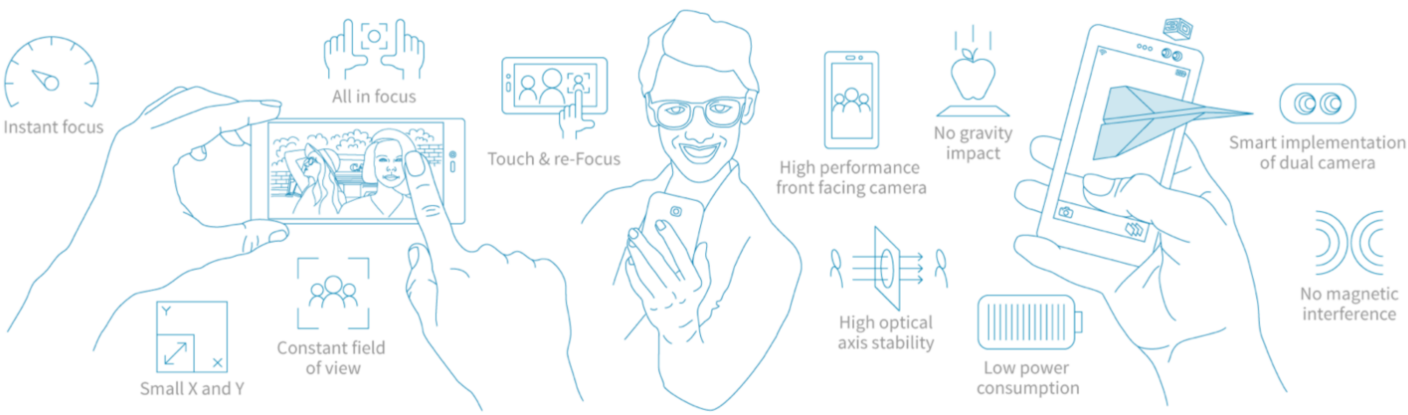
poLight® Quarterly Update

4Q 2017



1 MANUFACTURING, PRODUCT DEVELOPMENT AND MARKET

Manufacturing Maturity

poLight works primarily with two sub-contractors – STMicroelectronics (ST) and Tong Hsing Electronic Industries, Ltd. (THEIL). ST produces the actuator, and THEIL assembles the complete product.

ST has focused on processing the upgraded Silver wafers, Silver Premium, with bigger aperture size. Progress was good during the fourth quarter, and wafers for assembly and testing are expected out of ST in the first quarter of 2018. poLight plans to start customer sampling early in the second quarter of the year. The first design-win is assumed to be based on the TLens Silver Premium. The first TLens Platinum wafer was delivered in the fourth quarter.

At THEIL, the focus has been on adapting the assembly and final test process to cater for various TLens variants.

Product Development

Development of ***TLens Silver Premium*** continued through the fourth quarter of 2017, with wafer for the Premium version expected delivered from ST in February 2018. TLens Premium is an evolution of the TLens Silver product, having bigger aperture, in response to current market demand. TLens Silver Premium has an aperture diameter of 1.9 mm, compared with the 1.55 mm for TLens Silver, and is targeted to meet demand in the front-facing camera market. The plan is to sample customer with TLens Silver Premium from early second quarter 2018 and ramp-up production from mid-2018.

The ***TLens Platinum*** development project also continued, but with lower priority than Silver Premium. The product is expected to be ready for market release at the end of 2018 or early 2019, depending on Silver Premium progress. One Proof-of-Concept project (PoC) is already underway with one mobile phone and camera-module vendor based on Platinum design. The initial results from this project are expected around mid-2018.

The new ***ASIC*** driver, controlling the TLens through supplying voltage, was subjected to extensive testing through the fourth quarter. Some needed adjustments were identified and are currently being implemented. The targeted market release is mid-2018.

poLight was awarded funding from Norwegian Research Council to develop the basis for new actuator technology which may form the basis for bigger aperture devices (bigger than Platinum) and/or Optical Image Stabilization solutions. This is a long-term project, and it is not expected to lead to any product release over the next few years.

Market

Market activity increased towards the end of 2017. Camera module makers and mobile phone manufacturers in China and Taiwan remained the key discussion partners, even though the company is also in dialog with other smart phone market participants. Additionally, the company experienced increased interest from other segments such as the barcode and AR/VR markets.

In the mobile phone segment, the main market driver for poLight is that front-facing cameras are starting to use higher mega pixel sensors and use higher light sensitivity solutions. This trend implies that Auto Focus (AF) is needed for image quality reasons. Furthermore, the shift towards "edgeless screens", implies that the use of the incumbent technology (VCM) will be very challenging compared to a very compact (xy) size (small footprint) TLens solution.

poLight has experienced increased interest on the back of these trends and the previously reported successful TLens reliability tests. Activity related to maturing new camera module vendors is at an all-time high, and the company is supporting PoC projects with three well recognised mobile phone makers through two different camera module vendors.

In the PoC projects, the mobile phone vendors evaluate the use of a new front-facing camera-concept based on the TLens in future phone releases. Two of the ongoing PoC-projects will likely take 3-6 months to conclude, implying that a phone release could happen late in the third quarter of 2018 at the earliest. The third PoC is expected to conclude sometime between late 2018 and mid-2019. Just recently, a fourth mobile phone vendor commenced a PoC project, while two more are waiting to be served by their camera module vendor for PoC processes. An additional three mobile phone makers are also considering starting similar evaluations of the TLens technology.

To sum up, a total of nine mobile phone vendors have so far shown tangible interest for the Tlens at are at different maturity levels, and five camera module vendors currently have ongoing development activities based on TLens, with one more preparing to start up.

poLight also experienced continued inbound interest from various sectors relying on high quality cameras which have recognized the benefits of the TLens technology. This includes autofocus for scan engines used in barcode readers. poLight is engaged in two projects out of which one has matured to the PoC stage. The company may have a signed MSA (Master Supply Agreement) with a barcode customer in the second or third quarter of 2018 at the earliest, with end products starting to ship in the third quarter of 2019. A barcode product may last for 5-10 years with a potential annual volume of up to 1 to 2 million units. poLight sees the financial potential for this market segment as increasingly promising compared with earlier assessments.

Discussions also continue for potential applications in markets for artificial- and virtual reality (AR/VR) devices. The company continues to receive orders for evaluation kits, - a kit for evaluation of the basic principle and performance of the TLens.

2 KEY FIGURES

Consolidated statement of income

(in NOK million)	**Q4 2017**	**Q4 2016**	**FY 2017**	**FY 2016**
Revenue	0,5	0,0	0,6	0,2
EBIT	**-18,0**	**-14,9**	**-51,3**	**-37,5**
Research and development expenses	-9,6	-10,1	-20,3	-20,1
Capitalised intangible assets	0,0	-6,2	-25,3	-26,3

Consolidated statement of financial position

(in NOK million)	**Q4 2017**	**Q4 2016**	**Q3 2017**
Intangible assets	67,8	42,5	67,8
Cash and cash equivalents	93,6	167,0	110,9
Total equity	150,9	195,0	167,6
Total current liabilities	20,0	22,7	23,8
Total non-current liabilities	0,6	1,8	1,2
Total equity and liabilities	171,5	219,5	192,5

Profit and loss fourth quarter 2017

Cost of sales of NOK 2.4 million in the fourth quarter reflected a reduction in inventory value related to the risk of TLens Silver not meeting the requirements (*i.e.* aperture size) for smartphone market. TLens Silver may be a good fit for the barcode market, and as such the inventory book value may be conservative.

R&D expenses amounted to NOK 9.6 million (no R&D expenditures capitalised in the fourth quarter of 2017), compared with NOK 16.2 million in the fourth quarter of 2016 (including NOK 6.2 million capitalised expenditures).

Sales and marketing expenses were NOK 1.9 million in the fourth quarter, compared to NOK 1.4 million in the same quarter of the previous year. Supply chain related expenses were NOK 1.0 million (NOK 1.2 million) and administration expenses were NOK 3.4 million (NOK 2.2 million).

The group operating loss was NOK 18.0 million, compared to an operating loss of NOK 14.0 million in the fourth quarter of 2016.

Financial position

Total assets at 31 December 2017 were NOK 171.5 million, compared with NOK 219.5 million at 31 December 2016.

Intangible assets amounted to NOK 67.8 million at 31 December 2017 (NOK 42.5 million), reflecting capitalised R&D expenses. The cash position was NOK 93.6 million, compared with NOK 167.0 million at December 2016.

Cash flow

Net cash flow used in operating activities was NOK 16.7 million in the fourth quarter of 2017, compared with NOK 7.4 million in the same period of 2016. The net cash flow used in investing activities was NOK 0 (NOK 6.9 million).

3 Outlook

poLight continues to experience increased interest for its TLens technology from the mobile phone industry and from other sectors relying on small high-end camera modules. The demand for Auto Focus (AF) in the front-facing camera has strengthened through 2017 and into 2018, and remains a main driver for interest in poLight's solutions. This is reflected in a steady increase in the number of ongoing dialogues with potential customers.

The development of TLens Silver Premium, based on the Silver platform, has progressed well. The product should be applicable for several front-facing applications. Since TLens Silver Premium still is in the development stage, performance is not proven. Still, the technical changes compared to Silver are limited and considered manageable.

The earliest potential design win in the mobile phone market could emerge in the second quarter of 2018, and will be based on Silver Premium due to aperture demand driven by image sensor sizes and F-number (light sensitivity). Several PoC projects are ongoing, initially based on camera modules build on Silver, which will be swapped to Premium during the second quarter of 2018. The timing of TLens Premium availability, may impact PoC projects and delay potential third-quarter 2018 phone projects into 2019.

The increased market activity and interest for the TLens products, both in- and outside the smartphone market, supports increased confidence in commercialization of poLight's technology. This is also reflected in ongoing discussions related to strategic cooperation with industrial partners.

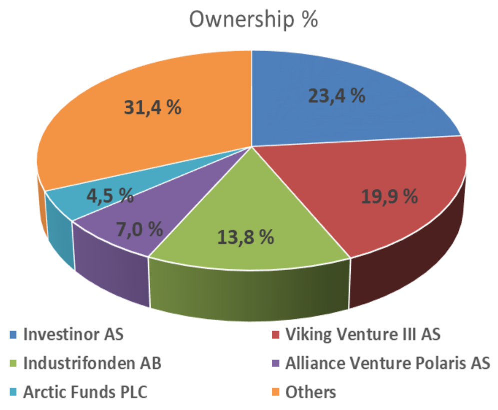
The company is currently planning for a listing during the second or third quarter of 2018. The timing will however be subject to continuous evaluation. Current available liquidity will likely fund the company until the end of the third quarter of 2018.

4 SHAREHOLDER STRUCTURE AS OF 31 DECEMBER 2017

The shareholder structure is shown in figure to the right. There are 5,422,810,495 shares outstanding in the company.

Finisar Sweden Holding AB owns 10,562,429 warrants at strike 0.1125 NOK /share.

The board is authorised to issue employee options/warrants up to a maximum of 12% of the outstanding shares of the company. 425,534,489 share options (7.8 %) are issued as of 31.12.2017 at strike 0.1125 NOK /share.



5 KEY INFORMATION

Homepage	www.polight.com
HQ visitors address	Kongeveien 77, Horten, Norway

Board of Directors:

Eivind Bergsmyr (Viking Venture)	Chairman
Ann-Tove Kongsnes (Investinor)	Deputy Chairman
Per Anell (Industrifonden)	Board member
Arne Hans Tonning (Alliance Venture)	Board member
Johan Paulsson (Independent)	Board member
Jan-Erik Hæreid (Alliance Venture)	Deputy board member
Erik Hagen (Viking Venture)	Deputy board member
Otto Frøseth (Investinor)	Deputy board member

Management:

Øyvind Isaksen (+47 90876398, oyvind.isaksen@polight.com)	CEO
Alf Henning Bekkevik (+47 91630514, alf.henning.bekkevik@polight.com)	CFO
Pierre Craen	CTO
Marianne Sandal	COO

6 FINANCIAL STATEMENTS

Interim consolidated statement of income (unaudited)

NOK 000	Note	Q4 2017	Q4 2016	FY 2017	FY 2016
Revenue		**538**	**0**	**613**	**216**
Cost of sales		-2 400	0	-7 400	0
Research and development expenses	5	-9 600	-10 051	-20 347	-20 118
Sales and marketing expenses		-1 855	-1 351	-7 575	-5 540
Administrative expenses		-3 400	-2 168	-12 111	-9 484
Operational / supply chain expenses		-974	-1 176	-3 309	-1 720
Depreciation, amortisation and net impairment losses		-266	-164	-1 162	-822
Operating profit		**-17 958**	**-14 911**	**-51 292**	**-37 468**
Net financial items	4	119	930	1 541	721
Profit before tax		**-17 839**	**-13 980**	**-49 751**	**-36 747**
Income tax expense		-71	-37	-91	-37
Profit		**-17 909**	**-14 017**	**-49 841**	**-36 784**
Attributable to:					
Equity holders of the parent		-17 909	-14 017	-49 841	-36 784
Non-controlling interests		0	0	0	0
Earnings per share:					
Basic, attributable to ordinary equity holders of the parent (NOK)		-0,003	-0,003	-0,009	-0,011
Diluted, attributable to ordinary equity holders of the parent (NOK)		-0,003	-0,003	-0,009	-0,011

Interim consolidated statement of other comprehensive income (unaudited)

NOK 000	Note	Q4 2017	Q4 2016	FY 2017	FY 2016
Profit for the year		**-17 909**	**-14 017**	**-49 841**	**-36 784**
Other comprehensive income					
Exchange differences on translation of foreign operations		240	12	646	-416
Income tax effect		0	0	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**240**	**12**	**646**	**-416**
Total comprehensive income for the year, net of tax		**-17 669**	**-14 005**	**-49 195**	**-37 200**
Attributable to:					
Equity holders of the parent		-17 669	66 017	-49 195	-37 200
Non-controlling interests		0	0	0	0

Interim consolidated statement of financial position (unaudited)

NOK 000	Note	Q4 2017	Q4 2016	Q3 2017
ASSETS				
Property, plant and equipment		1 874	2 710	2 097
Intangible assets		67 820	42 514	67 803
Total non-current assets		**69 694**	**45 224**	**69 900**
Inventories		1 781	0	5 162
Trade and other receivables		5 260	6 543	5 529
Other current assets		1 127	826	1 031
Cash and cash equivalents		93 648	166 953	110 913
Total current assets		**101 816**	**174 321**	**122 634**
Total assets		**171 510**	**219 545**	**192 535**
EQUITY AND LIABILITIES				
Issued capital		542	542	542
Share premium		148 541	193 312	193 312
Other equity		1 782	1 183	-26 301
Equity attributable to equity holders of the parent		**150 866**	**195 037**	**167 554**
Non-controlling interests		0	0	0
Total equity		**150 866**	**195 037**	**167 554**
Interest-bearing loans and borrowings		600	1 800	1 200
Total non-current liabilities		**600**	**1 800**	**1 200**
Trade and other payables		15 576	21 471	18 517
Interest-bearing loans and borrowings		1 200	1 200	1 200
Income tax payable		135	37	64
Provisions		3 133	0	4 000
Total current liabilities		**20 044**	**22 708**	**23 781**
Total liabilities		**20 644**	**24 508**	**24 981**
Total equity and liabilities		**171 510**	**219 545**	**192 535**

Interim consolidated statement of changes in equity (unaudited)

		Attributable to equity holders of the parent						
NOK 000	Note	**Issued capital**	**Share premium**	**Retained earnings**	**Foreign currency translation reserve**	**Total**	**Non-controlling interest**	**Total equity**
As at 1 January 2016		**13 221**	**50 351**	**13 446**	**817**	**77 835**	**0**	**77 835**
Profit for the period				-36 784		-36 784	0	-36 784
Other comprehensive income					-416	-416	0	-416
Total comprehensive income		0	0	-36 784	-416	-37 200	0	-37 200
Value of share option plan				2 132		2 132		2 132
Decrease of share capital		-13 089		13 089		0		0
Issue of share capital		410	159 858			160 268		160 268
Transaction costs			-7 998			-7 998		-7 998
Allocation to retained earnings			-8 898	8 898		0	0	0
At 31 December 2016		**542**	**193 312**	**782**	**401**	**195 037**	**0**	**195 037**
Profit for the period				-49 841		-49 841	0	-49 841
Other comprehensive income					646	646	0	646
Total comprehensive income		0	0	-49 841	646	-49 195	0	-49 195
Value of share option plan				5 024		5 024		5 024
Allocation to retained earnings			-44 771	44 771		0	0	0
At 31 December 2017		542	148 542	735	1 047	150 866	0	150 866

Interim Consolidated statement of cash flows (unaudited)

NOK 000	Note	Q4 2017	Q4 2016	FY 2017	FY 2016
Operating activities					
Profit before tax		-17 839	-13 980	-49 751	-36 747
Non-cash adjustment to reconcile profit before tax to net cash flows:					
Depreciation and impairment of property, plant and equipment		257	149	1 126	773
Amortisation and impairment of intangible assets		9	15	36	49
Share option plan expense		981	1 465	5 024	2 132
Other items related to operating activities		-1 851	-1 772	-2 747	-792
Net foreign exchange differences		211	22	595	-375
Movements in provisions and government grants		-1 699	144	4 015	-6 102
Working capital adjustments:					
Increase in trade and other receivables and prepayments		1 004	-2 917	-916	-986
Increase in inventories		3 382	0	-1 781	0
Decrease in trade and other payables		-2 870	8 552	-3 812	10 472
Interest received	4	1 760	1 036	1 760	1 036
Interest paid	4	0	-116	-128	-264
Net cash flows from operating activities		**-16 656**	**-7 402**	**-46 578**	**-30 803**
Investing activities					
Purchase of property, plant and equipment		-80	-619	-303	-1 934
Development capital expenditures	5	42	-10 906	-25 274	-32 989
Receipt of government grants		0	4 617	0	6 553
Net cash flows used in investing activities		**-39**	**-6 908**	**-25 578**	**-28 369**
Financing activities					
Issue of share capital		0	0	0	160 268
Transaction costs on issue of shares		0	0	0	-7 998
Repayment of borrowings		-600	-600	-1 200	-1 200
Net cash flows from/(used in) financing activities		**-600**	**-600**	**-1 200**	**151 070**
Net increase in cash and cash equivalents		-17 294	-14 910	-73 356	91 897
Effect of exchange rate changes on cash and cash equivalents		30	-10	51	-41
Cash and cash equivalents at the start of the period		110 913	181 873	166 953	75 096
Cash and cash equivalents at the end of the period		**93 648**	**166 953**	**93 648**	**166 953**

Notes to the interim consolidated financial statements

1 General

poLight AS is a limited company founded in 2005 and is incorporated and domiciled in Norway. The address of its registered office is Kongeveien 77, N-3188 Horten, Norway.

poLight is principally a sub-supplier providing a tuneable lens to the camera module industry for mobile phones and potentially to industry applications ranging from medical to retail.

2 Accounting policies

The consolidated interim financial statements of the Group for the fourth quarter and full year ended 31.12.2017 (unaudited) have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the EU. The financial statements do not include all of the information required for the full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2016.

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Norwegian kroner (NOK) and all values are rounded to the nearest thousand (NOK 000), except when otherwise indicated.

3 Specification of operating expenses by nature

(in NOK 000)	**Q4 2017**	**Q4 2016**	**FY 2017**	**FY 2016**
Cost of sales	2 400	0	7 400	0
Capitalised intangible assets in progress	42	-6 180	-25 274	-26 326
Employee benefits expense	9 819	10 638	37 499	23 590
Depreciation, amortisation and net impairment losses	266	164	1 162	822
Other operating expenses	5 968	10 289	31 118	39 598
Total operating expenses	**18 495**	**14 911**	**51 905**	**37 684**

4 Financial items

(in NOK 000)	**Q4 2017**	**Q4 2016**	**FY 2017**	**FY 2016**
Net foreign exchange gain (losses)	-254	-31	-59	-51
Interest income	434	1 014	1 752	1 036
Interest expense on debts and borrowings	-50	-39	-120	-187
Finance expenses	-11	-14	-31	-77
Net financial items	**119**	**930**	**1 541**	**721**

5 Research and development expense

(in NOK 000)	**Q4 2017**	**Q4 2016**	**FY 2017**	**FY 2016**
Employee benefits expense	5 832	6 017	22 221	16 474
Other operating expenses	8 206	17 124	31 280	41 823
Grants	-4 480	-6 910	-7 880	-11 854
Capitalized	42	-6 180	-25 274	-26 326
Total	**9 600**	**10 051**	**20 347**	**20 118**