

CEO Statement:

Waystream ends 2022 on a high

The fourth quarter of 2022 was another record quarter for Waystream, where we attained revenue growth of 94% and an improved operating result of 97% compared to 2021. Underlying this turnover growth is the fact we succeeded in maintaining the high production rate from the third quarter, and as such were able to meet the increased demand communicated throughout the year via our increased customer base. The fact that we then ended the quarter by signing a three-year framework agreement with Telia Company for the Nordics and the Baltic regions gives us a positive outlook for the Company's future development.

Revenue during the quarter increased by 94% to MSEK 48, and the operating result increased by 97% to MSEK 8, with an operating margin of 17% and a positive cash flow of MSEK 6.

For the full year, revenue increased by 52% to MSEK 139, and the operating result increased by 39% to MSEK 26, with an operating margin of 19% and a positive cash flow of MSEK 10. At the same time, we have a total of MSEK 36 in accounts receivable, and have made advance payments to subcontractors of MSEK 15.

The result for the fourth quarter means that we close 2022 in the best possible way, and with that exceed our financial targets, both for the quarter and the full year. We strengthened our market position during the year as a result of the investments made in sales, marketing and product development.

In Sweden, we have significant focus on city networks, and have now become the market leader in that segment. Our ambition is, and has been, to become the obvious choice among city networks, and here we are well on our way. We will invest even more time and resources in order to continue growing, while at the same time maintaining our high level of customer satisfaction among our expanding customer base. Proof of our high customer satisfaction is that we haven't lost any existing customer, so-called churn, in recent years, a trend we continue to work hard to preserve.

In the rest of the Nordic region, we saw that a number of larger customers mainly drove sales during 2022, due to the fact they had larger expansion projects. In 2023, we will continue to work closely with these customers, but at the same time place greater focus on more proactive sales work in order to reach out to more customers. We will take our working method from Sweden to the Norwegian market, primarily, as we see that there is still good potential to secure more customers.

We ended the fourth quarter by signing a framework agreement with Telia Company for the Nordic and the Baltic regions, which is a mark of excellence for us as a supplier. The fact that a smaller Swedish supplier such as us can meet the requirements set by the leading operator in fibre networks in the Nordic and Baltic regions is positive, and proof that our products are also suitable for our target group Operators. The framework agreement provides us with the opportunity to deliver access switches to all of Telia's companies. Our ambition is for Waystream's products to become Telia's primary choice when they install access switches in their networks in the future.

In Central Europe, we have built up a sales department in Germany during the year, where we have hired more sales personnel, and opened our first office in Hamburg just after the turn of the year. This investment will take sales in Central Europe to the next level by becoming even more active in the market, with the goal of meeting more customers. The fact that we managed to close a deal with a large operator in Hamburg in the third quarter is an extremely important foundation stone in our growth journey, in Germany and Central Europe. Referral sales are the best to be found in our industry, and with this customer it will be easier to reach out to more potential customers. Incidentally, we have previously communicated that the larger order would be sent out during Q4 and Q1. This has, in agreement with the customer, been for the most part postponed until Q1 and Q2 of 2023.

I would again like to point out that sales cycles in our industry are long, and that the investments we are making in Germany are long-term, and sales growth entails a delay.

Our long-term focus on profitable growth is the backbone of our work, but that in no way prevents us from continuing to invest in growth to be able to secure even more customers over time. We invested more during the fourth quarter than we have ever done before. With regards technology, for example, we are developing functionality that is adapted to the needs of both Telia and our new German operator. These ongoing development projects will enable increased sales to these two customers, but also reach out to new potential customers with similar requirements, as well as offer added value for our existing customers in the future. In addition to this, we have other ongoing projects in order to improve and broaden our product portfolio of access switches, and hope to also release new versions in the future.

During the fourth quarter, we were able to dispatch the first major deliveries of our new copper switches. The product was launched on the market in 2021, but due to the component situation, the start of production was delayed from the beginning to the end of 2022. This has negatively affected the gross margin during the quarter, as we were locked in agreements that we signed before Covid-19 and the subsequent component shortage. This was a one-off occurrence, and the price overview of our products is adapted to the market situation. We could have forced price increases on the customers, but this would have entailed a cost insofar as the relationship with these customers. For us, long-term customer relationships are more important than short-term profits.

Our copper switches have been very well received on the market, and we have great expectations that they will contribute to our sales in the coming years. The target group is city network customers, real estate companies, and operators in the Nordic and Baltic regions.

The global component shortage continues to affect our industry, where lead times are still long. However, we see light at the end of the tunnel, where the deliveries of components are starting to become more stable and production can slowly return to plan, which is positive. We also see an improvement in the logistics flows now compared to previously, and hope that the current delivery time of 15-18 months for new orders will be shortened in the near future.

We will continue to focus on meeting our financial targets over time and continue our profitable growth journey. Changed delivery plans will affect the result in the first quarter, but we expect to stay within our financial targets. Just as before, it is important to understand that our income, production, and demand will vary between quarters, even moving forward.

We place full focus on our organically profitable growth and will continue to have a high investment rate during the first half of 2023, with the aim of increasing the value of our

products for many years to come. Waystream is growing with good profitability, and our business is generating positive cash flows. As a result of this, the Board of Directors has chosen to update Waystream's dividend policy and propose a dividend of SEK 0.75 per share at the upcoming General Meeting. This doesn't prevent us from looking at strategic acquisitions in the future, but our immediate focus is on our organic growth.

During the quarter, an Extraordinary General Meeting resolved to offer all employees a long-term incentive programme, consisting of qualified staff options. This is to create increased interest in the Company's profit development among the staff, and to give them an incentive to continue working for the Company in the long term. This has really been appreciated, and my view is that this will benefit the Company in the coming years.

I would like to conclude by thanking all our competent employees, partners, and customers for a really good 2022. I am proud of the work we have done and the great strides we have taken during the year. All in all, Waystream is well positioned for the coming years, and I am confidently looking forward to 2023.

Fredrik Lundberg, CEO