***64 090***	***14 903***	***209 939***
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 01.01.2021	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	

Spesification of expensed research and development costs

Amounts in NOK (thousands)	2022	2021
Wages and personell costs	27 128	24 662
Consultancy	4 163	3 488
Total expenses	***31 291***	***28 150***

Note 14 Government Grants

Amounts in NOK (thousands)	2022	2021
Government grant booked as reduction in payroll expences	489	415
Government grant booked as reduction of the carrying value of the asset	571	-
Total government grants	***1 060***	***415***

The 2022 government grant has not been received in 2022 and is included in the Groups receivables.

Note 15 Accounts Receivable

Amounts in NOK (thousands)	31.12.2022	31.12.2021
Accounts receivable	30 477	25 325
Loss allowance	1 000	742
Total	***29 477***	***24 583***

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)	31.12.2022	31.12.2021
Accounts receivable NOK	6 528	3 969
Accounts receivable SEK	18 966	16 857
Accounts receivable EUR	4 983	4 499
Total	***30 477***	***25 325***

Aging of gross trade receivables

Amounts in NOK (thousands)	Total	Not overdue	< 30 days	30-60 days	60-90 days	>90 days
31.12.2022	30 477	24 649	3 544	1 064	391	829
Loss allowance	1 000	84	14	150	199	553
Book value 31.12.2022	***29 477***	***24 564***	***3 530***	***915***	***192***	***276***
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***

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, 2022, the Group has estimated TNOK 345 in loss allowance based on the ECL-model. In addition, the Group has other loss allowances of TNOK 655.

Amounts in NOK (thousands)	31.12.2022	31.12.2021
Opening balance 01.01.	742	433
Foreign currency translation effect	(4)	(7)
Acquired in business combinations	21	150
Net allowance / (reversal)	240	166
Closing balance 31.12.	***1 000***	***742***
Realised losses	***786***	***241***

Note 16 Other Current Assets

Other current assets

Amounts in NOK (thousands)	31.12.2022	31.12.2021
Prepaid expenses	5 769	3 574
Accrued revenue	416	-
Other accruals	1 394	1 413
Total Other current asset	***7 579***	***4 987***

Other current accruals consist primarily of accrued revenue, tax claim and prepayments to employees.

Note 17 Cash And Cash Equivalents

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

Amounts in NOK (thousands)	**31.12.2022**	**31.12.2021**
Cash at banks and on hand	188 873	153 841
Restricted cash balances	2 714	2 435
Total cash and cash equivalents	***191 587***	***156 277***

The Group had a Cash Pool with a credit facility of TNOK 13 000 that has not been utilized. The facility has been terminated during 2022.

Distribution of cash by currency

Amounts in NOK (thousands)	**31.12.2022**	**31.12.2021**
Cash Balances NOK	51 472	69 947
Cash Balances SEK	120 589	75 884
Cash Balances EUR	19 526	10 446
Total	***191 587***	***156 277***

Changes in liabilities arising from financing activities

Lease liabilities

Amounts in NOK (thousands)	**31.12.2022**	**31.12.2021**
Balance at the beginning of the period	16 865	16 775
Cash changes		
Principal payment to lessor	(7 537)	(6 783)
Interest payment to lessor	(560)	556
Non-cash changes		
Initial recognition	4 513	6 897
Accrued interest	560	549
Lease modifications	948	26
Foreign currency translation effect	(185)	(599)
Balance at the end of the period	***14 604***	***16 865***

Financial liabilities

Amounts in NOK (thousands)	31.12.2022	31.12.2021
Balance at the beginning of the period	1 158	236 216
Cash changes		
Cash proceeds received from lender	-	-
Principal payment to lender	(7 834)	(235 434)
Interest payment to lender	-	(791)
Non-cash changes		
Acquisition Elverdi Norge AS	2 357	-
Acquisition Inprog AS	4 320	
Acquisition Kvalitetskontroll AS	-	1 302
Delta accrued interest	-	-
Lease modifications	-	-
Foreign currency translation effect	-	(135)
Balance at the end of the period	***-***	***1 158***

Note 18 Accounts Payable

Amounts in NOK (thousands)	31.12.2022	31.12.2021
Accounts payable	7 829	6 501
Other	-	-
Total	***7 829***	***6 501***

All accounts payable to suppliers are due within 12 months.

Note 19 Other Current Liabilities

Amounts in NOK (thousands)	31.12.2022	31.12.2021
Payroll related liabilities	24 306	23 458
VAT	10 971	9 625
Accrued operating expenses	4 106	4 638
Earn-out for acqusitions	20 048	8 018
Pre-payments from customers	3 093	2 690
Accrued payroll and bonuses	1 962	2 033
Other	1 251	1 145
Total Other current liabilities	***65 736***	***51 607***

The liability for the earn-out for acquisitions are related to Homerunbynet Oy and Inprog AS.

The total liability related to Homerunbynet Oy has a net change of TNOK 7 611. A payment was made to the sellers of Homerunbynet Oy in 2022 of TNOK 5 257. The final earn-out has been determined in 2022 and the remaining TNOK 12 364 has been booked as a financial cost. The total foreign currency effects on the liabilities are TNOK 925.

The liability related to Inprog AS is estimated to TNOK 4 000 and have been included in the purchase price allocation.

Note 20 Taxes

Calculation of deferred tax/deferred tax benefit

Amounts in NOK (thousands)	**2022**	**2021**
Differences evaluated to be offset:		
Intangible assets arising from business combinations	147 589	145 236
Property, plant and equipment	1 684	(620)
Non-current receivables	4 382	6 310
Liabilities	381	-
Tax losses carry -forward	-	-
Other differences	3 933	1 262
Total	***157 969***	***152 189***
Deferred tax assets (-)	**-**	**-**
Deferred tax (+)	**35 015**	**34 637**
Deferred tax (-) / tax assets (+) in balance sheet of 31.12.		
Tax assets (-)/ deferred tax (+) Norwegian companies	11 347	8 455
Tax assets (-)/ deferred tax (+) foreign companies	23 668	26 182
Total tax assets (-) / deferred tax (+)	***35 015***	***34 637***

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

Amounts in NOK (thousands)	**2022**	**2021**
Total tax expense for the period		
Taxes payable on this years profit	24 291	12 822
Adjusted allocated tax from last year	-	-
Change in deferred tax for Norwegian companies	(834)	1 776
Change in deferred tax for foreign companies	(2 374)	(2 427)
Total	***21 083***	***12 171***
Tax rate	22%	22%
Taxes payable for the year		
Profit before tax	89 173	48 867
IFRS adjustments	-	-
Permanent differences	14 443	22 082
Change in temporary differences	11 498	1 534
Utilisation of previously unrecognised tax losses	(13 655)	(10 608)
Basis for taxes payable	***101 459***	***61 876***
Specification of taxes payable		
Taxes payable on this years profit	21 262	12 628
Advance tax payment, foreign companies	(8 424)	427
Tax reduction by SkatteFunn grant	(1 233)	-
Tax obligation related to merger or acquisition	-	16
Carried forward tax compensation	3 239	1 146
Total taxes payable	***14 845***	***14 216***
Reconciling the tax cost		
Earnings before tax	89 173	48 867
Calculated tax at 22 %	19 618	10 751
Tax result permanent differences and tax rate difference	3 580	1 420
Use of previously unrecognised loss carried forward (-) / Increase in valuation allowance	(2 129)	-
Adjusted allocated tax from last year	13	-
Tax expense	***21 083***	***12 171***

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)	2022	2021
Miscellaneous office expenses	2 825	2 169
Short term and low value leases*	4 186	2 488
Fixtures and fittings	4 434	3 496
External services	13 841	32 831
Travel	3 942	3 206
Marketing	11 217	7 179
Loss on receivables	786	489
Transaction costs on acquisitions	952	5 775
Other	6 813	4 965
Total	***48 996***	***62 598***

Note: **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 except TNOK 44 that are included VAT). The table below shows the cost to auditors of the different entities in 2021 and 2022. Other audit related services in 2022 are mainly related to attestation required as part of the restructuring of the Group, while it in 2021 was related to the IPO process.

Amounts in NOK (thousands)	2022	2021
Statutory audit	1 220	653
Other audit related services	261	2 409
Tax consultant services	-	-
Other non-assurance services	-	125
Total	***1 482***	***3 187***

Note 22 Financial Items

Amounts in NOK (thousands)	**2022**	**2021**
Interest income	895	783
Exchange rate gains	16 289	4 830
Other financial income	4	2
Financial income	***17 188***	***5 615***
Interest expense	1 104	5 753
Interest expense on lease liabilties	-	565
Exchange rate losses	15 187	7 154
Other financial expense	122	864
Financial expense	***16 413***	***14 334***
Change in earnout	12 364	-
Net financial items	**(11 589)**	**(8 720)**

The Group had a loan facility that was repaid during 2021. When acquiring Elverdi Norge AS and Inprog AS the Group also acquired financial liabilities to financial institutions that have been repaid during 2022. Change in contingent considerations and other liabilities for 2022 are the remaining of earn-out related to the acquisition of Homerunbynet Oy in 2021. The final earn-out for Homerunbynet Oy has been finalized based on events after the acquisition date and has been measured at fair value and recognized in profit and loss.

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 01.01.2022	1 424	8 981	10 405
Additions	-	1 003	1 003
Acquisitions of a subidiary	-	16	16
Disposals	(302)	(269)	(571)
Foreign currency translation effect	-	(55)	(55)
Acquried cost 31.12.2022	***1 122***	***9 676***	***10 798***
Accumulated depreciation and impairment			
Balance SmartCraft 01.01.2022	146	5 527	5 673
Depreciation of the year	207	1 662	1 869
Impairment of the year	-	-	-
Accumulated depreciation disposals	-	(58)	(58)
Accumulated depreciation and impairments 31.12.2022	***353***	***7 131***	***7 483***
Carrying value 31.12.2022	***769***	***2 545***	***3 314***

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)	**Office buildings (Right-of-use assets)**	**Vehicles (Right-of-use assets)**	**Machinery (Right-of-use assets)**	**Total**
Balance SmartCraft 01.01.2022	28 264	4 286	645	33 195
Additions	4 081	616	-	4 697
Acquisitions of a subidiary	764	-	-	764
Disposals	-	-	-	-
Foreign currency translation effect	(178)	(39)	-	(217)
Acquried cost 31.12.2022	***32 931***	***4 863***	***645***	***38 439***
Accumulated depreciation and impairment				
Balance SmartCraft 01.01.2022	13 628	2 021	537	16 186
Depreciation of the year	6 773	1 221	107	8 101
Impairment of the year	-	-	-	-
Accumulated depreciation disposals	-	-	-	-
Accumulated depreciation and impairments 31.12.2022	***20 401***	***3 242***	***645***	***24 288***
Carrying value 31.12.2022	***12 530***	***1 621***	***0***	***14 152***

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***

Interest expense relating to lease recognized in the income statement for 2022 was TNOK 560 and NOK 565 in 2021. Total cash outflows for leases in 2022 was TNOK 7 537 and NOK 6 854 in 2021.

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 2022 the total expenses related to contracts with exception for short-term leases or low-value assets were TNOK 1 367. Next year's obligations related to contracts with exception from IFRS 16 is TNOK 865.

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
SMCRT MGMT 1 AS	80%	80%	2022	Hønefoss, Norway	NOK
SmartCraft Software AS	99.8 %	99.8 %	2022	Hønefoss, Norway	NOK
SmartCraft Norway AS (indirect)	100%	100%	2021	Hønefoss, Norway	NOK
Cordel Norge AS (indirect)	100%	100%	2017	Ålesund, Norway	NOK
Kvalitetskontroll AS (indirect)	100%	100%	2021	Rong, Norway	NOK
Elverdi Norge AS (indirect)	100%	100%	2022	Svolvær, Norway	NOK
Inprog AS (indirect)	100%	100%	2022	Verdal, Norway	NOK
SmartCraft Sweden AB (indirect)	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 (indirect)	100%	100%	2020	Helsinki, Finland	EUR
Homerunbynet OY (indirect)	100%	100%	2021	Iisalmi, Finland	EUR

When establishing the LTIP invited personnel signed up for 20 % of the shares in SMCRT MGMT AS. The signing was a total of TNOK 4 881.

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

As of December 31st, 2022, 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.

SmartCraft ASA shareholders as of December 31st, 2022

Shareholders	Number of common shares	Percent of shareholding
Valedo Partners III AB	67 903 692	39.6 %
State Street Bank and Trust Comp	24 018 025	14.0 %
Bernt Ulstein (via B. Ulstein AS)	10 736 010	6.3 %
The Northern Trust Comp, London Br	4 475 443	2.6 %
Skandinaviska Enskilda Banken AB	3 938 930	2.3 %
Svenska Handelsbanken AB	3 501 241	2.0 %
HSBC Bank Plc	3 491 134	2.0 %
Swedbank AB	3 061 264	1.8 %
J.P. Morgan SE	2 880 411	1.7 %
BNP Paribas	2 411 904	1.4 %
Clearstream Banking S.A.	2 297 996	1.3 %
State Street Bank and Trust Comp	2 289 190	1.3 %
BNP Paribas SA Luxembourg	2 243 964	1.3 %
J.P. Morgan SE	2 211 887	1.3 %
Gustav Line (via Line Invest AS)	2 078 025	1.2 %
State Street Bank and Trust Comp	2 020 557	1.2 %
CACEIS Bank	1 662 344	1.0 %
Gunnar Haglund, Chairman of the Board (via Skarvhaugen Förvaltning AB)	1 004 800	0.6 %
Marianne Bergman Røren, Board member	5 617	0.0 %
Maria Danell, Board member	5 617	0.0 %
Christine Skogster Stange, Board member	589	0.0 %
Kjartan Bø, CFO (via KBI AS)	298 000	0.2 %
Christian Saleki, CTO	18 149	0.0 %
Other (< 1%)	28 967 516	16.9 %
Total	***171 522 305***	***100.0 %***

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 AB)	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	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 %***

Note 25 Earning Per Share

Amounts in NOK (thousands)	2022	2021
Profit for the year due to holders of shares	68 090	36 696
Profit allocated to redeemed preferance shares	-	7 282
Profit for the year allocated to common shares	68 090	29 413
Average numbers of common shares	171 484 845	155 857 151
Earning per share and diluted earnings per share	***NOK 0.40***	***NOK 0.19***

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.

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 has during 2022 bought 451 001 own shares at total of TNOK 7 012 as part of a share buy-back program. The buy-back program was authorized by the Extraordinary General Meeting held November 2nd, 2022 and is managed by Carnegie.

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

2022	Own shares	Number of shares	Ytd average
01.01.2022		171 522 305	143 796 782
November	216 759	171 305 546	13 149 273
December	234 242	171 071 304	14 538 791
Shares outstanding 31.12	***451 001***	***171 071 304***	***171 484 845***

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 2021. There are no such transactions in 2022. 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 31.08.2019. From 01.09.2019 Bernt Ulstein has an hourly based consultancy contract. Bernt Ulstein is also a member of the Board of Directors and remuneration committee, for which he receives remuneration.

Note 27 Current And Non-Current Financial Liabilities

Current financial liabilities

Amounts in NOK (thousands)	31.12.2022	31.12.2021
Current portion of loan facilities	-	-
Accrued interest	-	-
Other	7 602	6 952
Total current financial liabilities at 31.12	***7 602***	***6 952***

Non-current financial liabilities

Amounts in NOK (thousands)	Lease liabilities	Financial liabilities	Total
Less than 1 year	8 647	-	8 647
1-2-years	4 110	-	4 110
2-3 years	1 579	-	1 579
3-4 years	974	-	974
4-5 years	663	-	663
More than 5 years	537	-	537
Total undiscounted financial liabilities at 31.12	***16 510***	***-***	***16 510***

Covenants

There are no financial liabilities related to external loans as of December 31st, 2022. The Group has no covenants regarding its financial liabilities.

Collateral

The Group had no collateral related to the financial liabilities as of December 31st, 2022.

Note 28 Subsequent Events

There is increasing unrest in the financial sector. This has no significant direct effect on the Group but may indirectly affect the Group negatively as our customer's customer may face challenges in funding new projects. The rising infation enhances the challenges of securing satisfactory funding.

There have been no other significant subsequent events that could affect the Group financial statements as of December 31st, 2022.

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)	2022	2021
Revenue from customers	333 423	270 762
Total operating revenue	***333 423***	***270 762***

Amounts in NOK (thousands)	2022	2021
EBITDA	128 419	80 312
Adjustments of special items	2 911	28 359
Adjusted EBITDA	***131 331***	***108 671***
EBITDA-margin	*38.5 %*	*29.7 %*
Adjusted EBITDA-margin	*39.4 %*	*40.1 %*

Amounts in NOK (thousands)	2022	2021
Adjusted EBITDA	131 331	108 671
Capitalized development expenses	23 857	21 737
Adjusted EBITDA - CAPEX margin	***32.2 %***	***32.1 %***

		2022	2021
Annual Recurring Revenue (ARR) (EoP)	TNOK	318 348	266 843
Recurring revenue		96.1 %	94.9 %
Average Revenue per Customer (ARPC)	NOK	27 857	26 994
Churn rate (R12m)		*6.1 %*	*6.3 %*

Financial statements - SmartCraft ASA

Revenue statement

Amounts in NOK (thousands)	Note	2022	2021
Operating income and operating expenses			
Revenue	1	11 332	8 292
Total income		***11 332***	***8 292***
Employee benefits expense	2	11 225	8 519
Depreciation and amortisation expenses	3, 4	19	0
Other expenses	2, 5	6 623	23 197
Total expenses		***17 866***	***31 716***
Operating profit		***(6 534)***	***(23 424)***
Financial income and expenses			
Income from subsidiaries		31 455	64 194
Interest income from group companies		2 728	1 553
Other interest income	6	875	219
Other financial income	6	16 190	4 821
Interest expense to group companies		686	255
Other interest expenses	6	1 406	5 639
Other financial expenses	6	14 718	8 059
Net financial items		***34 437***	***56 834***
Net profit before tax		27 903	33 410
Income tax expense	7	6 143	1 205
Net profit / loss	***12***	***21 760***	***32 206***
Distributed profit / loss			
Other equity		21 760	32 206
Total distributed		***21 760***	***32 206***

Balance sheet

Assets

Amounts in NOK (thousands)	Note	2022	2021
Non-current assets			
Concessions, patents, licences, trademarks, and similar rights	4	446	-
Total intangible assets		***446***	***-***
Equipment and other movables	3	16	-
Total property, plant and equipment		***16***	***-***
Non-current financial assets			
Investments in subsidiaries	8	507 786	488 123
Total non-current financial assets		***507 786***	***488 123***
Total non-current assets		***508 248***	***488 123***
Current assets			
Debtors			
Other short-term receivables		435	113
Receivables from group companies	9	184 728	104 814
Total receivables		***185 163***	***104 927***
Cash and cash equivalents	10	67 617	68 242
Total current assets		252 780	173 169
Total assets		***761 028***	***661 292***

Equity and liabilities

Amounts in NOK (thousands)	Note	2022	2021
Equity			
Contributed equity			
Share capital	11	1 715	1 715
Treasury stock	11, 13	(5)	-
Share premium reserve		605 893	605 893
Total contributed equity		***607 603***	***607 608***
Retained earnings			
Other equity		61 299	46 547
Total retained earnings		***61 299***	***46 547***
Total equity	***12***	***668 902***	***654 155***
Liabilities			
Deferred tax	7	1 069	1 388
Total provisions		***1 069***	***1 388***
Current liabilities			
Trade payables		232	1 201
Tax payable	7	6 462	1 146
Public duties payable		545	696
Liabilities to group companies	9	79 990	-
Other current liabilities	14	3 826	2 706
Total current liabilities		***91 056***	***5 749***
Total liabilities		***92 125***	***7 137***
Total equity and liabilities		***761 028***	***661 292***

March 27th, 2023

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	2022	2021
Cash flows from operating activities			
Profit/loss before tax		27 903	33 410
Tax paid		(1 146)	(1 705)
Ordinary depreciation	3, 4	19	-
Change in accounts receivable		-	3 662
Change in accounts payable		(969)	(389)
Items classified as investment or financing activities		1 406	5 639
Change in other accrual items		647	837
Net cash flows from operating activities		***27 861***	***41 455***
Cash flows from investment activities			
Payments to buy tangible assets		(481)	-
Payments to buy shares and participations in other companies		(19 663)	(1 530)
Group contributions		64 194	19 972
Net cash flows from investment activities		***44 050***	***18 442***
Cash flows from financing activities			
Repayment of long-term liabilities		-	(232 481)
Proceeds from equity		-	567 891
Repayments of equity		-	(208 973)
Change in intercompany debt		(17 580)	(127 839)
Change in cashpool account		(46 537)	9 193
Interest paid		(1 406)	(5 639)
Other financial items	13	(7 012)	-
Net cash flows from financing activities		***(72 536)***	***2 152***
Net change in cash and cash equivalents		(625)	62 050
Cash and cash equivalents at the start of the period		68 242	6 192
Cash and cash equivalents at the end of the period	***10***	***67 617***	***68 242***

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 fixed assets

Fixed assets consist of assets intended for long-term ownership and use. Fixed assets are valued at acquisition cost less depreciation and write-downs. Long-term liabilities are entered on the balance sheet at the nominal amount at the time of the transaction.

Plant and equipment is capitalised and appreciated over the economic lifetime of the asset. Significant items of plant and equipment that consist of several material components with different lifetimes are broken down in order to establish different depreciation periods for the different components. Direct maintenance of plant and equipment is expensed on an ongoing basis under operating costs, while additions or improvements are added to the asset's cost price and depreciated in line with the asset. Plant and equipment is written down to the recoverable amount in the event of a fall in value that is not expected to be temporary. The recoverable amount is the higher of the net sales value and the value in use. Value in use is the present value of future cash flows related to the asset. The write-down is reversed when the basis for the write-down is no longer present.

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 Sales income

Amounts in NOK (thousands)	2022	2021
By business area		
Management services	11 332	8 292
Total	***11 332***	***8 292***
Geographic breakdown		
Norway	7 867	3 618
Sweden	2 401	3 377
Finland	1 065	1 297
Total	***11 332***	***8 292***

Note 2 Salary costs and benefits, remuneration to the chief executive, board and auditor

Salary cost

Amounts in NOK (thousands)	2022	2021
Salaries	7 522	5 972
Employment tax	1 067	827
Pension costs	138	94
Other benefits	2 498	1 626
Total	***11 225***	***8 519***

In 2022 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)	Chief Executive Officer	Board
Salaries	2 313	-
Pension costs	40	-
Other remuneration	1 008	1 150
Total	***3 361***	***1 150***

If the company terminates the employment the CEO is entitled to 6 monts' salary after a 6 month termination period. There are no loans or collateral granted the CEO or members of the Board. SmartCraft ASA has prepared a report for remuneration to leading personnel in accordance with the Accounting Act § 7-31b.

Auditor

Audit fees expensed for 2022 amount to NOK 568 excl. VAT. In addition there is a fee for other services of NOK 74 excl. VAT. Other services are mainly related to confirmations required in relation to establishing the LTIP in 2022.

Note 3 Tangible assets

Amounts in NOK (thousands)	Equipments and other movables	Total
Acquisition cost 01.01.2022	-	-
Inflow of purchased tangible assets	17	17
Acquisition cost 31.12.2022	***17***	***17***
Accumulated depreciations 31.12	1	1
Book value 31.12.2022	***16***	***16***
Acc. depreciations and write-downs 01.01.2022	-	-
This year's depreciation	1	1
Acc. depreciations and write-downs 31.12.2022	***1***	***1***
Economic lifetime	3-5 years	
Decreciation plan	Linear	

Note 4 Intangible assets

Amounts in NOK (thousands)	Equipments and other movables	Total
Acquisition cost 01.01.2022	-	-
Inflow of purchased tangible assets	464	464
Acquisition cost 31.12.2022	***464***	***464***
Accumulated depreciations 31.12	19	19
Book value 31.12.2022	***446***	***446***
Acc. depreciations and write-downs 01.01.2022	-	-
This year's depreciation	19	19
Acc. depreciations and write-downs 31.12.2022	***19***	***19***
Economic lifetime	10 years	
Decreciation plan	Linear	

Note 5 Individual transactions

In 2022 the company has performed a restructuring of the Group companies as part of implementing a Long Term Investment Program. As part of the restructuring the shares in SmartCraft Norway AS, SmartCraft Sweden AB and Congrid Oy were transferred to SmartCraft Software AS, while the shares in Cordel Norge AS were transferred to SmartCraft Norway AS. The transferred have been booked at fair value but due to the requirement of continuity for non-transactions in accordance with the Accounting Act the gains of TNOK 2 052 255 have been reversed.

In 2021 the company went through a Initial Public Offering process and the subsequent listing on Oslo Stock Exchange. The annual account for 2021 inlcluded costs related to the process of TNOK 20 287 which was posted to other operating expenses.

Note 6 Items that are aggregated in the accounts

Finacial income

Amounts in NOK	**2022**	**2021**
Interest income CashPool	875	219
Agio	16 190	4 821
Total financial income	***17 065***	***5 041***

Financial costs

Amounts in NOK	**2022**	**2021**
Interest costs from companies in the same group	-	255
Interest and provisions for CashPool	1 402	-
Other interest expenses	5	5 639
Disagio	14 718	7 106
Total financial costs	***16 124***	***13 000***

Note 7 Tax

This year's tax expense

Amounts in NOK (thousands)	2022	2021
Entered tax on ordinary profit/loss:		
Payable tax	6 462	-
Changes in deferred tax	(319)	1 205
Tax expense on ordinary profit/loss	***6 143***	***1 205***
Taxable income:		
Ordinary result before tax	27 903	33 410
Permanent differences	(31 435)	(47 127)
Changes in temporary differences	1 450	(5 477)
Received intra-group contribution	31 455	19 194
Taxable income	***29 373***	***-***
Payable tax in the balance:		
Payable tax on this year's result	(458)	(3 077)
Payable tax on received Group contribution	6 920	4 223
Total payable tax in the balance	***6 462***	***1 146***
Calculation of effective tax rate		
Profit before tax	27 903	33 410
Calculated tax on profit before tax	6 139	7 350
Tax effect of permanent differences	4	(6 145)
Total	***6 143***	***1 205***
Effective tax rate	*22.0 %*	*3.6 %*

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)	2022	2021	Difference
Tangible assets	4	-	(4)
Long-term receivables and liabilities in foreign currency	4 857	6 310	1 454
Total	***4 860***	***6 310***	***1 450***
Basis for deferred tax	***4 860***	***6 310***	***1 450***
Deferred tax (22 %)	***1 069***	***1 388***	***319***

Note 8 Subsidiaries, associated companies etc.

Amounts in NOK (thousands) Subsidiary	Office	Acquisition registered	Ownership interest	Book value	Share of equity	Share of result
SmartCraft Software AS	Hønefoss, NOR	2022	99.8 %	488 263	511 718	(6)
SMCRT MGMT 1 AS	Hønefoss, NOR	2022	80 %	19 523	19 510	3
Total				***507 786***		

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 2022, equity is converted to the closing rate at December 31st, 2022.

In 2022 the shares in SmartCraft Norway AS, SmartCraft Sweden AB, Congrid OY and Cordel Norge AS was transferred to SmartCraft Software AS as part of a group restructuring. The remaining ownership in SmartCraft Software AS is owned by SMCRT MGMT 1 AS.

Note 9 Intercompany items between companies in the same group etc.

	Customer receivables		Other receivables	
Amounts in NOK (thousands)	**2022**	**2021**	**2022**	**2021**
Companies in the same group	-	-	184 728	193 197
Total	**-**	**-**	***184 728***	***193 197***

	Debt to suppliers		Other long-term liabilities	
Amounts in NOK (thousands)	**2022**	**2021**	**2022**	**2021**
Companies in the same group	-	-	79 990	88 383
Total	**-**	**-**	***79 990***	***88 383***

Note 10 Bank deposits

Funds standing on the tax deduction account (restricted funds) are TNOK 274.

SmartCraft ASA is the owner of the Cash Pool organized together with Cordel Norge AS and SmartCraft Norway AS.

Note 11 Shareholders

Share capital in Smartcraft ASA pr. December 31st 2022 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 2022 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 %
Bernt Ulstein, Board member (via B.Ulstein AS)	10 736 010	6.3 %
The Northern Trust Comp, London Br	4 475 443	2.6 %
Skandinaviska Enskilda Banken AB	3 938 930	2.3 %
Svenska Handselsbanken AB	3 501 241	2.0 %
HSBC Bank Plc	3 491 134	2.0 %
Swedbank AB	3 061 264	1.8 %
J.P. Morgan SE	2 880 411	1.7 %
BNP Paribas	2 411 904	1.4 %
CLEARSTREAM BANKING S.A.	2 297 996	1.3 %
State Street Bank and Trust Comp	2 289 190	1.3 %
BNP Paribas	2 243 964	1.3 %
J.P. Morgan SE	2 211 887	1.3 %
Gustav Line, CEO (via Line Invest AS)	2 078 025	1.2 %
State Street Bank and Trust Comp	2 020 557	1.2 %
CACEIS Bank	1 662 344	1.0 %
Tjenssen AS	1 610 104	0.9 %
JPMorgan Chase Bank, N.A., London	1 566 680	0.9 %
Avanza Bank AB	1 480 127	0.9 %
Gunnar Haglund, Chairman of the Board (via Skarvhaugen Förvaltning AB)	1 004 800	0.6 %
Kjartan Bø, CFO (via KBI AS)	298 000	0.2 %
Christian Saleki, CTO	18 149	0.0 %
Marianne Bergmann Røren, Board member	5 617	0.0 %
Maria Danell, Board member	5 617	0.0 %
Christina Skogster Stange, Board memeber	589	0.0 %
Other	24 310 605	14.2 %
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 12 Equity

Amounts in NOK (thousands)	Share capital	Treasury shares	Share premium	Other equity capital	Total equity capital
Pr. 31.12.2021	1 715	-	605 893	46 547	654 155
Purchase of treasury shares	-	(5)	-	(7 008)	(7 012)
Result of the year	-	-	-	21 760	21 760
Pr 31.12.2022	***1 715***	***(5)***	***605 893***	***61 299***	***668 902***

Note 13 Treasury shares

During 2022 the company acquired 451 001 shares in the market at TNOK 7 012. The purchase of shares are in accordance of the share buy-back program authorized by an Extraordinary General Meeting held November 2nd, 2022. The buy-back program is managed by Carnegie.

Development in the company's purchase of treasury shares

Amounts in NOK	Number of shares	Par value per share	Total amount	Amount of share capital
Result of the year	451 001	0.01	4 510	0.3 %
Pr 31.12.2022	***451 001***	***0.01***	***4 510***	***0.3 %***

Note 14 Provisions for liabilities

Short-term provisions

Amounts in NOK (thousands)	Restructuring	Accrued costs	Total
Balance 01.01.2022	-	2 706	2 706
Provisions	1 021	2 805	3 826
Provisions utilised	-	(2 706)	(2 706)
Balance 31.12.2022	***1 021***	***2 805***	***3 826***

There are no contingent liabilites as of December 31st, 2022.

Note 15 Financial market risk

Smartcraft ASA have a limited activity other than 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, 2022, SmartCraft ASA has financial liabilities of TSEK 49 516, and financial assets of TEUR 4 524 and TSEK 69 236. The exposure of foreign currency is concidered low.

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 2022, the Revenue statement and Indirect cash flow 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 2022, 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 2022, and its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, 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 relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 6 years from the election by the general meeting of the shareholders on 3 March 2017 for the accounting year 2017.

PricewaterhouseCoopers AS, Dronning Eufemias gate 71, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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. The company's business activities are largely unchanged compared to last year. Impairment of goodwill holds the same risks as last year, and continue to be in our focus.

Key Audit Matters	How our audit addressed the Key Audit Matter
Impairment of goodwill	
At the balance sheet date, the net book value of goodwill was NOK 517 302 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 2022. 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 impairment of 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 and comparing the forecast for 2023 to budgets approved by the board of directors. 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 found 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 appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

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 and 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's 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 Requirement on European Single Electronic Format (ESEF)

Opinion
As part of the audit of the financial statements of Smartcraft ASA, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name smartcraftasa-2022-12-31-en, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities
Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

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, 27 March 2023
PricewaterhouseCoopers AS

Jone Bauge
State Authorised Public Accountant

SmartCraft

BETTER DIGITAL TOOLS