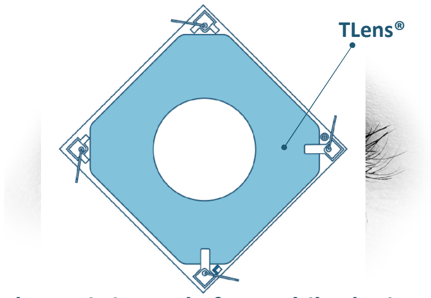
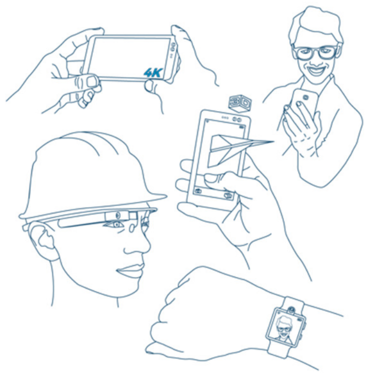
poLight® Quarterly Update
2Q 2017

"After 8 years of research, we managed to replicate the human eye"

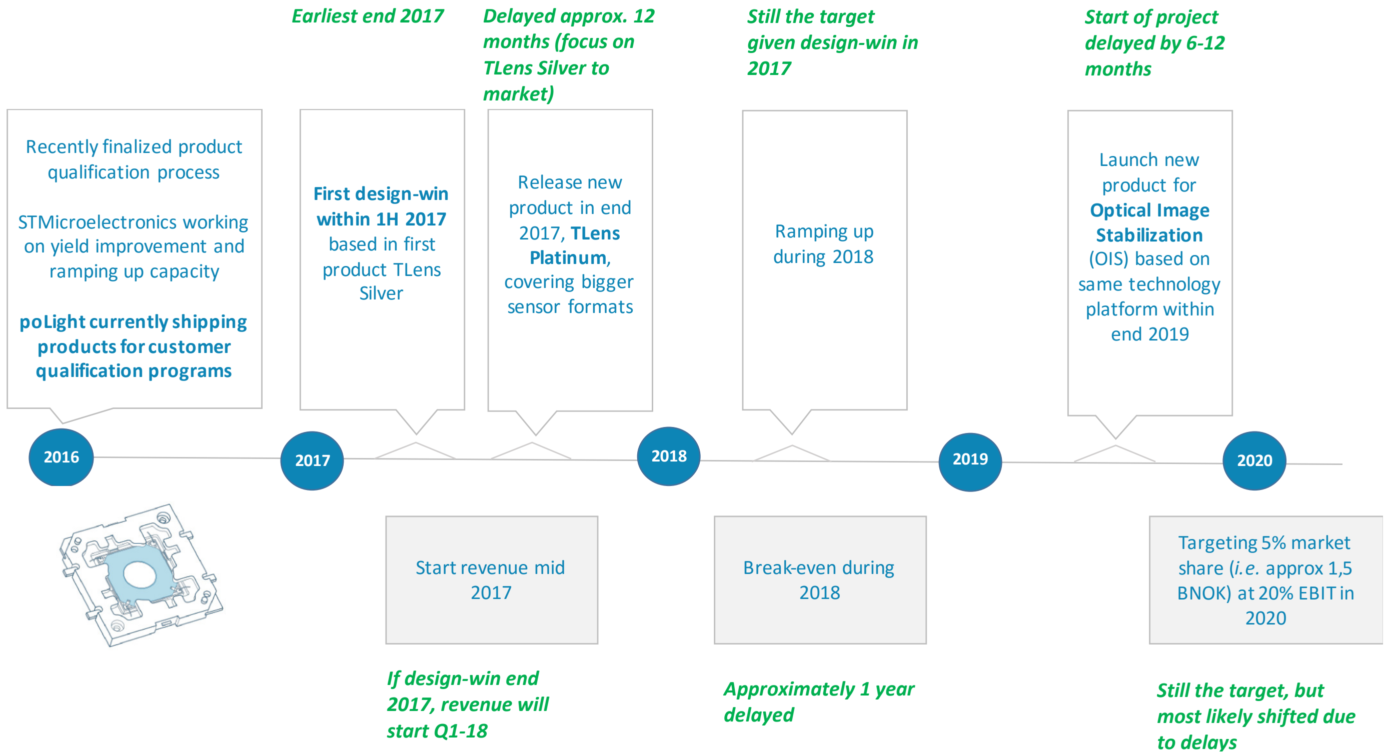


… and now it is ready for mobile devices



1 OVERALL TARGETS COMMUNICATED DURING THE PRE-IPO PROCESS

The figure below shows the slide shown as part of the pre-IPO process, expressing important targets/milestones for poLight. The green comments state the current top-level status as seen by the company, which has not changed significantly since the first quarter 2017 update. A more detailed status update is provided in Section 2.



2 MANUFACTURING, PRODUCT DEVELOPMENT, MARKETING AND ORGANISATION

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.

The ramp-up process progressed well through the second quarter. While, some tuning of new process equipment has been needed, ST's wafer output has increased steadily over the past two quarters as production predictability improved significantly. This development has continued into the third quarter. ST is currently working on further capacity increases. Implementation of an improved TLens packaging *(ref. product development section)* to improve the reliability of the TLens is underway at THEIL.

The material produced at ST is currently used for assembly of complete TLenses at THEIL for yield optimization reasons and for supply to various customer qualification programs. The remaining is buffered at wafer level to prepare for a potential customer delivery in the first half of 2018. The company is focused on balancing the production of material in preparation for the TLens' market introduction and the use of cash.

Product Development

Following feedback from various customer qualification programs, new and more robust ***TLens Silver*** units were shipped to camera module makers. The main adjustments were related to improvements to the package surrounding the TLens for it to better withstand various tests to prove reliability. Qualification and testing of the adjusted ***TLens Silver*** has continued into the third quarter. One potential customer (camera module vendor) has reported that reliability tests, which previously failed, now have been successfully passed. The camera module vendor will now actively market the readiness of the technology towards various mobile phone vendors. Other camera module vendors are going through similar qualification processes.

Design changes have also been made to the ***TLens Silver*** package to minimize footprint and ease integration into camera module/phone, representing an advantage compared to the incumbent technology called Voice Coiled Motor (VCM) and crucial for front facing camera applications. The new package design has been completed and first parts are expected to be available for internal qualification from the middle of the third quarter of 2017.

The ***TLens Platinum*** development project continued. TLens Platinum will be a similar product to TLens Silver, but for larger sensor formats. Design work has been focused on changing specifications to simplify processing at ST. The ambition is to start sampling customers early 2018, and release the product to the market in the second half of 2018. One potential customer has already started to design a camera module based on Platinum specification.

A new ASIC driver, supplying voltage for controlling the TLens, is under development. It is expected to be released in the second quarter of 2018. Tape-out was achieved during the quarter, and first sample for testing is expected to be available in the fourth quarter of 2017.

Market

Market activity was intense during the second quarter, mainly focused on China and Taiwan.

The trend of including auto focus in the front facing cameras and maximizing screen size, continued to drive interest for TLens mainly due to the compact xy (small footprint), AF functionality and TLens enabling a non-electromagnetic AF functionality. Feedback received from various market players indicate that available implementations of the current “high-end” front-facing cameras have not generated the level of end-user excitement expected by the mobile phone vendors launching such devices. Therefore better solutions are needed.

The interaction with various market participants has confirmed that the camera is an increasingly important differentiator for the smartphone market. In the camera module, the lens stack, actuator (today VCM) and image sensor, are the key strategic components. The selection of which are often made directly by the mobile phone vendor.

poLight is actively engaged with several of the major camera-module suppliers, which position themselves to be able to deliver compact high-end front-facing cameras to the various mobile phone vendors. Some processes are more mature than others. When summing up the test/prototype built to date, the poLight technology performs well and has passed critical tests. The need for improved mechanical integration was addressed as mentioned under the product development section. The optimized product was made available for re-testing by some camera-module suppliers during the summer as planned, and important progress has been made related to the robustness of the TLens.

It is the mobile phone vendors that eventually will decide on the actuator technology to be used. The fact that one camera module vendor has started to report positive reliability test-results to the market using poLight technology, provides an important basis for the next steps.

For poLight, there are three main points related to achieving the first design-win:

- **Maturity of the technology and related risk**
    - The progress made in the second quarter with the updated design and new reliability tests has been very important for the company and has triggered a change in discussions with eco-system partners. Should additional camera module vendors report similar test results, it would drive increased attention to the TLens within the industry
- **Defining “use cases” important enough to trigger technology change**
    - Establishing the poLight system-team based on former Nokia/Microsoft-team in Finland, the company will be able to demonstrate new applications and use cases enabled by TLens technology
- **Demand for bigger aperture size**

- Camera module makers and mobile phone vendors are often specifying cameras, including front-facing cameras, with bigger aperture size than ***TLens Silver*** can support. The ***TLens Platinum*** development project is therefore important. An upgraded ***TLens Silver*** product is also considered, enabled by better performance than anticipated and based on the new improved ASIC driver which soon is available

The introduction of new technology is generally a very demanding process. poLight strengthened its market position in the second quarter and established a new level of trust. The company will continue its work with all the above-mentioned factors to secure the first design win.

3 KEY FIGURES

Consolidated statement of income

(in NOK million)	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Revenue	0,0	0,1	0,0	0,2	0,2
EBIT	**-7,0**	**-4,5**	**-17,2**	**-12,1**	**-37,5**
Research and development expenses	-1,9	-0,1	-5,1	-4,2	-20,1
Capitalised intangible assets	-7,8	-7,8	-19,1	-13,3	-26,3

Consolidated statement of financial position

(in NOK million)	Q2 2017	Q2 2016	Q1 2017	FY 2016
Intangible assets	61,6	29,5	53,7	42,5
Cash and cash equivalents	128,2	52,9	146,1	167,0
Total equity	181,0	64,9	186,4	195,0
Total current liabilities	18,7	21,8	20,4	22,7
Total non-current liabilities	1,2	2,4	1,8	1,8
Total equity and liabilities	200,9	89,1	208,6	219,5

Profit and loss second quarter 2017

R&D expenses amounted to NOK 9.8 million including capitalised expenditures in the second quarter of 2017, compared with NOK 7.9 million in the second quarter of 2016. The increase was mainly due to establishment of the entity in Finland employing six more R&D people.

Sales and marketing expenses were NOK 1.3 million in the second quarter, compared with NOK 1.1 million last year.

Supply chain related expenses was NOK 0.9 million (NOK 0) and reflected a strengthening of the related organization compared with the previous year period.

Administration expenses were NOK 2.5 million (NOK 3.1 million).

The group operating loss was NOK 7.0 million, compared with an operating loss of NOK 4.5 million in the second quarter of 2016. R&D expenditures of NOK 7.8 million were capitalised in the period (NOK 7.8 million).

Financial position

Total assets at 30 June 2017 were NOK 200.9 million, compared with NOK 89.1 million at 30 June 2016. The increase in total assets was mainly related to the private placement on 1 July 2016. Total equity was NOK 181.1 million, compared with NOK 64.9 million at 30 June 2016.

Intangible assets amounted to NOK 61.6 million at 30 June 2017 (NOK 29.5 million), reflecting capitalised R&D expenses. The cash position was NOK 128.2 million, compared with NOK 52.9 million at June 2016. The change was mainly related to proceeds from the private placement of new shares.

Cash flow

Net cash flow used in operating activities was NOK 9.5 million in the second quarter of 2017, compared with NOK 1.0 million in the same period of 2016. The net cash flow used in investing activities was NOK 7.8 million (NOK 9.0 million). The decrease was mainly due to no capital expenditures related to equipment in the period.

4 OUTLOOK

The increased performance demand for front-facing cameras has increased interest for using the TLens technology. The company is currently in the process of testing and qualifying TLens with various customers. After having supplied an improved integration package for ***TLens Silver***, poLight has passed some of the qualification tests previously failed, during the quarter. This was an important milestone, even though more testing remains to be carried out at system/phone level, and more camera module players will need to go through the same process. poLight expects that passing this milestone will encourage more mobile phone vendors and camera module vendors, to start testing the TLens technology.

As previously communicated, the aperture size for ***TLens Silver*** has limitations when it comes to its application. These limitations are addressed by the ***TLens Platinum***, which offers a bigger aperture size and facilitates a higher megapixel and lower F-number, as well as an upgraded TLens Silver product is evaluated. Hence, there is a risk that first design-win will need Platinum availability, or at least an “upgraded” Silver product.

Mobile phone vendors provide limited visibility as to their roadmaps for developing camera functionality in their coming releases. Still, it is poLight’s clear impression that new actuator technology, like TLens, is of growing interest for a number reasons. The company continues to develop the TLens technology and actively markets it to camera module makers and mobile phone vendors. The potential timing of the first design-win remains uncertain. Important steps were taken in the right direction in the second quarter from a technical perspective and the macro picture remains positive, both important factors for future success. The company reiterates that it will be challenging to achieve a design-win in 2017. Still, it remains a possible outcome towards the end of the year assuming TLens Silver meets the demanded specifications.

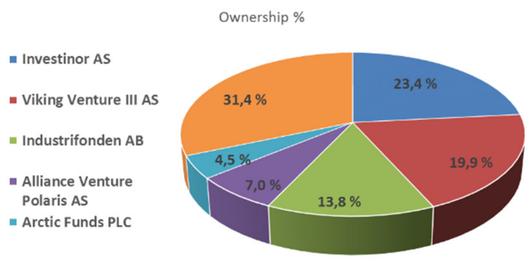
The company reiterates that it expects current funding will last throughout the third quarter of 2018. poLight is committed to minimizing the risk of needing additional capital before reaching sufficient maturity and news flow to carry out the planned IPO. The company is currently executing IPO-preparation activities and planning for a listing in the beginning of 2018. The timing will however be subject to continuous evaluation.

5 SHAREHOLDER STRUCTURE AS OF 30 JUNE 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. 444,738,021 share options (8.2 %) are issued as of 30.06.2017 at strike 0.1125 NOK /share.



6 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

7 FINANCIAL STATEMENTS

Interim consolidated statement of income (unaudited)

NOK 000	Note	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Revenue		**0**	**90**	**0**	**152**	**216**
Research and development expenses	5	-1 934	-129	-5 101	-4 183	-20 118
Sales and marketing expenses		-1 294	-1 136	-3 649	-2 510	-5 540
Administrative expenses		-2 574	-3 133	-6 117	-5 220	-9 484
Operational / supply chain expenses		-894	-13	-1 763	-13	-1 720
Depreciation, amortisation and net impairment losses		-306	-173	-600	-336	-822
Operating profit		**-7 003**	**-4 496**	**-17 230**	**-12 109**	**-37 468**
Net financial items	4	288	-39	753	-113	721
Profit before tax		**-6 715**	**-4 534**	**-16 477**	**-12 222**	**-36 747**
Income tax expense		3	0	-166	0	-37
Profit		**-6 712**	**-4 534**	**-16 642**	**-12 222**	**-36 784**
Attributable to:						
Equity holders of the parent		-6 712	-4 534	-16 642	-12 222	-36 784
Non-controlling interests		0	0	0	0	0
Earnings per share:						
Basic, attributable to ordinary equity holders of the parent (NOK)		-0,001	-0,003	-0,003	-0,009	-0,011
Diluted, attributable to ordinary equity holders of the parent (NOK)		-0,001	-0,003	-0,003	-0,009	-0,011

Interim consolidated statement of other comprehensive income (unaudited)

NOK 000	Note	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Profit for the year		**-6 712**	**-4 534**	**-16 642**	**-12 222**	**-36 784**
Other comprehensive income						
Exchange differences on translation of foreign operations		95	-156	116	-350	-416
Income tax effect		0	0	0	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**95**	**-156**	**116**	**-350**	**-416**
Total comprehensive income for the year, net of tax		**-6 617**	**-4 691**	**-16 526**	**-12 571**	**-37 200**
Attributable to:						
Equity holders of the parent		-6 617	-4 691	-16 526	-12 571	-37 200
Non-controlling interests		0	0	0	0	0

Interim consolidated statement of financial position (unaudited)

NOK 000	Note	Q2 2017	Q2 2016	Q1 2017	FY 2016
ASSETS					
Property, plant and equipment		2 401	2 435	2 666	2 710
Intangible assets		61 562	29 507	53 731	42 514
Total non-current assets		**63 963**	**31 942**	**56 397**	**45 224**
Inventories		1 831	0	449	0
Trade and other receivables		5 235	3 675	4 634	6 543
Other current assets		1 713	572	1 027	826
Cash and cash equivalents		128 196	52 898	146 058	166 953
Total current assets		**136 975**	**57 144**	**152 168**	**174 321**
Total assets		**200 938**	**89 086**	**208 565**	**219 545**
EQUITY AND LIABILITIES					
Issued capital		542	13 221	542	542
Share premium		193 312	50 351	193 312	193 312
Other equity		-12 808	1 343	-7 451	1 183
Equity attributable to equity holders of the parent		**181 046**	**64 915**	**186 403**	**195 037**
Non-controlling interests		0	0	0	0
Total equity		**181 046**	**64 915**	**186 403**	**195 037**
Interest-bearing loans and borrowings		1 200	2 400	1 800	1 800
Total non-current liabilities		**1 200**	**2 400**	**1 800**	**1 800**
Trade and other payables		17 290	20 571	18 957	21 471
Interest-bearing loans and borrowings		1 200	1 200	1 200	1 200
Income tax payable		202	0	205	37
Provisions		0	0	0	0
Total current liabilities		**18 692**	**21 771**	**20 362**	**22 708**
Total liabilities		**19 892**	**24 171**	**22 162**	**24 508**
Total equity and liabilities		**200 938**	**89 086**	**208 565**	**219 545**

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
Exercise of options						0		0
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				-16 642		-16 642	0	-16 642
Other comprehensive income					116	116	0	116
Total comprehensive income		0	0	-16 642	116	-16 526	0	-16 526
Value of share option plan				2 535		2 535		2 535
At 30.06.2017		542	193 312	-13 325	517	181 046	0	181 046

Interim Consolidated statement of cash flows (unaudited)

NOK 000	Note	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Operating activities						
Profit before tax		-6 715	-4 534	-16 477	-12 222	-36 747
Non-cash adjustment to reconcile profit before tax to net cash flows:						
Depreciation and impairment of property, plant and equipment		306	173	591	329	773
Amortisation and impairment of intangible assets		0	0	9	7	49
Share option plan expense		1 261	0	2 535	0	2 132
Other items related to operating activities		61	-294	-1 058	-173	-792
Net foreign exchange differences		56	-146	77	-329	-375
Movements in provisions and government grants		0	-8 618	1 714	-2 760	-6 102
Working capital adjustments:						
Increase in trade and other receivables and prepayments		-1 287	2 665	-2 308	-1 205	-986
Increase in inventories		-1 382	0	-1 831	0	0
Decrease in trade and other payables		-1 670	9 825	-2 031	9 535	10 472
Interest received	4	0	0	0	0	1 036
Interest paid	4	-92	-48	-128	-150	-264
Net cash flows from operating activities		**-9 461**	**-978**	**-18 907**	**-6 968**	**-30 803**
Investing activities						
Purchase of property, plant and equipment		0	-1 173	-223	-1 315	-1 934
Development capital expenditures	5	-7 840	-7 780	-19 065	-13 295	-32 989
Receipt of government grants		0	0	0	0	6 553
Net cash flows used in investing activities		**-7 840**	**-8 953**	**-19 288**	**-14 610**	**-28 369**
Financing activities						
Issue of share capital		0	0	0	0	160 268
Transaction costs on issue of shares		0	0	0	0	-7 998
Repayment of borrowings		-600	-600	-600	-600	-1 200
Net cash flows from/(used in) financing activities		**-600**	**-600**	**-600**	**-600**	**151 070**
Net increase in cash and cash equivalents		-17 901	-10 530	-38 795	-22 178	91 897
Effect of exchange rate changes on cash and cash equivalents		39	-10	39	-21	-41
Cash and cash equivalents at the start of the period		146 058	63 438	166 953	75 096	75 096
Cash and cash equivalents at the end of the period		**128 197**	**52 898**	**128 197**	**52 898**	**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 tunable 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 second quarter and first half ended 30.06.2017 (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

(NOK 000)	**Q2 2017**	**Q2 2016**	**YTD 2017**	**YTD 2016**	**FY 2016**
Capitalised intangible assets in progress	-7 840	-7 780	-19 065	-13 295	-26 326
Employee benefits expense	7 612	4 589	17 399	10 618	23 590
Depreciation, amortisation and net impairment losses	306	173	600	336	822
Other operating expenses	6 924	7 603	18 296	14 603	39 598
Total operating expenses	**7 003**	**4 586**	**17 230**	**12 261**	**37 684**

4 Financial items

(NOK 000)	**Q2 2017**	**Q2 2016**	**YTD 2017**	**YTD 2016**	**FY 2016**
Net foreign exchange gain (losses)	-60	-9	-37	-28	-51
Interest income	443	21	930	21	1 036
Interest expense on debts and borrowings	-92	-48	-128	-102	-187
Finance expenses	-3	-3	-12	-4	-77
Net financial items	**288**	**-39**	**753**	**-113**	**721**

5 Research and development expense

(NOK 000)	**Q2 2017**	**Q2 2016**	**YTD 2017**	**YTD 2016**	**FY 2016**
Employee benefits expense	2 872	1 766	6 617	5 147	16 474
Other operating expenses	7 440	7 015	18 087	13 203	41 823
Grants	-538	-872	-538	-872	-11 854
Capitalized	-7 840	-7 780	-19 065	-13 295	-26 326
Total	**1 934**	**129**	**5 100**	**4 183**	**20 118**