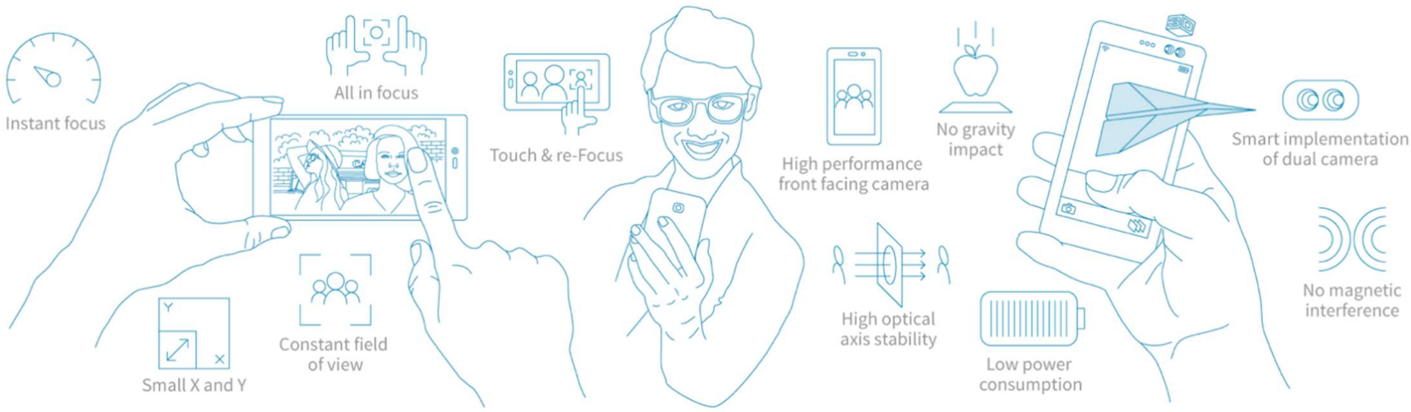
poLight® Quarterly Report

2Q 2018



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 continued to focus on processing the upgraded Silver wafers, Silver Premium, with bigger aperture size. Activities in the second quarter were directed at optimizing various process steps for improved yield. ST also delivered a second batch of TLens Platinum actuators, after having implemented some process changes, which are expected to improve performance on certain parameters.

Theil focused on tuning the Silver Premium assembly process as well as hosting fabrication audits for potential poLight customers.

Product Development

Development of TLens Silver Premium continued through the second quarter of 2018. TLens Premium is an evolution of the TLens Silver product, having bigger aperture size. Following delivery of the initial Premium wafers from ST, the first lenses were assembled at poLight and sampled to customers from early in the second quarter after initial positive reliability tests. Key priorities for the second quarter was to support customer programs, establish assembly setup for the TLens Premium at Theil, improving the reliability of the assembled product, and start of a full product qualification program for Silver Premium. Both the assembly setup and qualification program are expected to be completed at the end of the third quarter.

The TLens Platinum development project also progressed towards the targeted market release in mid-2019. The timing will however depend on the Silver Premium project, which has priority. One Proof-of-Concept project (PoC) is underway with one mobile phone and camera-module vendor. Based on the initial results, it is expected that this PoC will continue to progress and that further camera modules will be built for additional testing.

Qualification of the new ASIC driver, controlling the TLens through supplying voltage, was completed at the end of the quarter. The first samples of the new drivers have been shipped to customers.

Market

poLight has experienced increased interest and market activity since late 2017, and the positive momentum continued in 2018. Marketing activity remains focused towards camera module makers and mobile phone manufacturers in China and Taiwan. poLight also maintains dialogues with other smart phone market participants. Development of market opportunities in other segments, such as the barcode and AR/VR markets, continued in the second quarter.

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 increased light sensitivity solutions. This trend implies that Auto Focus (AF) is needed for image quality reasons. Furthermore, the shift towards “edgeless screens”, implies that use of the incumbent voice coil motor technology (VCM) is challenging compared to a very compact, small footprint (xy) size TLens solution.

As per end of June the group supports three PoC projects with well recognised mobile phone makers through two different camera module vendors. One of the projects commenced in the second quarter. All the above-mentioned PoCs relate to implementing auto focus in the front-facing camera. Other mobile phone vendors are considering starting similar PoC studies and are in dialog with camera module vendors. The three ongoing PoCs are at different stages, ranging from having just started conceptual evaluation, to having progressed well into the reliability testing phase. The earliest potential release-date for a mobile phone with TLens will be in the first half year 2019, which could imply design-win in 2018. Timing remains very difficult to predict, and will depend on the results of the ongoing PoC´s, as well as the technical features prioritized by the mobile phone companies’ at any point in time. Visibility related to the OEM´s release plans is limited.

A total of ten mobile phone vendors have so far shown interest in TLens and are at different maturity levels. Five camera module vendors are currently supporting the interest from mobile phone vendors, - some more mature than others.

There are several other sectors that rely on high-quality cameras. Companies within some of these sectors have recognized the benefits of the TLens technology and have initiated evaluation processes. poLights activities towards these market segments intensified through the second quarter of 2018.

The ongoing PoC studies with two makers of barcode readers based on TLens Silver, continued through the quarter. poLight is also discussing commercial terms with both companies and one dialogue regarding a Master Supply Agreement (MSA) is at an advanced stage.

A barcode product may last for 5-10 years with a potential annual volume ranging from several hundred thousand and up to 2 million units per case. For poLight, the financial potential from this market segment has become more promising, compared with earlier assessments. Revenue and cash flow generated from a successful entry to this market could cover a significant part of the company's cost base.

As previously mentioned, augmented- and virtual reality (AR/VR) vendors are also considering using TLens for their third-generation AR-glasses. Current engagements are at an early-stage with evaluations being executed by the vendors with no involvement from poLight. Progress is therefore difficult to assess. Furthermore, the company is involved with a start-up company which plans to launch smart sunglasses for which TLens conceptually already has been designed into the product. These processes confirm increased attention to the TLens technology and that poLight may be positioned for several high-volume consumer electronics segments.

Corporate events

The annual general meeting held 13 June, elected Grethe Viksaas as a new board member, replacing Arne Hans Tonning. Ms. Viksaas has experience from numerous management and board positions and is currently the chair person at the foundation Norsk Regnesentral (Norwegian Computing Center) and a non-executive director on the boards of Telenor ASA and Crayon Group ASA.

The AGM also appointed Jan-Erik Hareid, Erik Hagen and Haakon Jensen to serve as the company's nomination committee.

2 Key Figures

Summarised Consolidated statement of income

(in NOK million)	**Q2 2018**	**Q2 2017**	**YTD 2018**	**YTD 2017**	**FY 2017**
Revenue	0.1	0.0	0.3	0.0	0.6
EBIT	**-15.2**	**-9.9**	**-30.0**	**-19.6**	**-52.1**
Research and development expenses	-7.8	-2.8	-16.4	-6.3	-21.1
Capitalised intangible assets	-2.4	-7.8	-4.4	-19.1	-24.9

Profit and loss second quarter of 2018

Revenue of NOK 0.1 million in the second quarter was related to delivery of TLens samples to potential customers.

A shipment of the TLens Silver (original) wafers were received in the second quarter. As this version of the TLens will not be used for the smartphone market, the value of the shipment (NOK 1.0 million) was recognised in cost of sales. The TLens Silver may be a good fit for the barcode market, and as such the inventory book value may be conservative.

R&D expenditures amounted to NOK 10.2 million (including NOK 2.4 million of capitalised development expenditures), compared with NOK 10.6 million in the second quarter of 2017 (including NOK 7.8 million capitalised).

Sales and marketing expenses were NOK 1.7 million in the second quarter, compared to NOK 1.9 million in the same period of 2017. Operational / supply chain related expenses were NOK 0.7 million (NOK 1.2 million) and administration expenses were NOK 3.7 million (NOK 3.7 million).

The group operating loss was NOK 15.2 million, compared with an operating loss of NOK 9.9 million in the second quarter of 2017. Both the ASIC driver and the TLens Silver projects were financially completed at year end 2017, which was reflected in the lower level of capitalisation of development expenses in 2018.

Profit and loss first six months of 2018

Revenue of NOK 0.3 million in the first half was related to delivery of TLens samplesto potential customers.

R&D expenditures amounted to NOK 20.9 million (including NOK 4.4 million in capitalised development expenditures), compared with NOK 25.3 million in the same period of 2017 (including NOK 19.1 million of capitalised).

Sales and marketing expenses were NOK 3.8 million in the first six months (NOK 4.0 million). Operational / supply chain related expenses were NOK 1.5 million (NOK 1.9 million) and administration expenses were NOK 7.0 million (NOK 6.8 million).

The group operating loss was NOK 30.0 million, compared to an operating loss of NOK 19.1 million in the first six months of 2017.

Summarised Consolidated statement of financial position

(in NOK million)	**Q2 2018**	**Q2 2017**	**FY 2017**
Intangible assets	71.9	61.6	67.4
Cash and cash equivalents	59.8	128.2	93.6
Total equity	122.3	178.5	150.0
Total current liabilities	23.1	22.9	20.5
Total non-current liabilities	0.0	1.2	0.6
Total equity and liabilities	145.5	202.6	171.1

Total assets at 30 June 2018 were NOK 145.5 million, compared with NOK 202.5 million at 30 June 2017 and NOK 171.,1 million as of 31 December 2017.

Intangible assets amounted to NOK 71.9 million at 30 June 2018 (NOK 61.6 million), reflecting capitalised development expenses. The cash position was NOK 59.8 million, compared with NOK 128.2 million at the end of June 2017 and NOK 93.6 million at year-end 2017.

Summarised Consolidated statement of cash flow

(in NOK million)	**Q2 2018**	**Q2 2017**	**YTD 2018**	**YTD 2017**	**FY 2017**
Net cash flows from operating activities	-12.0	-9.5	-28.3	-18.9	-46.9
Net cash flows used in investing activities	-2.9	-7.8	-4.9	-19.3	-25.2
Net cash flows from/(used in) financing activities	-0.6	-0.6	-0.6	-0.6	-1.2
Net increase in cash and cash equivalents	**-15.4**	**-17.9**	**-33.8**	**-38.8**	**-73.3**

Cash flow second quarter of 2018

Net cash flow used in operating activities was NOK 12.0 million in the second quarter of 2018, compared with NOK 9.5 million in the same period of 2017. The net cash flow used in investing activities was NOK 2.9 (NOK 7.8 million). The decrease reflected a reduced level of capitalised development expenses compared with the same period of 2017. The net decrease in cash in was NOK 15.4 million for the quarter, compared with a net decrease of NOK 17.9 in the same period of 2017.

Cash flow first six months of 2018

Net cash flow used in operating activities was NOK 28.3 million in the first six months of 2018, compared with NOK 18.9 million in the same period of 2017. The net cash flow used in investing activities was NOK 4.9 (NOK 19.3 million).

The decrease reflected a reduced level of capitalised development expenses compared with the same period of 2017. The net decrease in cash was NOK 33.8 million for the six-month period, compared with a net decrease of NOK 38.8 in the first half of 2017.

Risks and uncertainties

poLight is a technology development company with limited revenue as the company is in a pre-commercialisation phase. Commercial success is linked to the technology and the commercialization of it, as well as related intellectual property rights. This is reflected in current losses from operations and the risk of future losses. poLight has an ambition to bring its solutions to the market and secure growth by capturing market share in defined segments, which may require additional capital. The key TLens product is in the process of being tested and qualified for various applications (e.g. smartphone, barcode) by potential customers. During such testing there is a risk that various performance parameters are not met and that the product will need to undergo changes which require additional investments and delay commercialisation. poLight operates globally and is exposed to currency exchange rate fluctuations and local tax laws that may affect earnings.

On 20 February 2018, the Company received a notification of a claim from the Norwegian tax authorities (Skatt Sør) of repayment of refunded VAT for the period since 2013, totalling an amount of NOK 11.6 million. Further, the tax authorities are threatening to strike the Company from the Norwegian VAT Register and impose an additional tax of 20% of the claim for repayment of refunded VAT. The tax authorities argue that the Company should not have been registered in the VAT Register and has therefore not been eligible to receive VAT refunds on the grounds that the Company's business is not capable of being profitable, and does therefore not qualify as a "business" pursuant to the Norwegian laws and regulation regarding VAT. The Company disagrees with the assessment made by the tax authorities, especially since significant milestones have been passed to commercialize the TLens technology and will challenge any claims made by the tax authorities. A decision is expected to be made during 2018 by the tax authorities and the matter is still pending. No provision was made at 30.06.2018.

Going concern

With respect to the going concern assessment and the uncertainties thereof, we refer to note 12 in the condensed interim financial statements.

3 OUTLOOK

poLight continues to experience increased interest for its TLens technology from several industries, including the mobile phone sector, the barcode segment and for new applications in markets such as AR/VR. To date in 2018, poLight has received sample orders for 2,600 TLens´s compared to 1,700 for the whole of 2017. The increased market activity and interest for the TLens products supports increased confidence in commercialization of poLight's technology.

Demand for auto focus (AF) in the front-facing camera remains a key driver for interest from the mobile phone market. The number of ongoing dialogues with potential customers has increased through 2018, with several materializing into PoC projects. At the end of June, poLight was engaged in three ongoing PoC cases and further projects were being discussed. The earliest potential design win in the mobile phone market could still emerge towards the end of the year.

The two ongoing PoC projects in the barcode segment are expected to continue through 2018 with potential design wins late in the year and product release to the market in 2020. Barcode readers offer more steady and predictable volumes than the mobile phone segment. A success in the barcode market could finance a significant part of the of the fixed cost in the company.

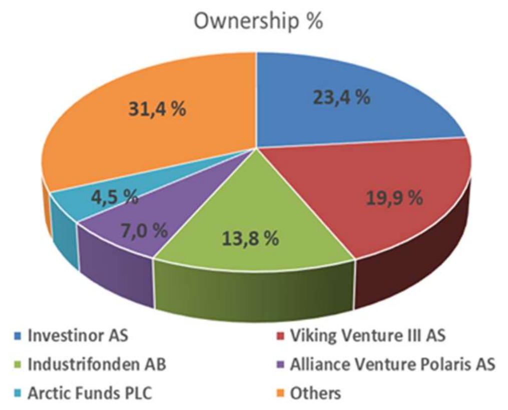
The company reiterates its plan to seek a public listing in 2018 with the intention to raise additional capital to finance commercialization of the unique Tlens technology. The timing will however be subject to continuous evaluation. Under the assumption that the potential claim from tax authorities is not coming into effect, the current available liquidity will most likely fund the company until the end of 2018.

4 SHAREHOLDER STRUCTURE AS OF 3O JUNE 2018

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. 359,968,729 share options (6.6 %) are issued as of 30.06.2018 all 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
Grethe Viksaas (Independent)	Board member
Johan Paulsson (Independent)	Board member
Jan-Erik Hareid (Alliance Venture)	Nomination committee
Erik Hagen (Viking Venture)	Nomination committee
Haakon Jensen (Investinor)	Nomination committee
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 CONDENSED INTERIM FINANCIAL STATEMENTS

Condensed interim consolidated statement of income (unaudited)

NOK 000	Note	Unaudited Q2 2018	Unaudited Q2 2017	Unaudited YTD 2018	Unaudited YTD 2017	FY 2017
Revenue		**66**	**0**	**250**	**0**	**613**
Cost of sales		-967	0	-1 005	0	-7 400
Research and development expenses	7	-7 793	-2 755	-16 445	-6 279	-21 051
Sales and marketing expenses		-1 717	-1 926	-3 762	-3 984	-7 610
Administrative expenses		-3 735	-3 715	-7 000	-6 809	-12 174
Operational / supply chain expenses		-720	-1 170	-1 474	-1 948	-3 322
Depreciation, amortisation and net impairment losses		-283	-306	-540	-600	-1 163
Operating profit		**-15 150**	**-9 872**	**-29 976**	**-19 619**	**-52 107**
Net financial items	6	-1	288	415	753	1 541
Profit before tax		**-15 151**	**-9 584**	**-29 561**	**-18 867**	**-50 566**
Income tax expense		-170	3	-177	-166	-91
Profit for the period		**-15 321**	**-9 581**	**-29 738**	**-19 032**	**-50 657**
Attributable to:						
Equity holders of the parent		-15 321	-9 581	-29 738	-19 032	-50 657
Non-controlling interests		0	0	0	0	0
Earnings per share:						
Basic, attributable to ordinary equity holders of the parent (NOK)		-0,003	-0,002	-0,005	-0,004	- 0,009
Diluted, attributable to ordinary equity holders of the parent (NOK)		-0,003	-0,002	-0,005	-0,004	- 0,009

Condensed interim consolidated statement of other comprehensive income (unaudited)

NOK 000	Note	Unaudited **Q2 2018**	Unaudited **Q2 2017**	Unaudited **YTD 2018**	Unaudited **YTD 2017**	**FY 2017**
Profit for the period		**-15 321**	**-9 581**	**-29 738**	**-19 032**	**-50 657**
Other comprehensive income						
Exchange differences on translation of foreign operations		-143	-143	-108	-122	592
Income tax effect		0	0	0	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**-143**	**-143**	**-108**	**-122**	**592**
Total comprehensive income for the period, net of tax		**-15 464**	**-9 725**	**-29 846**	**-19 154**	**-50 065**
Attributable to:						
Equity holders of the parent		-15 464	-9 725	-29 846	-19 154	-50 065
Non-controlling interests		0	0	0	0	0

Condensed interim statement of financial position (unaudited)

NOK 000	Note	Unaudited Q2 2018	Unaudited Q2 2017	FY 2017
ASSETS				
Property, plant and equipment		1 804	2 401	1 874
Intangible assets	8	71 851	61 562	67 444
Total non-current assets		**73 655**	**63 963**	**69 318**
Inventories		3 548	1 831	1 781
Trade and other receivables		7 028	6 819	5 260
Other current assets		1 433	1 713	1 127
Cash and cash equivalents		59 792	128 196	93 647
Total current assets		**71 801**	**138 560**	**101 816**
Total assets		**145 457**	**202 522**	**171 134**
EQUITY AND LIABILITIES				
Issued capital		542	542	542
Share premium		148 036	193 312	148 036
Other equity		-26 256	-15 436	1 417
Equity attributable to equity holders of the parent		**122 322**	**178 418**	**149 996**
Non-controlling interests		0	0	0
Total equity		**122 322**	**178 418**	**149 996**
Interest-bearing loans and borrowings		0	1 200	600
Total non-current liabilities		**0**	**1 200**	**600**
Trade and other payables		17 454	21 502	13 690
Interest-bearing loans and borrowings		1 200	1 200	1 200
Income tax payable		177	202	135
Provisions		4 304	0	5 513
Total current liabilities		**23 135**	**22 904**	**20 538**
Total liabilities		**23 135**	**24 104**	**21 138**
Total equity and liabilities		**145 457**	**202 522**	**171 134**

Condensed 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 2017		**542**	**193 312**	**782**	**401**	**195 037**	**0**	**195 037**
Profit for the period				-19 032		-19 032	0	-19 032
Other comprehensive income					-122	-122	0	-122
Total comprehensive income		0	0	-19 032	-122	-19 154	0	-19 154
Share option plan expense				2 535		2 535	0	2 535
At 30 June 2017		**542**	**193 312**	**-15 715**	**279**	**178 418**	**0**	**178 418**
As at 1 January 2018		**542**	**148 036**	**425**	**993**	**149 996**	**0**	**149 996**
Profit for the period				-29 738		-29 738	0	-29 738
Other comprehensive income					-108	-108	0	-108
Total comprehensive income		0	0	-29 738	-108	-29 846	0	-29 846
Share option plan expense				2 171		2 171		2 171
At 30 June 2018		**542**	**148 036**	**-27 141**	**884**	**122 321**	**0**	**122 321**

Condensed interim Consolidated statement of cash flows (unaudited)

NOK 000	Note	Unaudited Q2 2018	Unaudited Q2 2017	Unaudited YTD 2018	Unaudited YTD 2017	FY 2017
Operating activities						
Profit before tax		-15 151	-9 584	-29 561	-18 867	-50 566
Non-cash adjustment to reconcile profit before tax to net cash flows:						
Depreciation and impairment of property, plant and equipment		274	306	521	591	1 124
Amortisation and impairment of intangible assets		9	8	18	17	38
Share option plan expense		1 062	1 261	2 171	2 535	5 024
Other items related to operating activities		-186	-1 010	-96	-333	-1 744
Net foreign exchange differences		-122	56	-64	77	555
Movements in provisions and government grants		-249	0	-667	1 714	6 524
Working capital adjustments:						
Increase in trade and other receivables and prepayments		-3 148	-1 306	-2 616	-2 878	-30
Increase in inventories		-1 659	-1 382	-1 767	-1 831	-1 781
Decrease in trade and other payables		7 187	2 290	3 806	196	-7 683
Interest received	6	67	0	67	0	1 752
Interest paid	6	-42	-92	-42	-128	-152
Income tax paid		0	0	-91	0	0
Net cash flows from operating activities		**-11 958**	**-9 454**	**-28 320**	**-18 907**	**-46 939**
Investing activities						
Purchase of property, plant and equipment		-461	0	-461	-223	-305
Development capital expenditures	7	-2 413	-7 840	-4 439	-19 065	-26 021
Receipt of government grants		0	0	0	0	1 123
Net cash flows used in investing activities		**-2 874**	**-7 840**	**-4 899**	**-19 288**	**-25 203**
Financing activities						
Repayment of borrowings		-600	-600	-600	-600	-1 200
Net cash flows from/(used in) financing activities		**-600**	**-600**	**-600**	**-600**	**-1 200**
Net increase in cash and cash equivalents		-15 431	-17 894	-33 819	-38 796	-73 341
Effect of exchange rate changes on cash and cash equivalents		-22	39	-45	39	36
Cash and cash equivalents at the start of the period		75 245	146 050	93 656	166 953	166 953
Cash and cash equivalents at the end of the period		**59 792**	**128 196**	**59 792**	**128 196**	**93 648**

Notes to the condensed 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 Basis of preparation

The consolidated interim financial statements of the Group for the second quarter and first half year ended 30.06.2018 (unaudited) have been prepared in accordance with IAS 34. The financial statements do not include all the information required for the full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2017.

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 Accounting policies

The accounting policies adopted in the preparation of the interim Consolidated Financial Statements are consistent with the Consolidated Financial Statements for the year ended 31 December 2017. None of the IFRS standards adopted since 1 January 2018 have significant effect on the Financial Statements.

4 Significant accounting judgements, estimates and assumptions

The management makes accounting judgements on i) impairment of intangible assets ii) share option plans and iii) development costs, described in the Consolidated Financial Statements for the year ended 31 December 2017.

5 Prior period errors

With effect from 2018 poLight has implemented on quarterly basis, the same accurate methods for measuring vacation not taken and timing of recognition of government grant in the statement of income as used at year-end. The interim statement of income will due to this better reflect the actual vacation then it happens. To ensure comparability, the same method for measuring vacation not taken and grants at 1H 2017 is used and figures restated.

The effect on the financial statement is as follows (unaudited);

NOK 000	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	YTD 2017
Research and development expenses	-358	-821	3 396	-2 218	0	-1 179
Sales and marketing expenses	297	-632	124	210	0	-335
Administrative expenses	449	-1 141	121	571	0	-692
Operational / supply chain expenses	91	-276	46	139	0	-185
Operating profit	**480**	**-2 870**	**3 688**	**-1 298**	**0**	**-2 390**
Trade and other receivables	1 565	1 584	1 993	0		
Trade and other payables	-1 086	-3 974	-696	0		
Other equity	**480**	**-2 390**	**1 298**	**0**		

6 Specification of operating expenses by nature (unaudited)

(in NOK 000)	Q2 2018	Q2 2017	YTD 2018	YTD 2017	FY 2017
Cost of sales	967	0	1 005	0	7 400
Capitalised intangible assets in progress	-2 413	-7 840	-4 439	-19 065	-24 898
Employee benefits expense	9 667	9 169	17 099	17 700	35 435
Depreciation, amortisation and net impairment losses	283	306	540	600	1 163
Other operating expenses	6 712	8 237	17 026	20 384	33 620
Total operating expenses	**15 216**	**9 872**	**30 226**	**19 619**	**52 720**

7 Financial items (unaudited)

(in NOK 000)	Q2 2018	Q2 2017	YTD 2018	YTD 2017	FY 2017
Net foreign exchange gain (losses)	-151	-60	72	-37	-59
Interest income	192	443	370	930	1 752
Interest expense on debts and borrowings	-42	-92	-42	-128	-120
Finance expenses	0	-3	16	-13	-32
Net financial items	**-1**	**288**	**415**	**753**	**1 541**

8 Research and development expense (unaudited)

(in NOK 000)	Q2 2018	Q2 2017	YTD 2018	YTD 2017	FY 2017
Employee benefits expense	5 821	6 282	11 639	12 725	20 483
Other operating expenses	5 672	5 704	11 442	16 002	33 347
Grants	-1 288	-1 391	-2 197	-3 383	-7 880
Capitalized	-2 413	-7 840	-4 439	-19 065	-24 898
Total	**7 793**	**2 755**	**16 445**	**6 279**	**21 051**

9 Intangible assets (unaudited)

(in NOK 000)	Q2 2018	Q2 2017	YTD 2018	YTD 2017	FY 2017
At period beginning	69 454	53 730	67 444	42 514	42 514
Additions — internal development	1 078	3 043	2 191	8 627	7 946
Additions	1 328	4 797	2 234	10 438	17 022
Amortisation	-9	-8	-18	-17	-38
Impairment losses	0	0	0	0	0
At period end	**71 851**	**61 562**	**71 851**	**61 562**	**67 444**

10 Related party transactions

poLight AS is the ultimate parent. None of the shareholders of poLight AS has control of the company. As of 31 December 2017, the largest shareholder is Investinor AS, with an ownership of 23.4%.

Intercompany agreements are entered into with all the Group subsidiaries. All sales in the subsidiaries are made with parent company. All transactions are considered to be on an arm's length basis. No transactions have been made with other related parties for the relevant financial period.

11 Claims

On 20 February 2018, the Company received a notification of a claim from the Norwegian tax authorities (Skatt Sør) of repayment of refunded VAT for the period since 2013, totalling an amount of NOK 11.6 million. Further, the tax authorities are threatening to strike the Company from the Norwegian VAT Register and impose an additional tax of 20% of the claim for repayment of refunded VAT. The tax authorities argue that the Company should not have been registered in the VAT Register and has therefore not been eligible to receive VAT refunds on the grounds that the Company's business is not capable of being profitable, and does therefore not qualify as a "business" pursuant to the Norwegian laws and regulation regarding VAT. The Company disagrees with the assessment made by the tax authorities, especially since significant milestones have been passed to commercialize the TLens technology and will challenge any claims made by the tax authorities. A decision is expected to be made during 2018 by the tax authorities and the matter is still pending. No provision was made at 30.06.2018.

12 Going concern

poLight does not have available liquidity to fund the company throughout the next 12 months period. Current available liquidity will likely fund the company until the end of 2018, conditional upon the entity not being required to pay the potential VAT claim from tax authorities. The potential VAT claim is described in note 11 and in the *'Risks and uncertainties'* section of this report.

poLight will need additional funding in order to finance commercialization of the Tlens technology. The company reiterates its plan to seek a public listing in 2018 with the intention to raise additional capital. The going concern assumption is dependent on a successful completion of an IPO or an alternative form of fund raising, thus there are significant uncertainties relating to the going concern assumption applied.

7 RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2018 has been prepared in accordance with IAS 34-lnterim Financial Reporting, and gives a true and fair view of the poLight group's assets, liabilities, financial position and results for the period. We also confirm, to the best of our knowledge, that the financial review includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements, any major related-parties' transactions, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

The board of directors of poLight AS
Horten, 23 August 2018

Building a better working world

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To the Board of Directors of poLight AS

Report on review of interim financial information

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of poLight AS as of 30 June 2018 and the related condensed consolidated statements of income, other comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Board of Directors is responsible for the preparation and fair presentation of this condensed interim consolidated financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the international standard on review engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information does not give a true and fair view of the financial position of the entity as at 30 June 2018 and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34.

Material uncertainty related to going concern

We draw attention to note 12 of the condensed interim consolidated financial statements, where the company discloses that available liquidity is not sufficient to fund the company throughout the next 12 months period. The going concern assumption applied is dependent on securing additional liquidity through a public listing or an alternative form of fund raising. These events and conditions, along with other matters as set forth in the condensed interim consolidated financial statements indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Tønsberg, 27 August 2018
ERNST & YOUNG AS

Morten Mobråthen
State Authorized Public Accountant (Norway)