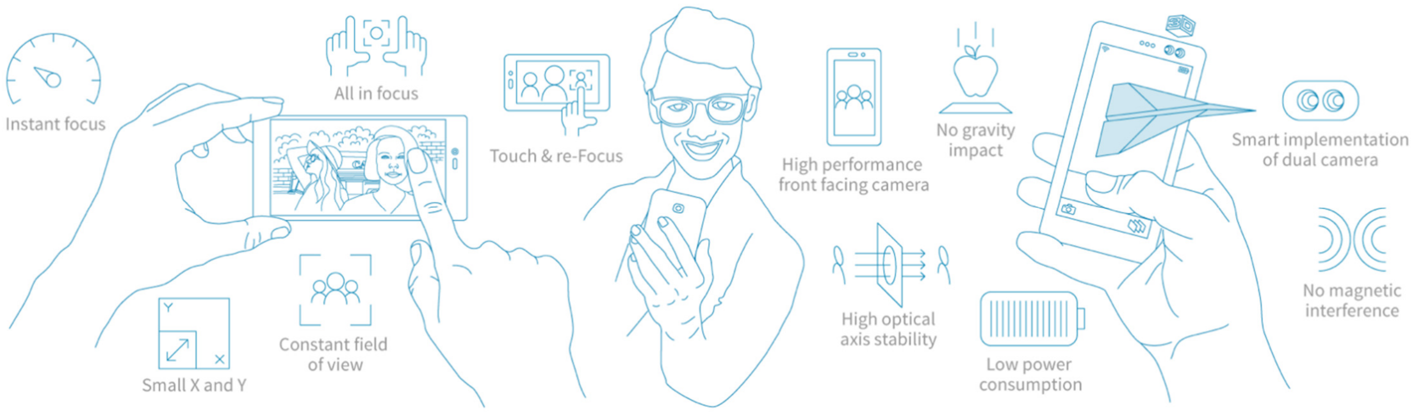
poLight® Quarterly Update

1Q 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. Progress was good during the first quarter, and wafers for assembly and testing were delivered according to plan. poLight started customer sampling early in the second quarter. The first TLens Platinum samples were shipped to a customer in the quarter for testing.

Theil successfully implemented new production steps to increase the TLens' reliability and durability after input from product qualification programs executed by potential customers.

Product Development

Development of ***TLens Silver Premium*** continued in the first quarter of 2018. TLens Premium is an evolution of the TLens Silver product, having bigger aperture. The initial wafer for the Premium version was delivered from ST during the quarter as expected and sampled to customers from early in the second quarter. Results from initial reliability tests have been positive. The next steps are, completing the assembly setup of the TLens Premium at Theil in the second quarter, and conduct a full product qualification program.

The ***TLens Platinum*** development project also continued, but with lower priority than Silver Premium. The product is targeted to be ready for market release early 2019, depending on Silver Premium progress. One Proof-of-Concept project (PoC) is already underway with one mobile phone and camera-module vendor (CM). The CM received samples during the first quarter, and will supply camera modules to mobile phone vendor in Q2. The initial results from this project are expected around mid-2018.

Malfunction in the new ***ASIC*** driver, controlling the TLens through supplying voltage, was resolved during the quarter and improvements implemented. A new version will be delivered from the sub supplier in the second quarter. The targeted market release remains mid-2018.

Market

The increase in market activity from late last year continued to build momentum into 2018. Camera module makers and mobile phone manufacturers in China and Taiwan remained the key discussion partners, although the company maintained dialogue with other smart phone market participants. Market opportunities in other segments, such as the barcode and AR/VR markets, solidified during the first 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) will be very challenging compared to a very compact, small footprint (xy) size TLens solution.

poLight continues to experience increased interest on the back of these trends. Activity related to maturing new camera module vendors continuous, and the company supported PoC projects with three well recognised mobile phone makers through two different camera module vendors at the start of the year. 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 POC projects progressed well and according to plan in the first quarter. One POC study was halted as the mobile phone maker decided to prioritize the active screen-size, which made the xy-footprint of an AF front facing camera too large for the specific smartphone model. Additional three POC projects can potentially start in the second or third quarter. Ongoing POC projects are expected to conclude between second half of 2018 and mid-2019.

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.

Interest from other sectors relying on high quality cameras and have recognized the benefits of the TLens technology, continued through the first quarter of 2018.

The ongoing dialogues with makers of barcode readers matured further. By end of March, two barcode reader manufacturers had initiated POC studies based on TLens Silver. In addition to the ongoing technical PoCs, poLight is discussing commercial terms with both companies. One of the dialogues regarding a Master Supply Agreement (MSA) has reached an advanced stage. A barcode product may last for 5-10 years with a potential annual volume ranging from several hundred thousands 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. A successful entry of this market may yield revenue and cash flow which could cover a significant part of the company's cost base.

Discussions also continued around potential applications in markets for artificial- and virtual reality (AR/VR) devices. Two Tier 1 AR product providers are currently assessing if TLens can be used as a key component in the next generation AR glasses and have acquired evaluation kits from poLight. In addition, a start-up company which plans to launch smart sunglasses, has designed TLens into the product. These ongoing processes indicate that poLight may be positioned for the potentially next "big thing" when it comes to high-volume consumer electronics.

2 KEY FIGURES

Consolidated statement of income

(in NOK million)	**Q1 2018**	**Q1 2017**	**FY 2017**
Revenue	0,2	0,0	0,6
EBIT	**-14,8**	**-10,2**	**-52,1**
Research and development expenses	-8,7	-3,2	-21,1
Capitalised intangible assets	-2,0	-11,2	-24,9

Consolidated statement of financial position

(in NOK million)	**Q1 2018**	**Q1 2017**	**FY 2017**
Intangible assets	69,5	53,7	67,4
Cash and cash equivalents	75,2	146,1	93,6
Total equity	136,7	186,4	150,0
Total current liabilities	17,2	20,4	20,5
Total non-current liabilities	0,6	1,8	0,6
Total equity and liabilities	154,5	208,6	171,1

Profit and loss first quarter 2018

R&D expenses amounted to NOK 10.7 million (including NOK 2.0 million in R&D expenditures capitalised in the first quarter of 2018), compared with NOK 14.4 million in the first quarter of 2017 (including NOK 11.2 million capitalised expenditures).

Sales and marketing expenses were NOK 2.0 million in the first quarter, compared to NOK 2.4 million in the same quarter of the previous year. Supply chain related expenses were NOK 0.8 million (NOK 0.9 million) and administration expenses were NOK 3.3 million (NOK 3.5 million).

The group operating loss was NOK 14.8 million, compared to an operating loss of NOK 10.2 million in the first quarter of 2017.

Financial position

Total assets at 30 March 2018 were NOK 154.5 million, compared with NOK 208.6 million at 30 March 2017.

Intangible assets amounted to NOK 69.5 million at 30 March 2018 (NOK 53.7 million), reflecting capitalised R&D expenses. The cash position was NOK 75.2 million, compared with NOK 146.0 million at the end of March 2017.

Cash flow

Net cash flow used in operating activities was NOK 16.4 million in the first quarter of 2018, compared with NOK 9.4 million in the same period of 2017. The net cash flow used in investing activities was NOK 2.0 (NOK 11.4 million).

3 OUTLOOK

poLight continues to experience increased interest for its TLens technology from the mobile phone industry and other sectors. The demand for Auto Focus (AF) in the front-facing camera has continued to strengthen in 2018. It remains a key driver for interest in poLight's solutions, which is reflected in a steady increase in the number of ongoing dialogues with potential customers.

The earliest potential design win in the mobile phone market could emerge in the second half of 2018. A few PoC projects are already ongoing, and new cases are being discussed.

Two PoC projects have been initiated in the barcode segment. The projects target designing in the TLens into scan engine platforms for use in several barcode products. These are expected to progress through 2018 with potential design wins late in the year and product release to the market in late 2019 or 2020. While, representing smaller volumes than the smart phone market, barcode readers offers more steady and predictable volumes. The products typically have a lifespan of 5-10 years per case as opposed to a smartphone case which often last only for 6-12 months. Success in the barcode market could finance a significant part of the of the fixed cost in the company.

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.

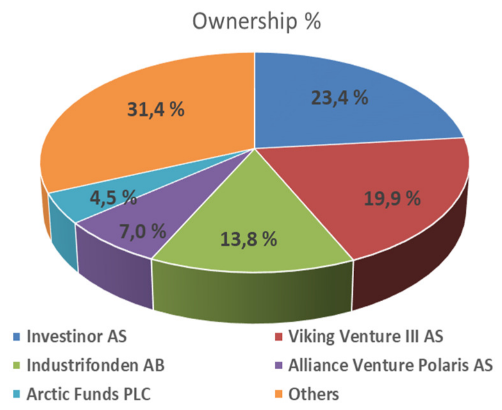
The company is currently planning for a listing during 2018. The timing will however be subject to continuous evaluation. Current available liquidity will likely fund the company until the end of 2018.

4 Shareholder Structure as of 31 March 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. 425,534,489 share options (7.8 %) are issued as of 31.03.2018 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	Q1 2018	Q1 2017	FY 2017
Revenue		**184**	**0**	**613**
Cost of sales		-37	0	-7 400
Research and development expenses	5	-8 652	-3 166	-21 051
Sales and marketing expenses		-2 045	-2 355	-7 610
Administrative expenses		-3 265	-3 543	-12 174
Operational / supply chain expenses		-754	-869	-3 322
Depreciation, amortisation and net impairment losses		-256	-294	-1 163
Operating profit		**-14 827**	**-10 227**	**-52 107**
Net financial items	4	417	465	1 541
Profit before tax		**-14 410**	**-9 762**	**-50 566**
Income tax expense		-7	-168	-91
Profit		**-14 417**	**-9 930**	**-50 657**
Attributable to:				
Equity holders of the parent		-14 417	-9 930	-50 657
Non-controlling interests		0	0	0
Earnings per share:				
Basic, attributable to ordinary equity holders of the parent (NOK)		-0,003	-0,002	-0,009
Diluted, attributable to ordinary equity holders of the parent (NOK)		-0,003	-0,002	-0,009

Interim consolidated statement of other comprehensive income (unaudited)

NOK 000	Note	Q1 2018	Q1 2017	FY 2017
Profit for the year		**-14 417**	**-9 930**	**-50 657**
Other comprehensive income				
Exchange differences on translation of foreign operations		35	21	592
Income tax effect		0	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**35**	**21**	**592**
Total comprehensive income for the year, net of tax		**-14 382**	**-9 909**	**-50 065**
Attributable to:				
Equity holders of the parent		-14 382	-9 909	-50 065
Non-controlling interests		0	0	0

Interim consolidated statement of financial position (unaudited)

NOK 000	Note	Q1 2018	Q1 2017	FY 2017
ASSETS				
Property, plant and equipment		1 620	2 666	1 874
Intangible assets		69 454	53 731	67 444
Total non-current assets		**71 074**	**56 397**	**69 318**
Inventories		1 889	449	1 781
Trade and other receivables		5 377	4 634	5 260
Other current assets		896	1 027	1 127
Cash and cash equivalents		75 244	146 058	93 647
Total current assets		**83 407**	**152 168**	**101 816**
Total assets		**154 481**	**208 565**	**171 134**
EQUITY AND LIABILITIES				
Issued capital		542	542	542
Share premium		148 037	193 312	148 036
Other equity		-11 855	-7 451	1 417
Equity attributable to equity holders of the parent		**136 724**	**186 403**	**149 996**
Non-controlling interests		0	0	0
Total equity		**136 724**	**186 403**	**149 996**
Interest-bearing loans and borrowings		600	1 800	600
Total non-current liabilities		**600**	**1 800**	**600**
Trade and other payables		10 444	18 957	13 690
Interest-bearing loans and borrowings		1 200	1 200	1 200
Income tax payable		0	205	135
Provisions		5 513	0	5 513
Total current liabilities		**17 157**	**20 362**	**20 538**
Total liabilities		**17 757**	**22 162**	**21 138**
Total equity and liabilities		**154 481**	**208 565**	**171 134**

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				-50 657		-50 657	0	-50 657
Other comprehensive income					592	592	0	592
Total comprehensive income		0	0	-50 657	592	-50 065	0	-50 065
Value of share option plan				5 024		5 024	0	5 024
Allocation to retained earnings			-45 276	45 276		0	0	0
At 31 December 2017		**542**	**148 036**	**425**	**993**	**149 996**	**0**	**149 996**
Profit for the period				-14 417		-14 417	0	-14 417
Other comprehensive income					35	35	0	35
Total comprehensive income		0	0	-14 417	35	-14 382	0	-14 382
Value of share option plan				1 109		1 109		1 109
At 31 March 2018		542	148 036	-12 882	1 028	136 724	0	136 724

Interim Consolidated statement of cash flows (unaudited)

NOK 000	Note	Q1 2018	Q1 2017	FY 2017
Operating activities				
Profit before tax		-14 410	-9 762	-50 566
Non-cash adjustment to reconcile profit before tax to net cash flows:				
Depreciation and impairment of property, plant and equipment		247	284	1 124
Amortisation and impairment of intangible assets		9	9	38
Share option plan expense		1 109	1 275	5 024
Other items related to operating activities		98	-1 119	-1 744
Net foreign exchange differences		58	21	555
Movements in provisions and government grants		-418	1 714	6 524
Working capital adjustments:				
Decrease (increase) in trade and other receivables and prepayments		533	-1 021	-30
Increase in inventories		-108	-449	-1 781
Decrease in trade and other payables		-3 381	-361	-7 683
Interest received	4	0	0	1 752
Interest paid	4	0	-36	-152
Income tax paid		-91	0	0
Net cash flows from operating activities		**-16 354**	**-9 446**	**-46 939**
Investing activities				
Purchase of property, plant and equipment		0	-223	-305
Development capital expenditures	5	-2 026	-11 225	-26 021
Receipt of government grants		0	0	1 123
Net cash flows used in investing activities		**-2 026**	**-11 448**	**-25 203**
Financing activities				
Repayment of borrowings		0	0	-1 200
Net cash flows from/(used in) financing activities		**0**	**0**	**-1 200**
Net increase in cash and cash equivalents		-18 380	-20 894	-73 341
Effect of exchange rate changes on cash and cash equivalents		-23	0	36
Cash and cash equivalents at the start of the period		93 648	166 953	166 953
Cash and cash equivalents at the end of the period		**75 245**	**146 058**	**93 648**

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 first quarter ended 31.03.2018 (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 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 Specification of operating expenses by nature

(in NOK 000)	**Q1 2018**	**Q1 2017**	**FY 2017**
Cost of sales	37	0	7 400
Capitalised intangible assets in progress	-2 026	-11 225	-24 898
Employee benefits expense	10 064	9 787	35 435
Depreciation, amortisation and net impairment losses	256	294	1 163
Other operating expenses	6 678	11 371	33 620
Total operating expenses	**15 010**	**10 226**	**52 720**

4 Financial items

(in NOK 000)	**Q1 2018**	**Q1 2017**	**FY 2017**
Net foreign exchange gain (losses)	223	24	-59
Interest income	197	487	1 752
Interest expense on debts and borrowings	0	-36	-120
Interest expense on shareholder loans	0	0	0
Finance expenses	-3	-9	-32
Net financial items	**417**	**465**	**1 541**

5 Research and development expense

(in NOK 000)	**Q1 2018**	**Q1 2017**	**FY 2017**
Employee benefits expense	5 818	3 745	20 483
Other operating expenses	5 769	10 647	33 347
Grants	-909	0	-7 880
Capitalized	-2 026	-11 225	-24 898
Total	**8 652**	**3 166**	**21 052**