poLight

poLight ASA Quarterly Report

2019

KEY EVENTS

- All-time-high deliveries of TLens and ASIC drivers in the second quarter of 2019
- TLens and drivers shipped to support potential customer projects at various stages of maturity
- Progress made on three projects which may lead to design-win in late 2019 or first half 2020 related to smartphone, wearable and barcode
- First TLens purchase order received for Product Verification Testing (PVT) for a wearable device

Øyvind Isaksen, CEO of poLight ASA:

"We are very pleased to see continued inbound interest for our TLens technology, representing a widening range of applications for both mass-market consumer products and high-end industrial solutions. Going forward, we will continue to market more actively towards these segments as they represent an attractive diversification of our customer base along-side the position we are building in the smartphone segment. Design-win candidates are maturing and support increased confidence in commercialisation of our TLens technology."

Summarised consolidated statement of income

(in NOK million)	**Q2 2019**	**Q2 2018**	**YTD 2019**	**YTD 2018**	**FY 2018**
Revenue	0.5	0.1	0.5	0.3	1.0
Cost of sales	-0.4	-1.0	-0.4	-1.0	-1.5
Research and development expenses	-5.6	-7.8	-11.2	-16.4	-28.9
Sales and marketing expenses	-1.7	-1.7	-4.1	-3.8	-7.6
Administrative expenses	-3.5	-3.7	-8.6	-7.0	-35.8
Operational / supply chain expenses	-2.6	-0.7	-3.9	-1.5	-3.4
EBITDA	**-13.3**	**-14.9**	**-27.6**	**-29.4**	**-76.1**

MANUFACTURING, PRODUCT DEVELOPMENT AND MARKET

Manufacturing and operations

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.

Activity at ST was low in the second quarter, with the exception of some R&D tasks, as the established buffer stock of wafers currently is regarded as sufficient. Theil continued assemble complete products based on wafers from the buffer stock to supply to Proof of Concept (PoC) projects and to prepare for first design-win.

The project to minimise supply chain risk and establish assembly process redundancy developed as planned. An initial engineering sample pilot-run commenced late in the second quarter. poLight aims to be fully operational with the new assembly partner in 2019.

Product Development

poLight made progress with new design concepts optimising the compactness of the camera module solution and increase the usability of the existing TLens portfolio with respect to the required aperture size. The design concepts are highly advanced and demanding to realise and will require significant effort also from lens- and camera module makers. poLight remains focused on positioning the Silver Premium product, both from technical system solution perspective and related to material preparation. Therefore, TLens Platinum continue to progress at a slower pace. Still, pre-qualification of TLens Platinum started in the third quarter. No major issues have been identified so far. Targeted start-up of product qualification is late this year, with market release first half next year.

A significant part of poLight’s technical recourses remain allocated to various internal and external qualification programs as wells continuous improvement processes for existing products both on product and system level.

Market

Marketing activities continued at a high level in the second quarter of 2019. The company prioritises use-cases or applications which offers the earliest potential for a design-win. Historically, poLight has targeted the smartphone market and TLens has been and is involved in several PoC projects lead by product owners (OEM´s).

In addition to following up and capitalising on investments made in the smartphone market, the company has actively marketed the TLens technology to other segments such as wearables, medical and industrial following a high level of inbound interest over time and continued progress on several projects with potential customers in the barcode, AR and smartwatch markets. Interest from potential customers representing a wider range of market segments confirm that the benefits of TLens are increasingly recognised and offers a more diversified future revenue base and a reduced risk of poLight being exposed to one single market.

Smartphone

In the second quarter, poLight continued to support smartphone vendors and camera module makers undertaking performance and design assessments. The company shipped 4 775 TLens and 11 000 ASIC drivers during the quarter for Engineering Verification Test (EVT) related to a potential smartphone project.

poLight has initiated initial discussions with camera module makers and smartphone vendors based on the new compact camera module design concepts which seek to minimize nose size and enable front camera with Auto Focus (AF) at minimum screen size impact. The company has started to present the new concepts to several potential customers.

Marketing in the mobile phone segment is focused on camera module makers and mobile phone manufacturers in China, but poLight has dialogues at various stages of maturity with other smartphone market participants in other regions.

At the end of the second quarter, poLight’s TLens was used in six PoC´s either ongoing (2) or completed (4). In addition, two OEMs was planning a PoC. All ongoing and completed PoCs have reported overall positive performance results.

However, as previously communicated, xyz-constraints pose challenges for most OEM´s implementing AF solutions in front camera due to the current large-screen focus. Big screens are clearly prioritized over AF for front camera in current the market environment. poLight is addressing this challenge by optimising TLens design as mentioned above.

The earliest potential release-date for a mobile phone with TLens is likely to be in 2020, which could imply a design-win late in the second half of 2019 or in the first half of 2020. Timing is difficult to predict as it depends on several factors, including results of ongoing evaluations and the technical features prioritized by the mobile phone companies at any point in time.

Barcode
At the end of June 2019, poLight products were engaged in five barcode-related PoC´s with generally positive results. Two of the barcode makers considers using TLens in a new product. The remaining potential barcode customers are still at the technology qualification stage.

A barcode product may last for 5-10 years with a potential annual volume ranging from some 10,000 units and up to 3 million units per account. Revenue and cash flow generated from a successful entry to this market could alone cover a significant part of the company's cost base.

Augmented reality (AR) / wearable
TLens is still under consideration by OEM´s in the augmented reality (AR) segment with four ongoing tech assessments and two potential PoC planned as per June 2019. Two PoCs for smart watch applications have delivered positive results with respect to technical performance. AR/wearable may over time represent an attractive high-volume consumer market for poLight.

On 15 August, poLight received a purchase order for 33,320 units of TLens Silver and 30,000 ASIC drivers related to one of the wearable projects. The units will be used for Product Verification Test (PVT) and potential initial mass production (MP) related to a planned product release. poLight has supported the potential customer through POC and have previously shipped a total of 1,540 TLens Silver and 2,380 ASIC drivers for Engineering- and Design Verification Tests (EVT and DVT).

The company expects to ship the order to the customer by end of August. The order is not expected to have a significant impact on revenue. While a PVT represents an important milestone towards award of a mass production contract, it is not a design-win and the project remain subject to potential changes for various technical and market related reasons.

Other segments
As per end of June 2019, five medical use-cases were under development, of which two had acquired evaluation kits and three were either planning or already had started PoCs. In addition, there is one ongoing PoC and two under planning in other industrial application areas.

FINANCIAL REVIEW

Summarised consolidated statement of income

(in NOK million)	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Revenue	0.5	0.1	0.5	0.3	1.0
Cost of sales	-0.4	-1.0	-0.4	-1.0	-1.5
Research and development expenses	-5.6	-7.8	-11.2	-16.4	-28.9
Sales and marketing expenses	-1.7	-1.7	-4.1	-3.8	-7.6
Administrative expenses	-3.5	-3.7	-8.6	-7.0	-35.8
Operational / supply chain expenses	-2.6	-0.7	-3.9	-1.5	-3.4
EBITDA	**-13.3**	**-14.9**	**-27.6**	**-29.4**	**-76.1**

Profit and loss

Second quarter of 2019

Revenue of NOK 0.5 million in the second quarter was related to delivery of TLens and driver (ASIC) samples to potential customers.

R&D expenses amounted to NOK 6.3 million (including NOK 0.8 million of capitalised development expenses), compared with NOK 10.2 million in the second quarter of 2018 (including NOK 2.4 million capitalised). The decline was due to internal R&D resources allocated to supply chain related tasks, in addition to lower external development activity compared with the same period of 2018.

Sales and marketing expenses were NOK 1.7 million in the second quarter (NOK 1.7 million). Operational / supply chain related expenses were NOK 2.6 million (NOK 0.7 million) and reflects an increase in related activities.

Administration expenses were NOK 3.5 million in the quarter compared to NOK 3.7 million in the second quarter of 2018.

EBITDA was NOK -13.3 million, compared with EBITDA of NOK -14.9 million in the second quarter of 2018. In the second quarter, poLight started to amortise previously capitalised R&D investments as TLens Silver Premium and related driver have passed qualification and were ready for commercial shipments. Depreciation and amortisation amounted to NOK 1.3 million (NOK 0.3 million) for the quarter.

First six months of 2019

Revenue of NOK 0.5 million in the first half of 2019 was related to delivery of TLens and driver to PoC-projects carried out by potential customers.

R&D expenses amounted to NOK 13.2 million (including NOK 2.1 million in capitalised development expenses), compared with NOK 20.9 million in the same period of 2018 (including NOK 4.4 million capitalised).

Sales and marketing expenses were NOK 4.1 million in the first six months (NOK 3.8 million). Supply chain related expenses were NOK 3.9 million (NOK 1.5 million) and administration expenses were NOK 8.6 million (NOK 7.0 million).

Group EBITDA was NOK -27.6 million, compared to NOK -29.4 million in the first six months of 2018.

Summarised consolidated statement of financial position

(in NOK million)	**Q2 2019**	**Q2 2018**	**FY 2018**
Intangible assets	77.0	71.9	75.8
Cash and cash equivalents	91.4	59.8	127.4
Total equity	175.4	122.3	201.5
Total current liabilities	12.5	23.1	18.1
Total non-current liabilities	0.1	0.0	0.0
Total equity and liabilities	188.0	145.5	219.5

Total assets at 30 June 2019 were NOK 188.0 million, compared with NOK 145.5 at 30 June 2018 and NOK 219.5 million at 31 December 2018.

Intangible assets amounted to NOK 77.0 million at 30 June, an increase from NOK 75.8 million at year end due to capitalised development expenses. The cash position was NOK 91.4 million, compared with NOK 59.8 at 30 June 2018 and NOK 127.4 million at 31 December 2018.

Summarised consolidated statement of cash flow

(in NOK million)	**Q2 2019**	**Q2 2018**	**YTD 2019**	**YTD 2018**	**FY 2018**
Net cash flow from/(used in) operating activities	-14.4	-12.0	-32.8	-28.3	-79.9
Net cash flow from/(used in) investing activities	-0.8	-2.9	-2.1	-4.9	-9.2
Net cash flow from/(used in) financing activities	-0.9	-0.6	-1.2	-0.6	122.8
Net increase in cash and cash equivalents	**-16.1**	**-15.4**	**-36.0**	**-33.8**	**33.7**

Cash flow

Second quarter of 2019

Net cash flow used in operating activities was NOK 16.1 million in the second quarter compared with NOK 15.4 million used in in the same period of 2018. The net cash flow used in investing activities was NOK 0.8 million (NOK 2.9 million) and reflected capitalised development expenses. Net cash flow used in financing activities was NOK 0.9 million (NOK 0.6 million). The net decrease in cash was NOK 16.1 million for the quarter, compared with a net decrease of NOK 15.4 million in the same period of 2018.

First six months of 2019

Net cash flow used in operating activities was NOK 32.8 million in the first six months of 2019, compared with NOK 28.3 million in the same period of 2018. The net cash flow used in investing activities was NOK 2.1 (NOK 4.9 million). The net decrease in cash was NOK 36.0 million for the six-month period, compared with a net decrease of NOK 33.8 in the first half of 2018.

Risk factors

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. As poLight has an ambition to bring its solutions to the market and secure growth by capturing market share in defined segments, additional capital may be required. Key TLens products are being tested and qualified for various applications (e.g. smartphone, barcode, smart watch) 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.

OUTLOOK

poLight's TLens technology is subject to attention from a wide range of industries representing multiple applications. In the second quarter the company delivered a total of 6 515 TLens units and 12 650 PDA50 drivers to support testing by potential customers.

These shipments reflect continued progress along the path to a potential design win. Combined with high market activity and interest for TLens products, these deliveries support increased confidence in commercialisation of poLight's technology. An increasing number of businesses evaluate TLens for various use-cases and offer a more diversified future revenue base and reduced risk of poLight being exposed to one single market.

poLight's positioning within the smartphone market remains focused on front facing cameras. Many smartphone OEMs acknowledge the need for AF in the front camera, but the current screen-size focus makes it challenging to implement existing solutions. However, several OEM´s continue to prepare for AF in front in case market trends change. poLight continues to promote AF in front and the advantages TLens offer and to establish design concepts that reduce the screen-space needed for integration of TLens.

The company is involved in one project for front-facing application, which could potentially lead to a design-win in late 2019 or the first half of 2020. The project is subject to delays for reasons unrelated to TLens.

The current estimate for first release of a barcode product using TLens is in 2020. Barcode readers offer more steady and predictable volumes than the mobile phone segment and a design win in this segment may finance a significant part of the of the company's fixed cost.

Dialogues related to inclusion in a wearable product firmed-up further during the second quarter and the recent order for TLens and drivers to support PVT for a specific planned product launch confirms that poLight is positioned for potential high-volume applications in this market segment. Based on year-to-date progress within the smart watch segment, poLight is positioned for a design win in late 2019.

CONDENSED INTERIM FINANCIAL STATEMENTS

Interim consolidated statement of income (unaudited)

NOK 000	Note	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Revenue		**519**	**66**	**548**	**250**	**1 038**
Cost of sales		-382	-967	-385	-1 005	-1 488
Research and development expenses	7	-5 565	-7 793	-11 166	-16 446	-28 918
Sales and marketing expenses		-1 717	-1 717	-4 094	-3 762	-7 586
Administrative expenses		-3 499	-3 735	-8 613	-7 000	-35 770
Operational / supply chain expenses		-2 624	-720	-3 891	-1 474	-3 384
Depreciation, amortisation and net impairment losses		-1 256	-283	-1 885	-540	-1 025
Operating profit		**-14 524**	**-15 150**	**-29 486**	**-29 976**	**-77 133**
Net financial items	6	317	-1	561	416	211
Profit before tax		**-14 208**	**-15 151**	**-28 925**	**-29 561**	**-76 922**
Income tax expense		0	-170	-2	-177	-243
Profit for the period		**-14 208**	**-15 321**	**-28 928**	**-29 738**	**-77 165**
Attributable to:						
Equity holders of the parent		-14 208	-15 321	-28 928	-29 738	-77 165
Non-controlling interests		0	0	0	0	0
Earnings per share:						
Basic, attributable to ordinary equity holders of the parent (NOK)		-1.75	-2.83	-3.56	-5.48	-12.66
Diluted, attributable to ordinary equity holders of the parent (NOK)		-1.75	-2.83	-3.56	-5.48	-12.66

Interim consolidated statement of other comprehensive income (unaudited)

NOK 000	Note	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Profit for the period		**-14 208**	**-15 321**	**-28 928**	**-29 738**	**-77 165**
Other comprehensive income						
Exchange differences on translation of foreign operations		-16	-143	-121	-108	-74
Income tax effect		0	0	0	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**-16**	**-143**	**-121**	**-108**	**-74**
Total comprehensive income for the period, net of tax		**-14 223**	**-15 464**	**-29 048**	**-29 846**	**-77 239**
Attributable to:						
Equity holders of the parent		-14 223	-15 464	-29 048	-29 846	-77 239
Non-controlling interests		0	0	0	0	0

Interim consolidated statement of financial position (unaudited)

NOK 000	Note	Q2 2019	Q2 2018	FY 2018
ASSETS				
Property, plant and equipment		1 206	1 804	1 605
Right-of-use assets		1 315	0	0
Intangible assets	8	77 024	71 851	75 829
Total non-current assets		**79 545**	**73 655**	**77 434**
Inventories		8 298	3 548	7 372
Trade and other receivables		8 364	7 028	6 399
Other current assets		400	1 433	901
Cash and cash equivalents		91 419	59 792	127 424
Total current assets		**108 481**	**71 801**	**142 095**
Total assets		**188 026**	**145 456**	**219 529**
EQUITY AND LIABILITIES				
Issued capital		1 623	542	1 623
Share premium		198 748	148 036	198 748
Other equity		-24 975	-26 257	1 085
Equity attributable to equity holders of the parent		**175 397**	**122 321**	**201 456**
Non-controlling interests		0	0	0
Total equity		**175 397**	**122 321**	**201 456**
Lease liabilities		108	0	0
Total non-current liabilities		**108**	**0**	**0**
Trade and other payables		10 082	17 454	15 172
Interest-bearing loans and borrowings		0	1 200	600
Current lease liabilities		1 251	0	0
Income tax payable		0	177	225
Provisions		1 189	4 304	2 076
Total current liabilities		**12 522**	**23 135**	**18 073**
Total liabilities		**12 630**	**23 135**	**18 073**
Total equity and liabilities		**188 026**	**145 456**	**219 529**

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 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
Value of share option plan				2 171		2 171	0	2 171
At 30 June 2018		**542**	**148 036**	**-27 141**	**884**	**122 321**	**0**	**122 321**
As at 1 January 2019		**1 623**	**198 748**	**166**	**919**	**201 456**	**0**	**201 456**
Profit for the period				-28 928		-28 928	0	-28 928
Other comprehensive income					-121	-121	0	-121
Total comprehensive income		0	0	-28 928	-121	-29 048	0	-29 048
Value of share option plan				2 989		2 989	0	2 989
At 30 June 2019		**1 623**	**198 748**	**-25 772**	**798**	**175 397**	**0**	**175 397**

Interim Consolidated statement of cash flows (unaudited)

NOK 000	Note	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Operating activities						
Profit before tax		-14 208	-15 151	-28 925	-29 561	-76 922
Non-cash adjustment to reconcile profit before tax to net cash flows:						
Depreciation and impairment of property, plant and equipment		393	274	1 012	521	966
Amortisation and impairment of intangible assets		863	9	873	18	59
Share option plan expense		1 488	1 062	2 989	2 171	4 719
Other items related to operating activities		14	-186	243	-96	-300
Net foreign exchange differences		-48	-122	-107	-64	-183
Movements in provisions and government grants		1 546	-249	748	-667	-3 456
Working capital adjustments:						
Increase (-) in trade and other receivables and prepayments		-552	-3 148	-869	-2 616	532
Decrease (+) in inventories		1 202	-1 659	-927	-1 767	-5 591
Decrease (-) in trade and other payables		-5 120	7 187	-7 546	3 806	57
Interest received	6	0	67	0	67	1 057
Interest paid	6	-15	-42	-15	-42	-740
Income tax paid		0	0	-227	-91	-118
Net cash flows from operating activities		**-14 437**	**-11 958**	**-32 751**	**-28 320**	**-79 919**
Investing activities						
Purchase of property, plant and equipment		0	-461	-10	-461	-749
Development capital expenditures	7	-764	-2 413	-2 068	-4 439	-10 433
Receipt of government grants		0	0	0	0	1 989
Net cash flows used in investing activities		**-764**	**-2 874**	**-2 079**	**-4 899**	**-9 193**
Financing activities						
Issue of share capital		0	0	0	0	134 689
Transaction costs on issue of shares		0	0	0	0	-10 709
Repayment of lease liabilities		-283	0	-562	0	0
Repayment of borrowings		-600	-600	-600	-600	-1 200
Net cash flows from/(used in) financing activities		**-883**	**-600**	**-1 162**	**-600**	**122 780**
Net increase in cash and cash equivalents		-16 084	-15 431	-35 992	-33 819	33 667
Effect of exchange rate changes on cash and cash equivalents		32	-22	-13	-45	110
Cash and cash equivalents at the start of the period		107 470	75 245	127 424	93 656	93 648
Cash and cash equivalents at the end of the period		**91 419**	**59 792**	**91 419**	**59 792**	**127 424**

Notes to the condensed interim consolidated financial statements

1 General

poLight ASA 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 has developed a new autofocus lens which "replicates" the human eye for use in mobile devices and other applications with integrated cameras. poLight's TLens is ready for introduction in the smartphone camera module market, offering considerable benefits such as extremely fast focus, compact xy-dimension (i.e. small footprint), no electromagnetic interference, low power consumption and constant field of view. For more information, visit www.polight.com.

2 Basis of preparation

The consolidated interim financial statements of the Group for the second quarter and first half year ended 30.06.2019 (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 2018.

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 2018, with the following exception;

IFRS 16 *Leases* was adopted from 1 January 2019. poLight has entered into commercial leases with regards to premises and office equipment. poLight used the modified retrospective approach and the 'low-value' and short-term leases exempts. For the first time adoption of this standard the group determined the value of the right-to-use assets equal to the liabilities of the leases at 1.1.2019. The effect on the consolidated financial statement at January 1, 2019 was increased assets and liabilities of NOK 1.9 million. The right-to-use assets are depreciated over the leasing period of 19 months.

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 2018.

5 Specification of operating expenses by nature

(in NOK 000)	**Q2 2019**	**Q2 2018**	**YTD 2019**	**YTD 2018**	**FY 2018**
Cost of sales	382	967	385	1 005	1 488
Capitalised intangible assets in progress	-764	-2 413	-2 068	-4 439	-8 444
Employee benefits expense	9 163	9 667	19 059	18 830	37 538
Depreciation, amortisation and net impairment losses	1 256	283	1 885	540	1 025
Other operating expenses	5 007	6 712	10 773	14 291	46 564
Total operating expenses	**15 043**	**15 216**	**30 035**	**30 227**	**78 171**

6 Financial items

(in NOK 000)	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Net foreign exchange gain (losses)	-10	-151	-126	72	-292
Interest income	371	192	777	370	1 057
Finance income	0	0	0	0	255
Interest expense on debts and borrowings	-15	-42	-16	-42	-202
Interest expense on repaid VAT	0	0	0	0	-539
Finance expenses	-29	0	-75	16	-68
Net financial items	**317**	**-1**	**561**	**416**	**211**

7 Research and development expense

(in NOK 000)	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Employee benefits expense	3 885	5 821	8 215	11 639	21 070
Other operating expenses	3 641	5 672	7 557	11 442	24 113
Grants	-1 197	-1 288	-2 538	-2 197	-7 821
Capitalized	-764	-2 413	-2 068	-4 439	-8 444
Total	**5 565**	**7 793**	**11 166**	**16 445**	**28 918**

8 Intangible assets

(in NOK 000)	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
At period beginning	77 123	69 454	75 829	67 444	67 444
Additions — internal development	306	1 078	821	2 191	2 706
Additions	458	1 328	1 248	2 234	5 738
Amortisation	-863	-9	-873	-18	-59
Impairment losses	0	0	0	0	0
At period end	**77 024**	**71 851**	**77 024**	**71 851**	**75 829**

9 Related party transactions

poLight ASA is the ultimate parent. None of the shareholders of poLight ASA has control of the company. As of 30 June 2019, the largest shareholder was Investinor AS, with an ownership of 19.8%.

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.

10 Claims

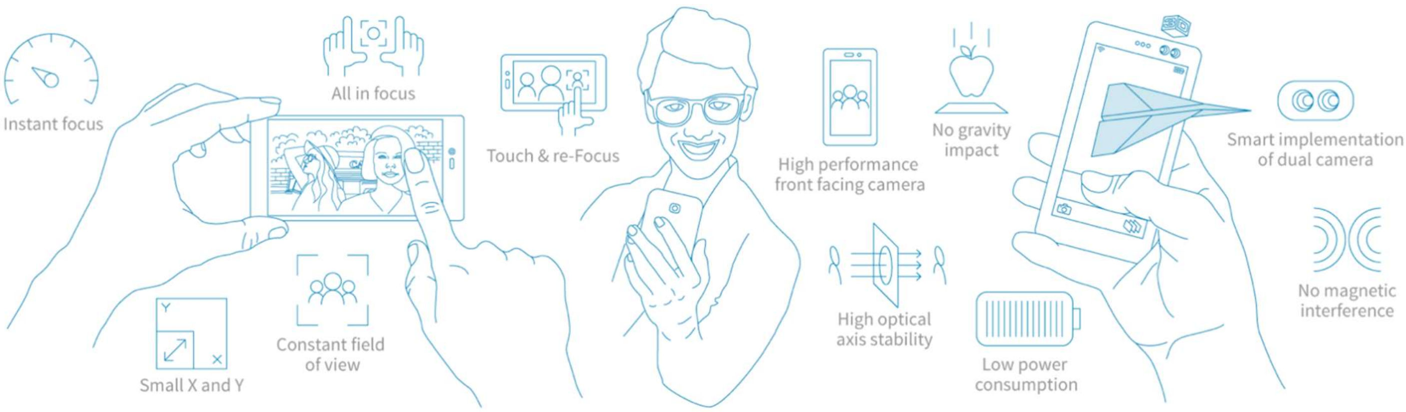
On September 14, 2018, the Norwegian Tax Administration (Skatt Sør) claimed repayment of refunded VAT, with effect from 1 January 2013. The Norwegian Tax Administration claims that the company is not capable of being profitable and does therefore not qualify as a "business" pursuant to the Norwegian laws and regulation regarding VAT. poLight has appealed the decision to The Tax Appeals Board (Skatteklagenemda).

As per 30 June 2019 the monetary impact of the ruling amounted to NOK 17.7 million, that have been recognised in the consolidated statement of income in 2018 and 2019. The monetary effect of not being VAT registered was NOK 0.8 million year to date at 30 June 2019, increasing the expenditures recognised in the consolidated statement of income.

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 2019 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 ASA
Horten, 16 August 2019



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