SmartCraft

BETTER DIGITAL TOOLS

Q1 2023 REPORT

Contents

Our passion is to simplify business for construction companies

SmartCraft's mission is to streamline operations and free up time for construction companies, so they can generate additional revenue instead of spending evenings and weekends with planning, purchasing, invoicing and documentation. This is especially true for small and medium enterprises, but our specialized software is also used by large installation companies, as many of the processes in the field and in the office are the same. In the future, well-functioning and efficient processes will be necessary for craftsmen and contractors to keep up with competition.

Our solutions are used by our customers even before they have won a contract. As a natural part of the sales process, our solutions enable our customers to be more efficient and precise in their offers. Official requirements and regulations, for example with regards to health and safety as well as quality control, become increasingly comprehensive and end-customers require more documentation of the work being done. Nevertheless, the construction industry is today one of the least digitized. We are more convinced than ever that this will change rapidly in the years to come. Those who remain passive and stick with their analogue processes will be left behind.

BEST-OF-BREED

We offer best-of-breed software. This means that our solutions are tailormade for each of the niches we focus on. The best solution for a plumber is not necessarily ideal for a carpenter – and electricians have their specific requirements too. Since we were founded in 1987, we have followed this philosophy, which means that we over time have built deep insight and competency regarding the business models and workflows of our customers. At the same time, we increasingly collaborate across the group and solutions when it comes to customer insight, product and technology, development and sales. Our goal is always to provide the most efficient and productive solutions to our customers. We expect to invest 9% of our revenue in product and technology development in 2023 to further increase future revenue potential.

The craftsman's office is in the car or outside on a worksite. Our solutions are seamlessly available on smartphones and tablets for field workers and on rich web clients at the desktop for people in the office. Hence, SmartCraft users can use digital tools throughout the day in every step of the process. All the way from producing a quotation, project planning and work-order to project documentation, salaries and invoicing.

ADDING VALUE THROUGHOUT THE CUSTOMER JOURNEY

MASSIVE MARKET AND LOW TAKE-RATE

In our existing markets there are about 260 000 companies in the construction industry. As a market leader we have 12 000 customers, showcasing the low market penetration. Most of these are SME companies where our solutions are a great fit. Calculations show that the potential market size was above NOK 10 billion in the Nordics alone in 2021. This market is expected to grow annually by double digits in the period 2020-2025 and we are deeply committed to remaining a leading player and a driving force in the industry going forward. It is essential for us to ensure that the purchase decision for new customers is easy. Our solutions are cloud based and easy to implement. Looking at the cost per month for a new SmartCraft customer, the take-rate is very low compared to the total cost base. For a customer, the return on investment is immense.

STRONG GROWTH DRIVERS FOR DIGITALIZATION OF AN ATTRACTIVE SME CONSTRUCTION MARKET

Lack of skilled workers

- Need for skilled construction workers globally
- Aging workforce and lack of recruitment

Digitally maturing users and software

- Apps and SaaS solutions drive adoption
- Younger more digital workforce

Increasing demand for detailed digital documentation

- Regulatory offices
- Consumers

Long tail of service needs in private and public sector

- Increasing aging buildings in need of renovation
- Services include renovation, upgrades and maintenance of existing buildings

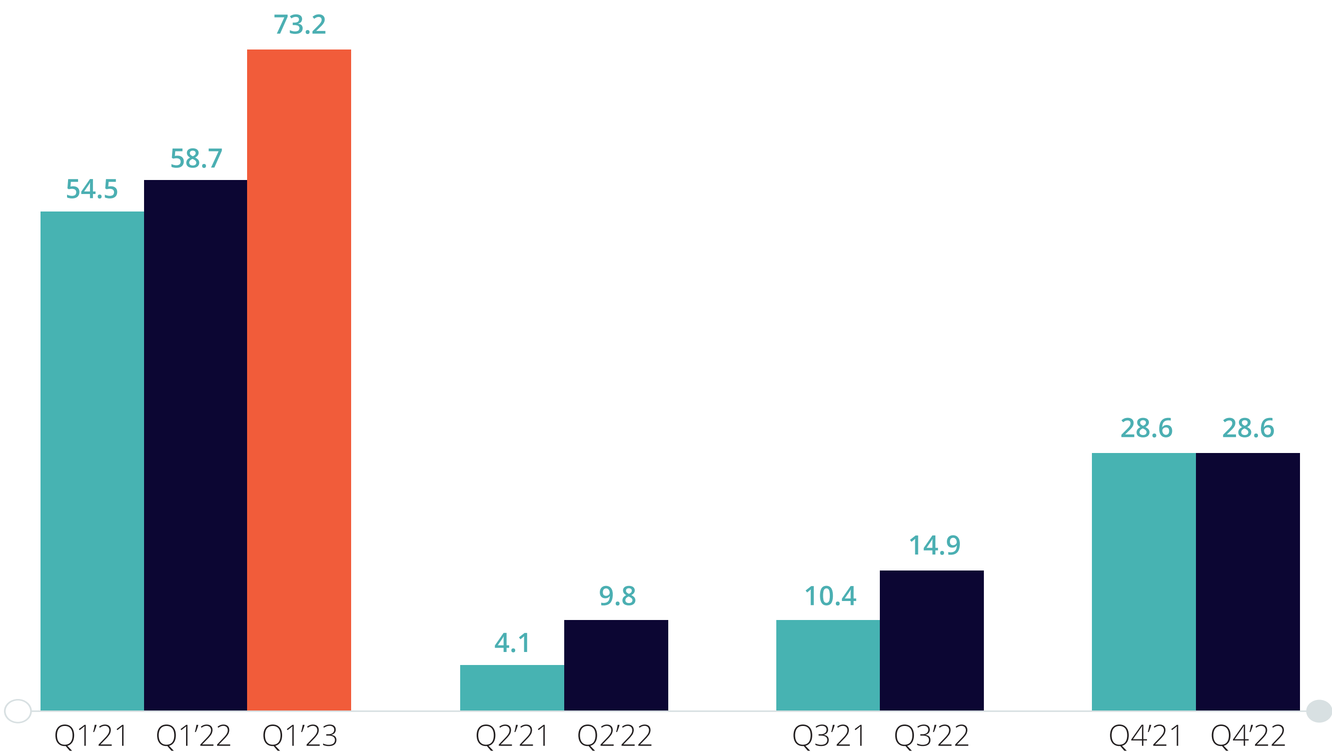
ATTRACTIVE BUSINESS MODEL

The story of SmartCraft has for many years been the story of profitable growth. We love our cloud-based Software-as-a-Service model for many reasons. One being the fact that the cost of adding one additional customer or user is minimal. This, combined with an efficient sales and marketing organization and a gross margin above 90 percent, gives us a strong business model. We are increasing our revenue by 15-20 percent organically and expect to do so for years to come, and we have been able to combine this with an adjusted EBITDA margin around 40 percent. We are continuously investing in product development to secure future growth, but in the profitable growth mindset we are focusing on maintaining a high margin before any capitalization is made.

Another strength of our business model is the long revenue visibility and hence low risk related to our cash flows. Once onboard, our customers stay with us for many years and we see a low annual churn, which was 7 percent in Q1 2023 (trending down in the quarter).

With our flexible business model we generate cash every quarter and every year.

OPERATING CASH FLOW, MNOK



SIGNIFICANT GROWTH AMBITIONS

Looking ahead, we continue to follow our strategy of profitable organic growth and M&A driven consolidation. We have a strong financial foundation following the successful listing on Oslo Børs in 2021, providing a solid balance sheet and a broad, international investor base. Hence, our growth strategy is fully funded. Additionally, with a high cash conversion we are constantly increasing our M&A capabilities. Our primary focus going forward is organic growth in the Nordics through upselling to existing customers, by winning new customers and by cross selling on our customer bases. Secondly, we are pursuing M&A opportunities both in existing and new geographies and are in dialogue with several companies. At the same time, we are patient. Capital discipline has high priority and we will only pursue the right acquisition target at the right price.

Organic growth: Further optimization of marketing and sales

Win new customers

Upsales to existing customers

Cross sell on existing portfolio

M&A in existing and new geographies

Proven M&A track record

Detailed M&A methodology

Active M&A pipeline

HISTORICAL KEY FIGURES

Amounts in NOK (thousands)

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

Letter from the CEO

SmartCraft continues the growth journey, and I am pleased to announce that we deliver in accordance with our medium-term guiding for the eighth quarter in a row. Our annual recurring revenue (ARR) rose to NOK 347 million, which is 24 percent higher than the first quarter of 2022, and 9 percent higher than at the end of 2022.

We continue to see solid demand in a market challenged with inflation and uncertainty. Our main markets, Norway and Sweden, experience a healthy market with good customer activities building a strong pipeline. In Finland we are somewhat more exposed to the downturn in the new construction market, as we have larger construction customers in this region. Therefore, we focus on the renovation part of the construction industry, a part of the industry where we have a long history and a strong offering. Renovation is the largest sub-segment of the construction industry and is expected to continue to grow.

We have over the last years consistently focused on converting customers to recurring revenue models, and in the first quarter 97 percent of our revenue was recurring. Combined with consistent low churn and the fact that software subscriptions are paid in advance, secures a predictable financial development and solid and secure cash contribution.

We maintain our high profitability and in the first quarter of 2023 our EBITDA margin was 42 percent, up 2 percentage points from the first quarter of 2022. The strong EBITDA margin is a result of our long-term focus to scale the business. We are able to increase margins in acquired solutions as they become part of the Group and with country management

organizations, we are better able to realize synergies and scale in sales and marketing within each country.

This quarter we have invested more in R&D due to higher capacity and synergies in development and consequently strengthened our competitive position. New workflows and new ways of working have been adopted securing significant efficiency gains. Our previous investments in modernization of our solutions are now paying off, allowing us to increase development of projects for future revenue.

We are at the start of a megatrend to digitalize the industry. The EU wants to decarbonize buildings in the EU and EEA before 2050, which means that older houses must invest in; new heating as oil and gas is phased out, new doors and windows, re-insulation and climate friendly cooling. With the end of halogen lamps in 2023, millions of tubes and lamps must be replaced. In addition to these growth enablers the need for

We also see that rising costs and falling profitability in the construction industry trigger needs for efficiency measures, and our solutions provide essential support in growing revenue and improving efficiency for our customers.

documentation will continue, making it very hard not having a solution where the documentation is captured automatically in the work processes. Over the next years, construction companies must increase document related to; material use, compliance to building rules and regulations, service and maintenance manuals and how they handle waste and the level of recycling.

So far, SmartCraft sees limited impact on our business from the economic uncertainty in our main markets Norway and Sweden. We monitor the market and will quickly adapt to changes. Our main exposure is within renovation, upgrades and services in the SME sector, which historically is much less cyclical than the total market and continued to experience good demand. We also see that rising costs and falling profitability in the construction industry triggers the need for efficiency measures. Our solutions provide the necessary essential support in increasing revenue and improving efficiency for our customers. In addition to winning new customers, we have great opportunities to upsell and cross-sell to existing customers, an opportunity which is fairly untapped.

M&A remains an important part of our growth strategy, and we are in dialogue with several interesting potential targets in existing and new geographies. With our solid balance sheet, no debt and cash at hand we are in a favorable position when price expectations come down. At the same time, capital discipline is top priority.

With our best of breed solutions that solve mission critical tasks for SMEs, SmartCraft has a great foundation to capture growth in our three attractive geographies. Our solutions are built to fit the exact needs of our customers and their processes from A to Z and we like to say that "the glow is in the flow". Our sales model is efficient, and with rapid implementation and a cost of only NOK 8 per user per day we are able to create value from day one.

We are confident that SmartCraft is well positioned to continue our growth journey and reiterate our guiding of 15-20 percent organic growth and growing margins due to the scalability of the business.

Gustav Line

Gustav Line
CEO

Q1 2023 in Brief

MARCH 31st, 2023
ARR

MNOK **347.0**

24% growth YoY[1]

Increased adjusted EDITDA margin to

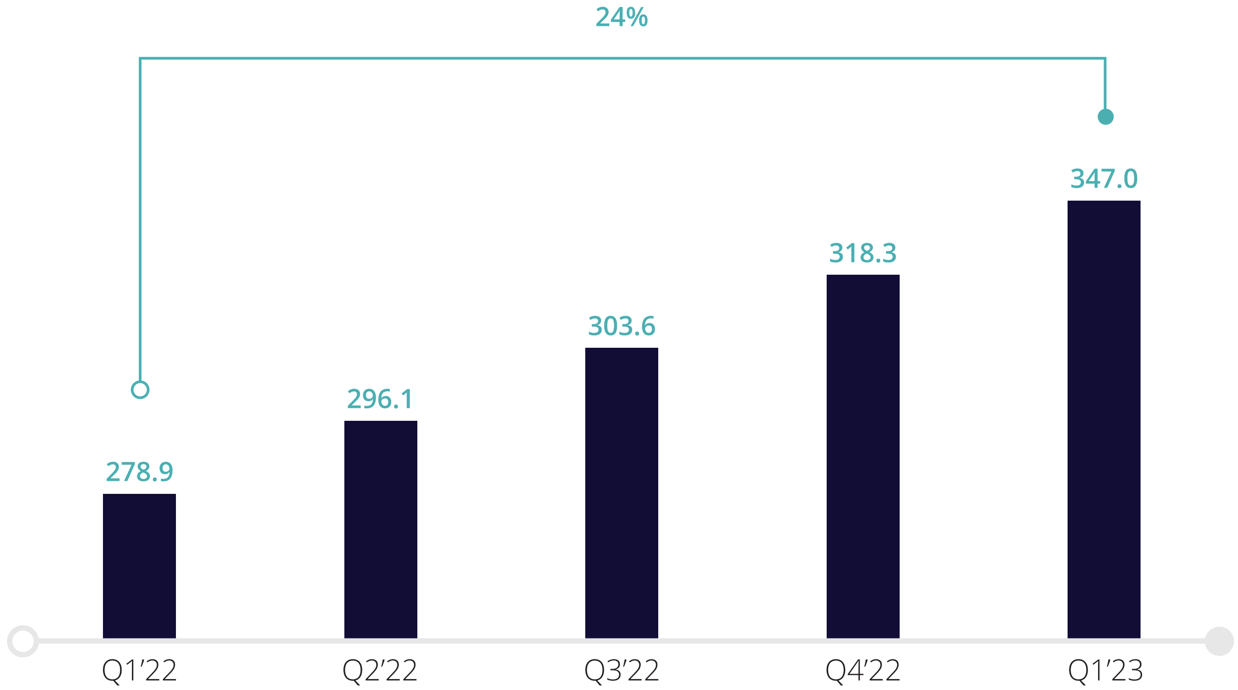
42%

15% organic ARR growth YoY

Maintaining low churn at **7%**

Maintaining high organic growth

ARR DEVELOPMENT PER QUARTER (END OF PERIOD, MNOK)



1. *Organic growth is defined as growth in existing solutions adjusted for currency effects.*


SKJEMA
1027 Ola Demo Normann
Montering sikk bryter på ny vvb
Hyttefeltet 2
Sluttkontroll
Jobbansvarlig samt deltagere kan fylle inn måleverdier underveis og lagre som kladd. Når oppdraget er ferdig skal skjema avsluttes og danner underlag for en eventuell samsvarserklæring. Bruk informasjons feltet godt dersom det er avvik eller punkter som er av betydning ved en eventuell reklamasjon i ettertid
Sluttkontroll kan legges til flere ganger via ordre behandle skjema
A
Egenkontroll utført arbeid
Visuell kontroll utført
Deksler etc montert på plass
Nødvendig merking utført
Installasjon forskriftsmessig utført
Installasjon egnet til forutsatt bruk
min 1
Rydding etter arbeid
Rydding utført
Kunde rydder selv
Materiell samlet sammen
Verktøy samlet sammen
V
Måling og prøving
Anlegg funksjonstestet
Jordfeilbrytere testet

Operational development

With our solutions well suited for today's business climate, an efficient go-to market strategy and our strong position in the market our recurring revenue continued its solid growth in the first quarter.

Our strategy to better execute by country segments continued during the first quarter. We focus on centralizing marketing, which opens for more cross-border activities, knowledge sharing and adoption of best practices, resulting in better return on marketing spend. With the Chief Marketing Officer in the leadership team, we can better connect marketing to opportunities and sales initiatives, hence building a strong and healthy pipeline.

Within each country there are several initiatives to scale and work smarter. These initiatives include alignment of pipelines, joint marketing and sales activities and best practice sharing. On the product and technology side, we are realigning our resources both by country and cross group, resulting in synergies and the ability to shift resources from support and maintenance to value creating development activities.

In Q1 2023 Annual Recurring Revenue (ARR) grew by 24 percent compared to Q1 2022. The increase was driven by new sales and upsell, the acquisitions of Elverdi and ELinn in 2022, currency effects and annual price increases.

Highly motivated and aligned leadership team.
From left: Kjartan Bø (CFO), Katja Widlund (CMO), Christian Saleki (CTO), Hanna Konyi (CM Sweden), Timo Makkonen (CM Finland), Gustav Line (CEO), Vivienne Karlsen (CM Norway).

A large share of the price increase is reflected in the current ARR, but we will see additional positive effect materializing during the course of 2023, as customers' annual contracts are up for automatic renewal with price increases in line with 2022 CPI.

We continue to deliver a solid financial performance with EBITDA margin increasing by 2 percentage points to 42 percent in the quarter, driven by revenue growth, good cost control and increasing investments in R&D.

INVESTING IN GROWTH AND INNOVATION

In Q1 SmartCraft continues to invest in development of our products and technology. We have an agile approach and focus on rapidly improving our products in order to create a better user experience and more efficient tools for our customers. During Q1 2023, capitalized investments in product and technology (capex) increased with 3.2 percentage points compared to Q1 2022, primarily driven by the following factors:

1. We have expanded our capacity with a larger development team strengthening our ability to focus on growth and innovation.

2. Our development teams have adopted new workflows and ways of working which has allowed us to do more collaborative projects across various teams.

3. Previous investments in modernization of our solutions are now paying off, allowing us to spend more time on building new products and functionality providing customer value instead of working on maintenance tasks.

In sum, the increase in capex in Q1 2023 reflects the company's commitment to continuous improvement and growth, and the investments made to support these goals.

CONTINUOUS WORK ON SECURITY

Cybercrime is on the rise, and SaaS companies are not immune to these dangers. To stay ahead of the curve, we at SmartCraft are always on the lookout for ways to keep our software and systems safe and secure. We're proactive in our approach, making sure to keep our software updated with the latest security patches and upgrades. However, it's not just about technology, we also make sure to educate our employees on how to stay safe online and avoid falling for common traps like phishing scams. We're in this for the long haul and are dedicated to staying one step ahead of any security threats that come our way. In short, our customers can trust that their data is in good hands with us.

USAGE OF AI TOOLS TO INCREASE PRODUCTIVITY

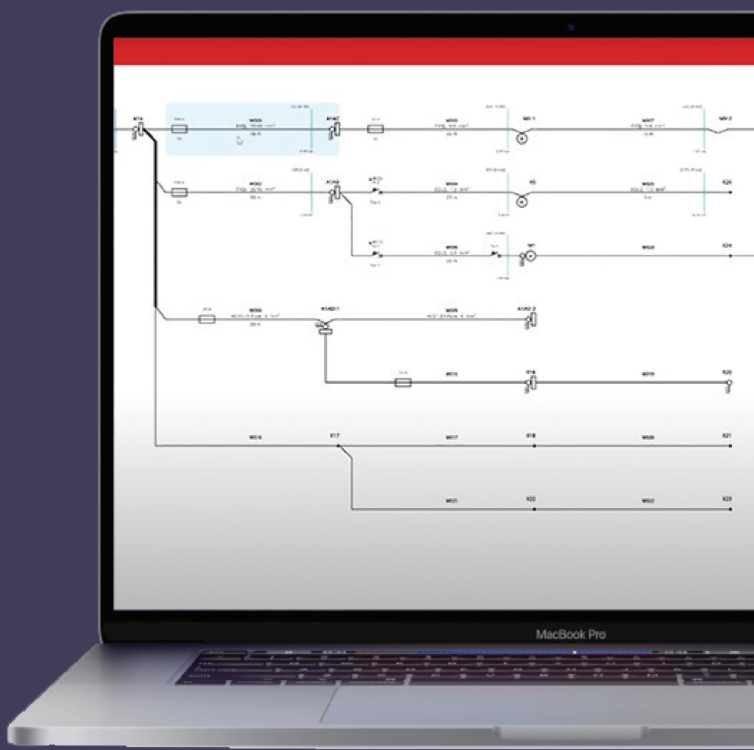
At SmartCraft, we are leveraging AI tools such as ChatGPT and GitHub Copilot to significantly increase productivity and gain access to new knowledge. ChatGPT, as an AI-powered language model, can assist with various tasks such as answering customer queries, providing support, and conducting research, freeing up valuable time for other important tasks.

GitHub Copilot, on the other hand, is a code-assistant tool that integrates our developer's workflows to provide intelligent recommendations and automated code suggestions while developers work on projects. This can significantly speed up the development process and reduce the risk of introducing bugs and other errors. By using GitHub Copilot, our developers can also access new knowledge and best practices, as the tool leverages the vast codebase available on GitHub to provide relevant and accurate suggestions.

In conclusion, using tools such as ChatGPT and GitHub Copilot will help our teams to increase productivity and free up time to focus even more on our user and customer needs.

THE RELEASE OF OUR SINGLE LINE DIAGRAM

SmartCraft develops solutions in close cooperation with our customers. As an example, during the first quarter, we released a popular feature called the single line diagram for electricians. The feature provides a clear and concise overview of the electrical distribution system, allowing electricians to easily identify and understand the components and connections within the system. This can help with troubleshooting and maintenance activities, as well as with planning for future upgrades or expansions. Overall, a single line diagram is a valuable tool for electricians as it provides a comprehensive understanding of the electrical system and supports efficient and effective electrical design and maintenance.



The single line diagram is an important milestone in our long-term commitment to improve safety for electricians in the Nordics.

SEGMENTS

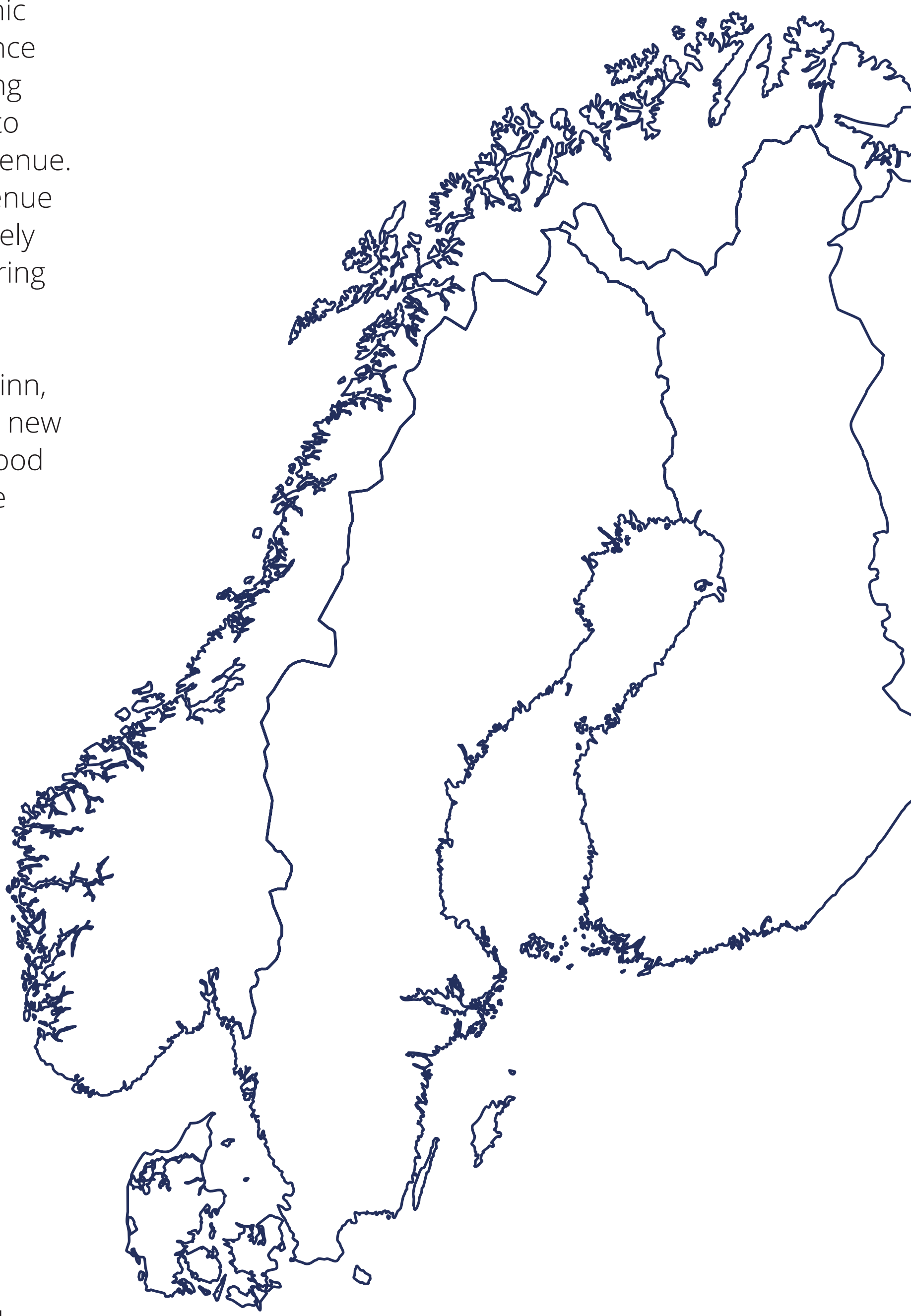
The growth of SmartCraft in recent years led to a natural change in organizational structure towards the end of 2022. SmartCraft defined positions as Country Managers and Country Management teams. With this operational structure SmartCraft recognizes geographical areas as the operating units that form natural reporting segments.

The Norwegian market is strong and organic growth continues to increase. We experience solid demand for our solutions and a strong pipeline. Going forward we are dedicated to grow ARR and transition non-recurring revenue. The strategic decline of non-recurring revenue affects the growth of total revenue negatively in the short term. Organic growth of recurring revenue is 19 percent.

The two latest acquisitions, El-verdi and ELinn, serve the Norwegian market. Both the two new acquisitions and existing solutions show good improvement in profitability, increasing the margin in Norway to 46 percent.

The Swedish market is still considered relatively healthy, although we see an increase in bankruptcies. The Swedish team has recruited two new sales managers in Q1 2023, who have increased our sales activities in the market. Results are yet to show on revenue, but the increased activities are clearly visible in the pipeline for future quarters. In Sweden the organic growth of recurring revenue is 13 percent.

In Finland we are more exposed to the downturn in the new construction market, as we have larger construction customers in this region. Therefore, we focus on the renovation part of the construction industry, the largest sub-segment of the construction industry which is less cyclical and is expected to continue to grow. We have launched our EL-VIS solution in Finland, targeting the electro SME market. This market is less affected by the macro situation, and we have a strong growth, however, it is still early, and it has so far limited effect on revenue. In Finland the organic growth of recurring revenue is 11 percent, and with our flexible business model we manage to keep our strong EBITDA margin.



Distribution of revenue per segment

Amounts in NOK (millions)	**Q1'23**	**Q1'22**	**FY'22**
Norway	41.0	33.3	140.7
Sweden	40.5	35.2	143.2
Finland	12.8	10.6	49.5
Total revenues per segment	***94.3***	***79.1***	***333.4***

Organic growth			
Norway	*15.6 %*	*8.1 %*	*10.9 %*
Sweden	*12.1 %*	*22.0 %*	*19.0 %*
Finland	*6.4 %*	*35.9 %*	*26.9 %*

Distribution of EBITDA per segment*

Amounts in NOK (millions)	**Q1'23**	**Q1'22**	**FY'22**
Norway	19.0	14.6	57.7
Sweden	19.7	17.4	74.0
Finland	5.0	4.3	15.5
Adjusted EBITDA per segment	***43.8***	***36.4***	***147.2***

**Excluding Group overhead*

Adjusted EBITDA margin			
Norway	*46.4 %*	*43.9 %*	*41.0 %*
Sweden	*48.2 %*	*49.5 %*	*51.7 %*
Finland	*40.5 %*	*40.8 %*	*31.2 %*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Financial review

Amounts in NOK (thousands)	**Q1'23**	**Q1'22**	**FY'22**
Revenue from customers	94 274	79 079	333 423
Total operating revenue	***94 274***	***79 079***	***333 423***
Purchase of goods and services	7 433	6 681	27 271
Payroll and related expences	35 528	30 480	128 737
Other operating expenses	11 894	10 172	48 996
Total operating expenses	***54 855***	***47 333***	***205 004***
EBITDA	***39 419***	***31 747***	***128 419***
Adjustments of special items	-	182	2 911
Adjusted EBITDA	***39 419***	***31 929***	***131 331***
Depreciation and amortization	8 287	6 607	27 657
Operating profit (loss) before financial items and tax	***31 132***	***25 140***	***100 762***
EBITDA-margin	*41.8 %*	*40.1 %*	*38.5 %*
Adjusted EBITDA-margin	*41.8 %*	*40.4 %*	*39.4 %*

SmartCraft's consolidated revenues in Q1 2023 grew by 19.2 percent to NOK 94.3 million, up from NOK 79.1 million in Q1 2022. The revenue growth was driven by continued high organic growth from the Group's SaaS solutions and the two smaller acquisitions of El-verdi (June 2022) and ELinn (October 2022).

ARR grew to NOK 347.0 million, a growth of 24.4 percent year over year and 9.0 percent quarter over quarter. Organic growth was 15.0 percent and 5.5 percent respectively. The strong quarterly growth was driven by new sales, upsell to existing customers and price increases. The price hikes in line with CPI that we announced in Q4 are now being implemented at automatic contract renewals during 2023 and thus spread out during the year, providing an ARR growth tailwind for each quarter remaining in 2023.

SmartCraft has a strategy to maximize recurring revenue at the expense of non-recurring revenue. As a consequence, we continue to transition non-recurring revenue, such as start-up fee, initial training, etc, into SaaS services, thus reducing the threshold to become a customer. This strategy has reduced non-recurring revenue to only 3 percent of our total revenue.

Organic growth YoY	Q1'23	Q1'22	FY'22
Fixed price subscriptions	15.8 %	17.9 %	18.2 %
Transaction priced add-on subscriptions	11.9 %	21.7 %	17.2 %
Total recurring revenue	***15.5 %***	***18.3 %***	***18.1 %***
Non-recurring revenue	(34.4 %)	(15.1 %)	(20.8 %)
Total revenue	***12.8 %***	***16.4 %***	***16.2 %***

The Group has a consistently low churn which was 7 percent in Q1 2023. Bankruptcy has historically been the main reason for churn in SmartCraft, and the increased number of bankruptcies within construction slightly increases the churn from the 6 percent recorded in Q4 2022.

The scalability of the business model ensures a relatively stable cost base while delivering good growth in revenues. As a result, the reported EBITDA in Q1 2023 was NOK 39.4 million. There were no adjustments to the EBITDA in Q1 2023. The EBITDA margin for Q1 2023 was 41.8 percent, compared to 40.1 percent in Q1 2022 (40.4 percent adjusted EBITDA margin). Our latest acquisitions, El-verdi and ELinn, affected the EBITDA margin in Q1 negatively with 0.7 percentage points due to lower margins. SmartCraft is well on track to increase the margins in all acquired solutions. Our approach to increasing the margins in the acquired solutions is not by reducing cost, but first and foremost by helping the solutions to better scale and grow, creating a long-term business advantage.

SmartCraft continues to improve existing solutions and develop new solutions and add-ons. In Q1 2023, we increased efficiency of our existing workforce enabling more value creation and previous investments in modernization of our solutions result in less maintenance and more focus on investments in R&D. For the development of new solutions and add-ons, SmartCraft recognized NOK 10.1 million in capitalization of development costs in Q1 2023, which constitutes 10.7 percent of revenue, an increase from 7.5 percent last year and 8.9 percent last quarter. Q1 and Q4 is seasonally higher as vacation reduce the capacity in Q2 and Q3.

Depreciations and amortizations were NOK 8.3 million in Q1 2023 compared to NOK 6.6 million in Q1 2022. The increase is a result of the Group's continuous R&D activities and acquisitions. In Q1 2023, amortization related to M&A was NOK 3.9 million.

The Group has a net financial income of NOK 5.1 million in Q1 2023, an improvement from a net expense of NOK 2.5 million last year. The increase is driven by currency effects.

CASH FLOW

SmartCraft has positive cash contribution from operations every quarter. The Group operates in an under-penetrated market and plans to continue its role as a consolidator and increase its market share. SmartCraft does not expect to pay dividends in the short to medium term and the accumulating cash holding will go to finance investments and acquisitions supporting the Groups position and plans.

The SmartCraft share buy-back program of up to 2 percent of the shares was initiated in November. The treasury shares will be used for payment for potential future acquisitions in combination with cash. Additionally, treasury shares will be used for potential future settlement of the Groups long-term investment program for management and key employees. The buy-back program ended at the AGM in April 2023, and a new program of up to 2 percent of the shares was initiated.

Cash flow from operating activities was NOK 73.2 million in Q1 2023 compared to NOK 58.7 million in Q1 2022. Q1 is a seasonally strong quarter as a majority of the annual invoices are sent in this period. The increase from last year is due a change in advance payments.

Cash flow from investing activities was NOK -10.6 million in Q1 2023. Investing activities consist mainly of capitalized development costs.

Net cash flow from financing activities was NOK -17.4 million in Q1 2023. Through the buy-back program, SmartCraft acquired 808 218 own shares (0.47 percent of total shares) totaling NOK 15.2 million in Q1 2023. At the end of Q1 2023 SmartCraft had in total acquired 1 259 219 shares (0.73 percent of total shares).

FINANCIAL POSITION

SmartCraft has a solid balance sheet and has a negative net working capital driven by customer prepayments. The Group is in a net cash position, is self-funded and well capitalized to deliver on the stated growth ambitions and M&A strategy.

Total assets amounted to NOK 1 066.2 million (NOK 973.6 million at the end of 2022), of which cash and cash equivalents amounted to NOK 242.5 million (NOK 191.3 million at the end of 2022). Non-current assets amounted to NOK 784.8 million (NOK 741.3 million at the end of 2022). In addition to the cash flow from operations, the increase of assets is mainly driven by changes in currency rates.

Total liabilities amounted to NOK 262.1 million (NOK 208.0 million at the end of 2022). The increase is mainly related to the increase in deferred revenue.

SHARE INFORMATION

At the end of Q1 2023 SmartCraft ASA had 171.5 million shares at par value of NOK 0.01. There have been no changes in shares or share capital in Q1 2023 in SmartCraft ASA.

Per March 31st 2023, SmartCraft holds 1 259 219 own shares (0.73 percent), and total outstanding shares was 170 263 086.

RISK FACTORS

Risk factors are described in the information document prepared in connection with the listing on Oslo Børs, published June 24th, 2021 and in the annual accounts for 2022, published March 28th, 2023.

OUTLOOK

We experience that some parts of the construction industry are affected by reduced activity due to inflation and higher interest rates. However, most of our customers operate in the SME segment with upgrades, service and maintenance, which represents a part of the industry with lower volatility. Most of our customers are electricians and plumbers who experience healthy demand as their services are essential to mitigate high energy prices and combat climate change.

We are monitoring the market situation closely and will take swift actions to adapt to changes in market conditions.

Our solutions have a strong value proposition to our customers as they are designed to improve profitability through both revenue growth and operational efficiency. Our efficient sales and marketing processes result in a conversion of more than 60 percent of customer meetings to sales, which illustrates that our solutions are well tailored to customer needs.

The underlying fundamental growth drivers remain strong due to the required transition to more energy efficient buildings and the increasing need for documentation to comply with new regulations.

With our new organizational structure, we believe that we are able to realize synergies in sales and marketing. We stay very positive to our future prospects and reiterate our targets of 15-20 percent organic revenue growth in the medium-term. Similarly, we expect adjusted EBITDA margin to increase due to the scalability of the business.

FINANCIAL CALENDAR

Financial reporting:

- August 24th 2023 - Half-yearly 2023 report
- November 1st 2023 - Q3 2023 report

Other activities:

- May 15th 2023 - Aktiespararnas Stora Aktiedagen, Gothenburg
- June 12th 2023 - Aktiespararnas Småbolagsdagarna, Stockholm

Please visit smartcraft.com/investor-relations/ for most recent calendar update.

Condensed Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK (thousands)	**Q1'23**	**Q1'22**	**FY'22**
Revenue from customers	94 274	79 079	333 423
Total operating revenue	**94 274**	**79 079**	**333 423**
Purchase of goods and services	7 433	6 681	27 271
Payroll and related expences	35 528	30 480	128 737
Other operating expenses	11 894	10 172	48 996
Depreciation and amortization	8 287	6 607	27 657
Total operating expenses	**63 142**	**53 939**	**232 661**
Operating profit (loss) before financial items and tax	**31 132**	**25 140**	**100 762**
Financial income	8 573	625	17 188
Earnout related to acquisitions	-	-	(12 364)
Financial expenses	(3 503)	(3 144)	(16 413)
Financial income (expense), net	**5 070**	**(2 519)**	**(11 589)**
Profit (loss) before tax	**36 202**	**22 621**	**89 173**
Tax expense	5 967	4 818	21 083
Profit (loss)	**30 235**	**17 803**	**68 090**
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Currency translation differences, net of tax	23 468	(15 289)	(2 073)
Total	**23 468**	**(15 289)**	**(2 073)**
Total comprehensive income	**53 703**	**2 514**	**66 016**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS *Amounts in NOK (thousands)*	**Mar 31st 2023**	**Mar 31st 2022**	**Dec 31st 2022**
Deferred tax assets	-	-	-
Goodwill	537 018	483 059	517 302
Intangible assets	223 414	185 030	209 939
Right to use assets	21 040	17 595	14 152
Tangible Assets	3 285	4 491	3 314
TOTAL NON-CURRENT ASSETS	**784 757**	**690 174**	**744 707**
Inventory	145	73	182
Other current assets	8 020	6 279	7 579
Accounts Receivable	30 775	25 398	29 477
Cash and cash equivalents	242 530	200 687	191 587
TOTAL CURRENT ASSETS	**281 470**	**232 437**	**228 826**
TOTAL ASSETS	**1 066 227**	**922 611**	**973 533**

EQUITY AND LIABILITIES

Amounts in NOK (thousands)	Mar 31st 2022	Mar 31st 2022	Dec 31st 2022
Share capital	1 715	1 715	1 715
Treasury shares	(13)	-	(5)
Share premium	605 893	605 893	605 893
Retained earnings	176 275	117 870	161 149
Other components of equity	15 404	(21 280)	(8 064)
Non-controlling interests	4 881	-	4 881
TOTAL EQUITY	**804 155**	**704 198**	**765 569**
Non-current financial liabilities	-	1 080	-
Non-current lease liabilities	12 847	10 052	7 002
Deferred tax liabilities	37 202	32 421	35 015
Total non-current liabilities	**50 049**	**43 553**	**42 016**
Deferred revenue	105 501	91 583	69 937
Current portion of lease liabilities	9 048	7 728	7 602
Accounts payable	6 297	4 801	7 829
Taxes payable	13 438	18 676	14 845
Other current liabilities	77 740	52 073	65 736
Total current liabilities	**212 024**	**174 860**	**165 948**
TOTAL LIABILITIES	**262 072**	**218 413**	**207 964**
TOTAL EQUITY AND LIABILITIES	**1 066 227**	**922 611**	**973 533**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in NOK (thousands)	Share capital	Treasury shares	Share premium	Other components of equity	Retained earnings	Non-controlling interest	Total equity
Total equity 31.12.2021	**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 treasury shares	-	(5)	-	-	(7 008)	-	(7 012)
Total equity 31.12.2022	**1 715**	**(5)**	**605 893**	**(8 064)**	**161 149**	**4 881**	**765 569**
Profit / (-) loss for the period	-	-	-	-	30 235	-	30 235
Other comprehensive income	-	-	-	23 468	-	-	23 468
Purchase of own shares	-	(8)	-	-	(15 109)	-	(15 117)
Total equity 31.03.2023	**1 715**	**(13)**	**605 893**	**15 404**	**176 275**	**4 881**	**804 155**

CONSOLIDATED CASH FLOW STATEMENT

Amounts in NOK (thousands)	**Q1'23**	**Q1'22**	**FY'22**
Operating activities			
Profit before tax	36 202	22 621	89 173
Paid taxes	(8 341)	(5 776)	(19 371)
Earn-out without cash effects	-	-	12 364
Gains/loss sold assets	-	-	(7)
Depreciation	4 419	3 252	13 607
Amortisation of intangible assets	3 868	3 354	14 050
Items classified as investing or financing activities	260	1 991	1 780
Net cash provided from operating activities before net working capital changes	***36 409***	***25 442***	***111 596***
Working capital adjustments:			
Changes in accounts receivable	509	(815)	(4 814)
Changes in deferred revenue	31 746	31 990	9 893
Changes in accounts payable	(2 034)	(1 701)	388
Changes in all other working capital items	6 557	3 777	(1 413)
Net cash provided from operating activities	***73 186***	***58 694***	***115 650***
Investing activities			
Investments in tangible and intangible assets	(387)	(280)	(1 156)
Payments for acqusitions	-	(4 856)	(33 455)
Acquisition transaction costs	-	-	(952)
Payments for software development costs	(10 118)	(5 901)	(23 857)
Foreign currency effect	(101)	28	(72)
Net cash used in investing activities	***(10 606)***	***(11 009)***	***(59 492)***
Financing activities			
Cash proceeds from capital increases	-	-	4 881
Downpayment on loan facilities	-	(78)	(7 834)
Interest payments	(253)	(218)	(827)
Repayments of lease liabilities	(1 969)	(1 773)	(7 537)
Other financial items	(15 155)	10	(8 079)
Net cash provided by (used in) financing activities	***(17 378)***	***(2 058)***	***(19 398)***
Net increase (decrease) in cash and cash equivalents	**45 203**	**45 627**	**36 759**
Cash and cash equivalents at the beginning of period*	191 587	156 277	156 277
Foreign currency effects on cash and cash equivalents	5 741	(1 217)	(1 449)
Cash and cash equivalents at end of period*	***242 530***	***200 687***	***191 587***

** Cash and cash equivalent include restricted funds*

Explanatory Notes to the Consolidated Financial Statements

NOTE 1 ACCOUNTING POLICIES

The interim report for the SmartCraft Group for 1st quarter 2023 has been prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting policies and methods for computation have been applied as in the latest annual statement.

For further information on accounting policies see the Annual Report 2022.

NOTE 2 REVENUE

Amounts in NOK (thousands)	**Revenue recognition**	**Q1'23**	**Q1'22**	**FY'22**
Fixed price subscriptions	Over time	83 380	68 003	291 253
Transaction priced subscriptions	Point in time	8 030	6 854	29 169
Total recurring revenue		***91 410***	***74 857***	***320 423***
Non-recurring revenue	Point in time	2 864	4 222	13 001
Total revenue		***94 274***	***79 079***	***333 423***

NOTE 3 EARNING PER SHARE

		Q1'23	**Q1'22**	**FY'22**
Profit for the period due to holders of shares	TNOK	30 235	17 803	68 090
Profit allocated to redeemed preferance shares	TNOK	-	-	-
Profit allocated to common shares	TNOK	30 235	17 803	68 090
Average numbers of common shares, excl. treasury shares		170 718 001	171 522 305	171 484 845
Earning per share	***NOK***	***0.18***	***0.10***	***0.40***

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)	**Q1'23**	**Q1'22**	**FY'22**
Revenue from customers	94 274	79 079	333 423
Total operating revenue	***94 274***	***79 079***	***333 423***

Amounts in NOK (thousands)	**Q1'23**	**Q1'22**	**FY'22**
EBITDA	39 419	31 747	128 419
Adjustments of special items	-	182	2 911
Adjusted EBITDA	***39 419***	***31 929***	***131 331***
EBITDA-margin	*41.8 %*	*40.1 %*	*38.5 %*
Adjusted EBITDA-margin	*41.8 %*	*40.4 %*	*39.4 %*

Amounts in NOK (thousands)	**Q1'23**	**Q1'22**	**FY'22**
Adjusted EBITDA	39 419	31 929	131 331
Capitalized development expenses	10 118	5 901	23 857
Adjusted EBITDA - CAPEX margin	***31.1 %***	***32.9 %***	***32.2 %***

		Q1'23	**Q1'22**	**FY'22**
Annual Recurring Revenue (ARR) (EoP)	TNOK	346 960	278 942	318 348
Recurring revenue		97.0 %	94.7 %	96.1 %
Average Revenue per Customer (ARPC)	NOK	30 777	26 924	27 857
Churn rate (R12m) (EoP)		7.0 %	5.0 %	6.1 %

SmartCraft