



# poLight ASA Quarterly Report Six months ended June 30, 2020



2020

## KEY EVENTS

- Share issues carried out in Q2-20 raised NOK 50 million
- Generally good progress on new customer cases
- Post Q2 poLight received a purchase order from a Tier 1 barcode customer
- End-user sales of smartwatches picked up slightly, but are still lower than in a normal situation

### Øyvind Isaksen, CEO of poLight ASA:

“It is encouraging to be involved in so many concrete customer cases in so many different areas. The situation we experience today is unprecedented: We are already shipping into consumer products. We are close to being included in a barcode product. We are involved in several cases in the field of augmented reality, which could be ‘the next big thing’ in the consumer market, while new opportunities in the smartphone area are starting to emerge. We have come a long way in the past six months and have overcome many of the hurdles inherent in bringing new and innovative technology to market, and we expect continuing good progress in the next twelve months.”

### Key figures

(in NOK million)

	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Revenue	0.6	0.5	1.2	0.5	3.0
Gross Profit	0.5	0.1	1.0	0.2	0.9
EBITDA	-10.4	-13.3	-26.6	-27.6	-53.0
Net cash flows used in operating activities	-8.3	-14.4	-30.6	-32.8	-49.5
Net increase (decrease) in cash and cash equivalents	39.1	-16.1	16.4	-36.0	-54.0

## MANUFACTURING, PRODUCT DEVELOPMENT AND MARKETS

### Manufacturing and operations

poLight works primarily with two sub-contractors – STMicroelectronics (ST) and an assembly partner. While ST produces the actuator, the assembly partner assembles the complete product. The polymer (*i.e.* lens material) is produced at poLight HQ.

The project to engage a new assembly partner proceeded somewhat more slowly during the second quarter. The finalisation of the new assembly line has been delayed until Q4-2020 due to resource constraints. Discussions are underway with the assembly partner used before with respect to transfer poLight's production to a lower-cost factory.

ST has started processing the latest order from poLight, and deliveries are expected between Q4 2020 and Q2 2021. poLight still has sufficient wafer material in stock.

### Product Development

During the quarter, poLight continued discussions with smartphone-related vendors concerning new and advanced design concepts based on poLight's existing products and technology platform. This included integration of the company's existing products in a front-facing camera module at minimum screen size penalty, as well as realising improved back-camera solutions and other applications not directly related to imaging. Further extensive testing of the existing TLens for non-mobile uses continued. In addition, we continued to support various customers in testing and integrating TLens into their products.

### Markets

Customer-related activities continued at a high level in the second quarter. poLight is actively engaged in several segments. This includes consumer market devices, such as smartphones, wearables and augmented reality, as well as a wide range of industrial applications, such as barcode readers and machine vision/sensor applications. Interest in our solutions remains high, and the company continues to make progress on several projects with potential customers in these segments. TLens technology is increasingly being recognised by a broad range of potential customers. Over time, it is hoped that this will develop into a diversified revenue base for poLight.

#### Consumer market

During the quarter, poLight has made progress in positioning TLens, and more generally its technology platform, in new consumer markets, such as augmented reality and smartphones. The fact that poLight is already shipping products for inclusion in consumer smartwatches has been of the utmost importance in positioning the company for new opportunities.

TLens is currently being considered for use in next generation augmented reality (AR) glasses by several market participants. While the AR market is still at an early stage, with low volumes, it could potentially be the next 'big thing' in the consumer mass market after the smartphone. TLens offers several advantages related to power consumption, speed, compactness and no gravity sensitivity. poLight is therefore well positioned for market entry at an early stage, without having to outcompete a long-established incumbent technology, as in the smartphone market. It is within reach for poLight to be included in an AR product to be released in 2021, depending on ongoing design work and successful testing. In the long term, this is potentially the most important consumer case that poLight can be involved in.

poLight's interaction with the smartphone ecosystem continued during the quarter. This includes using existing TLens product in an advanced add-in lens design to realise a compact front-facing camera with AF, and based on the poLight technology platform realise new products improving back-camera solutions, creating a TLens with a bigger aperture, and using it for other applications not directly related to imaging. poLight has strengthened its business development team to enable it to more effectively mature the above-mentioned cases.

End-user sales of smartwatches has picked up slightly, but continue to be negatively impacted by the Covid-19 situation, as children are engaging in fewer activities without their parents, thereby reducing the need for such security devices.

At the end of the quarter, poLight's TLens had been used in 19 Proof-of-Concept (PoC) projects related to the consumer market (12 ongoing and 7 completed). These numbers reflect the increased activity over the past six months.

### Industrial

As previously announced, a Tier 1 barcode maker has designed TLens into its next generation barcode scan engine, and post second quarter placed another purchase order worth NOK 0.7 million. The ordered material is intended for mass-production validation and later for commercial supply. Even though this purchase order does not represent the last milestone for poLight's first market release in a barcode product, it is clearly an important step towards it. The order is expected to be partly shipped in the next few months, with delivery of the remainder dependant on the date of market release and end-customer orders. The product may to be launched to market end of the third quarter. Initial market response has been good. The product is a relatively low volume product.

poLight is involved in other barcode cases at different stages of maturity and will continue to actively explore this important market.

The company is also involved in other cases within the industrial segment, such as machine vision and sensors.

At the end of the quarter, poLight's TLens was used in 11 PoCs related to the industrial market, either ongoing (8) or completed (3).

### Other applications

The TLens technology continues to be of interest for a range of other applications, such as medical (6 PoCs), robotics and iris scanning.

## FINANCIAL REVIEW

### Profit and loss

<i>(in NOK million)</i>	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Revenue	0.6	0.5	1.2	0.5	3.0
Cost of sales	-0.1	-0.4	-0.2	-0.4	-2.1
Research and development expenses <sup>1)</sup>	-4.0	-5.6	-9.5	-11.2	-19.9
Sales and marketing expenses	-1.9	-1.7	-4.2	-4.1	-8.7
Administrative expenses	-3.4	-3.5	-8.7	-8.6	-17.1
Operational / supply chain expenses	-1.6	-2.6	-5.1	-3.9	-8.2
<b>EBITDA</b>	<b>-10.4</b>	<b>-13.3</b>	<b>-26.6</b>	<b>-27.6</b>	<b>-53.0</b>
Share option plan expense	0.9	1.5	1.9	3.0	4.9
<b>EBITDA ex share options</b>	<b>-9.6</b>	<b>-11.8</b>	<b>-24.7</b>	<b>-24.6</b>	<b>-48.1</b>
Depreciation, amortisation and net impairment losses	-3.1	-1.3	-6.1	-1.9	-26.2
<b>EBIT ex share options</b>	<b>-12.6</b>	<b>-13.0</b>	<b>-30.8</b>	<b>-26.5</b>	<b>-74.3</b>

1) Net R&D expenses excluding governmental grants (see details of grants in Note 8)

**Second quarter of 2020**

Revenue of NOK 0.6 million in the second quarter reflects sales of TLens, ASICs, evaluation kits and services to customers for product testing.

R&D expenditures amounted to NOK 4.0 million, compared with NOK 6.3 million in the second quarter of 2019 (including NOK 0.8 million capitalised). The decrease is attributable to a reduction in the use of external and internal resources due to development projects being finalised and products made ready for mass production.

Sales and marketing expenses came to NOK 1.9 million in the second quarter (NOK 1.7 million). Operational/supply chain expenses totalled NOK 1.6 million (NOK 2.6 million).

Administration expenses were NOK 3.4 million in the quarter compared to NOK 3.5 million in the second quarter of 2019.

EBITDA was NOK -10.4 million, compared with EBITDA of NOK -13.3 million in the second quarter of 2019. The decrease is attributable to reduced salary expenses of NOK 1.9 million due to reduced head count.

Share option plan expense amounted to NOK 0.9 million in the second quarter compared with NOK 1.5 million in the second quarter of 2019.

Depreciation and amortisation amounted to NOK 3.1 million (NOK 1.3 million) for the quarter. polight started amortising previously capitalised development investments related to TLens Silver and ASIC driver in the second quarter of 2019 as they became ready for commercial shipments.

**First six months of 2020**

Revenue of NOK 1.2 million in the first six months reflects sales of TLens, ASICs, evaluation kits and services to customers for product testing.

R&D expenses amounted to NOK 9.5 million, compared with NOK 13.2 million in the first six months of 2019 (including NOK 2.1 million capitalised). The decrease is attributable to a reduction in the use of external and internal resources due to development projects being finalised and products made ready for mass production.

Sales and marketing expenses came to NOK 4.2 million in the first six months (NOK 4.1 million). Operational/supply chain expenses totalled NOK 5.1 million (NOK 3.9 million) and reflect an increase in mass production-related activities, including development and qualification process of a new assembly line.

Administration expenses were NOK 8.7 million in the first six months compared to NOK 8.6 million in the first six months of 2019.

EBITDA was NOK -26.6 million, compared with EBITDA of NOK -27.6 million in the first six months of 2019. The increase is attributable to reduced salary expenses of NOK 3.8 million due to reduced head count, offset by bonus achievement in Q1 of NOK 3.6 million (including social securities) triggered by the design-wins.

Share option plan expense amounted to NOK 1.9 million in the first six months compared with NOK 3.0 million in the first six months of 2019.

Depreciation and amortisation amounted to NOK 6.1 million (NOK 1.9 million) for the first six months. polight started amortising previously capitalised development investments related to TLens Silver and ASIC driver in the second quarter of 2019 as they became ready for commercial shipments.



## Balance sheet

<i>(in NOK million)</i>	<b>Q2 2020</b>	<b>Q2 2019</b>	<b>FY 2019</b>
Intangible assets	48.8	77.0	53.9
Inventories	9.3	8.3	7.7
Cash and cash equivalents	89.9	91.4	73.5
<b>Total equity</b>	<b>145.6</b>	<b>175.4</b>	<b>128.4</b>
Total current liabilities	11.0	12.5	15.9
Total non-current liabilities	0.1	0.1	0.8
<b>Total equity and liabilities</b>	<b>156.7</b>	<b>188.0</b>	<b>145.0</b>

As at 30 June 2020, total assets came to NOK 156.7 million, compared with NOK 188.0 million as at 30 June 2019 and NOK 145.0 million as at 31 December 2019. Share issues carried out in Q2-20 raised NOK 47.8 million in net proceeds increasing both equity and cash.

Intangible assets amounted to NOK 48.8 million as at 30 June 2020, compared with NOK 77.0 million as at 30 June 2019, reflecting amortisation and impairment losses (Q42019), and NOK 53.9 million at year-end 2019 due to amortisation. As at 30 June 2020 poLight had cash of NOK 89.9 million, compared with NOK 91.4 million as at 30 June 2019 and NOK 73.5 as at December 2019.

## Cash flow

<i>(in NOK million)</i>	<b>Q2 2020</b>	<b>Q2 2019</b>	<b>YTD 2020</b>	<b>YTD 2019</b>	<b>FY 2019</b>
Net cash flow used in operating activities	-8.3	-14.4	-30.6	-32.8	-49.5
Net cash flow used in investing activities	0.0	-0.8	-0.2	-2.1	-2.7
Net cash flow from/(used in) financing activities	47.5	-0.9	47.2	-1.2	-1.7
<b>Net increase in cash and cash equivalents</b>	<b>39.1</b>	<b>-16.1</b>	<b>16.4</b>	<b>-36.0</b>	<b>-54.0</b>

### Second quarter of 2020

Net cash flow used in operating activities totalled NOK 8.3 million in the second quarter compared with NOK 14.4 million used in in the same period of 2019. The net cash flow used in investing activities totalled NOK 50 thousand (NOK 0.8 million). Net cash flow from financing activities totalled NOK 47.5 million (NOK -0.9 million in 2019) and reflected net proceeds from the share issues in Q2 of NOK 47.8 million.

The net increase in cash was NOK 39.1 million for the quarter, compared with a decrease of NOK 16.1 million in the same period of 2019.

### First six months of 2020

Net cash flow used in operating activities totalled NOK 30.6 million in the first six months compared with NOK 32.8 million used in in the same period of 2019. The net cash flow used in investing activities totalled NOK 0.2 million (NOK 2.1 million). Net cash flow from financing activities totalled NOK 47.2 million (NOK -1.2 million in 2019) and reflected net proceeds from the share issues in Q2 of NOK 47.8 million.

The net increase in cash was NOK 16.4 million for the first six months, compared with a decrease of NOK 36.0 million in the same period of 2019.

## RISK FACTORS AND COVID-19

poLight is a technology development company with limited revenue because it is in an early commercialisation phase. Commercial success is linked to the technology and its commercialisation, as well as related intellectual property rights. This is reflected in current operating losses. There is a risk that such losses may also occur going forward. As poLight has an ambition to bring its solutions to market and secure growth by capturing market share in defined segments, additional capital may be required. TLens products are being tested and qualified for various applications (e.g. smartphones, barcode devices) by potential customers. During such testing there is a risk that various performance parameters will not be met, and that the product will need to undergo changes which require additional investments and delay commercialisation. poLight operates globally and is exposed to exchange rate fluctuations and local tax laws that may affect earnings.

After the Covid-19 pandemic commenced at the start of the year, no purchase orders have been received for the smartwatch phones launched in January. The Covid-19 pandemic had a negative impact on sales of smartwatch phones using poLight's TLens in the first six months of 2020. It could potentially have a negative impact on sales throughout the year. The pandemic has had no significant impact on operations. All employees are working normally, and none have been laid off. ST is somewhat delayed in fulfilling the last order placed, but it is unlikely to have a negative impact from a supply chain perspective, since poLight has wafers in stock. The pandemic may also have led to some delays in customer qualification programmes.

## OUTLOOK

It is encouraging to see the number concrete cases poLight is engaged in in several different market segments. The company has come a long way the past six months and has overcome many of the hurdles inherent in bringing new and innovative technology to market.

poLight is currently positioned for sales to various consumer markets as well as more industrial markets. Over time, this will potentially represent a healthy revenue mix for the company.

The company's current focus is to secure the first design-win for a barcode device, position poLight for possible inclusion in an augmented reality (AR) device, follow up orders and achieve new design-wins for smartwatch cases. It is also working to bring poLight's existing products, and in the longer-term potential new products, into the smartphone market. We expect good progress on all of the above activities in the next twelve months.

Current cash deposits could potentially fund group activities into 2022.

## FORWARD LOOKING STATEMENTS

This report contains statements regarding the future. In particular, the section “*Outlook*” contains forward-looking statements regarding the Group’s expectations. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual results and developments deviating substantially from what has been expressed or implied in such statements. These factors include the risk factors relating to the Group’s activities described in the section “*Risk factors and Covid-19*” above and in poLight’s Annual Report for 2019, including the section “*Risks and risk management*” in the Board of Directors’ Report.

## RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the condensed set of financial statements for the period 1 January to 30 June 2020 has been prepared in accordance with IAS 34-Interim 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 that, to the best of our knowledge, 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.

poLight ASA  
Horten, 20 August 2020

**Eivind Bergsmyr (sign)**  
Chair, Independent

**Ann-Tove Kongsnes (sign)**  
Deputy chair

**Grethe Viksaas (sign)**  
Board member, Independent

**Svenn-Tore Larsen (sign)**  
Board member, Independent

**Juha Alakarhu (sign)**  
Board member, Independent

**Øyvind Isaksen (sign)**  
Chief Executive Officer



## CONDENSED INTERIM FINANCIAL STATEMENTS

### Interim condensed consolidated statement of income

NOK 000	Note	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Sale of goods		580	519	1 009	548	2 988
Rendering of services		42	0	149	0	0
<b>Revenue</b>		<b>622</b>	<b>519</b>	<b>1 158</b>	<b>548</b>	<b>2 988</b>
Cost of sales		-133	-382	-194	-385	-2 075
<b>Gross profit</b>		<b>489</b>	<b>137</b>	<b>964</b>	<b>163</b>	<b>913</b>
Research and development expenses net of governmental grants	7,8	-4 020	-5 565	-9 526	-11 166	-19 874
Sales and marketing expenses		-1 908	-1 717	-4 172	-4 094	-8 729
Administrative expenses		-3 414	-3 499	-8 741	-8 613	-17 073
Operational / supply chain expenses		-1 596	-2 624	-5 095	-3 891	-8 216
<b>Operating result before depreciation and amortisation (EBITDA)</b>		<b>-10 448</b>	<b>-13 269</b>	<b>-26 571</b>	<b>-27 601</b>	<b>-52 979</b>
Depreciation, amortisation and net impairment losses	9	-3 056	-1 256	-6 109	-1 885	-26 191
<b>Operating result (EBIT)</b>		<b>-13 505</b>	<b>-14 524</b>	<b>-32 679</b>	<b>-29 486</b>	<b>-79 170</b>
Net financial items	6	36	317	-59	561	1 430
<b>Loss before tax</b>		<b>-13 469</b>	<b>-14 208</b>	<b>-32 739</b>	<b>-28 925</b>	<b>-77 740</b>
Income tax expense		-18	0	-17	-2	-124
<b>Loss for the period</b>		<b>-13 488</b>	<b>-14 208</b>	<b>-32 756</b>	<b>-28 927</b>	<b>-77 864</b>
<b>Attributable to:</b>						
Equity holders of the parent		-13 488	-14 208	-32 756	-28 928	-77 864
Non-controlling interests		0	0	0	0	0
<b>Earnings per share:</b>						
Basic, attributable to ordinary equity holders of the parent (NOK)		-1.52	-1.75	-3.90	-3.56	-9.59
Diluted, attributable to ordinary equity holders of the parent (NOK)		-1.52	-1.75	-3.90	-3.56	-9.59

## Interim consolidated statement of other comprehensive income

NOK 000	Note	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
<b>Loss for the period</b>		<b>-13 488</b>	<b>-14 208</b>	<b>-32 756</b>	<b>-28 928</b>	<b>-77 864</b>
<b>Other comprehensive income</b>						
Exchange differences on translation of foreign operations		-26	-16	265	-121	-92
Income tax effect		0	0	0	0	0
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>-26</b>	<b>-16</b>	<b>265</b>	<b>-121</b>	<b>-92</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>-13 514</b>	<b>-14 223</b>	<b>-32 491</b>	<b>-29 048</b>	<b>-77 956</b>
<b>Attributable to:</b>						
Equity holders of the parent		-13 514	-14 223	-32 491	-29 048	-77 956
Non-controlling interests		0	0	0	0	0

## Interim consolidated statement of financial position

NOK 000	Note	Q2 2020	Q2 2019	FY 2019
<b>ASSETS</b>				
Property, plant and equipment		1 068	1 206	1 235
Intangible assets	9	48 791	77 024	53 936
Right-of-use assets		1 327	1 315	1 923
<b>Total non-current assets</b>		<b>51 186</b>	<b>79 545</b>	<b>57 094</b>
Inventories		9 254	8 298	7 728
Trade and other receivables		6 046	8 364	6 147
Other current assets		283	400	565
Cash and cash equivalents		89 945	91 419	73 463
<b>Total current assets</b>		<b>105 527</b>	<b>108 481</b>	<b>87 903</b>
<b>Total assets</b>		<b>156 713</b>	<b>188 026</b>	<b>144 997</b>
<b>EQUITY AND LIABILITIES</b>				
Issued capital		1 809	1 623	1 623
Share premium		172 027	198 748	124 385
Other equity		-28 206	-24 975	2 369
<b>Equity attributable to equity holders of the parent</b>		<b>145 630</b>	<b>175 397</b>	<b>128 378</b>
Non-controlling interests		0	0	0
<b>Total equity</b>		<b>145 630</b>	<b>175 397</b>	<b>128 378</b>
Lease liabilities		110	108	766
<b>Total non-current liabilities</b>		<b>110</b>	<b>108</b>	<b>766</b>
Trade and other payables		8 500	10 082	11 911
Current lease liabilities		1 284	1 251	1 241
Provisions	11	1 189	1 189	2 701
<b>Total current liabilities</b>		<b>10 973</b>	<b>12 522</b>	<b>15 853</b>
<b>Total liabilities</b>		<b>11 083</b>	<b>12 630</b>	<b>16 619</b>
<b>Total equity and liabilities</b>		<b>156 713</b>	<b>188 026</b>	<b>144 997</b>

## Interim consolidated statement of changes in equity

	Attributable to equity holders of the parent						
	Issued capital	Share premium	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interest	Total equity
NOK 000	Note						
As at 1 January 2019	1 623	198 748	166	919	201 456	0	201 456
Loss for the period			-28 927		-28 927	0	-28 927
Other comprehensive income				-121	-121	0	-121
Total comprehensive income	0	0	-28 927	-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	175 398	0	175 398
As at 1 January 2020	1 623	124 385	1 542	827	128 378	0	128 378
Loss for the period			-32 756		-32 756	0	-32 756
Other comprehensive income				265	265	0	265
Total comprehensive income	0	0	-32 756	265	-32 491	0	-32 491
Value of share option plan			1 916		1 916	0	1 916
Issue of share capital	182	49 818			50 000	0	50 000
Exercise of options	4	681			685		685
Transaction costs		-2 857			-2 857	0	-2 857
At 30 June 2020	1 809	172 027	-29 298	1 092	145 630	0	145 630

# Interim Consolidated statement of cash flows

NOK 000	Note	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
<b>Operating activities</b>						
Loss before tax		-13 469	-14 208	-32 739	-28 925	-77 740
Non-cash adjustment to reconcile profit before tax to net cash flows:						
Depreciation and impairment of property, plant and equipment and right-of-use assets		481	393	962	1 012	1 895
Amortisation and impairment of intangible assets	9	2 575	863	5 146	873	24 297
Share option plan expense		888	1 488	1 916	2 989	4 877
Other items related to operating activities		-139	14	-164	243	-1 459
Net foreign exchange differences		39	-48	226	-107	-112
Movements in provisions and government grants		495	1 546	-2 740	-1 603	3 230
Working capital adjustments:						
Decrease (+) in trade and other receivables and prepayments		323	-552	718	-515	-560
Increase (-) in inventories		-287	1 202	-1 526	-927	-356
Increase (+) in trade and other payables		636	-5 120	-2 518	-5 549	-4 718
Interest received	6	201	0	296	0	1 584
Interest paid	6	-18	-15	-39	-15	-107
Income tax paid		-55	0	-108	-227	-367
<b>Net cash flows used in operating activities</b>		<b>-8 330</b>	<b>-14 437</b>	<b>-30 569</b>	<b>-32 751</b>	<b>-49 538</b>
<b>Investing activities</b>						
Purchase of property, plant and equipment		-50	0	-203	-10	-319
Development capital expenditures	7	0	-764	0	-2 068	-2 931
Receipt of government grants	8	0	0	0	0	526
<b>Net cash flows used in investing activities</b>		<b>-50</b>	<b>-764</b>	<b>-203</b>	<b>-2 079</b>	<b>-2 724</b>
<b>Financing activities</b>						
Proceeds from exercise of share options		685	0	685	0	0
Issue of share capital		50 000	0	50 000	0	0
Transaction costs on issue of shares		-2 857	0	-2 857	0	0
Repayment of lease liabilities		-308	-283	-613	-562	-1 120
Repayment of borrowings		0	-600	0	-600	-600
<b>Net cash flows from/(used in) financing activities</b>		<b>47 520</b>	<b>-883</b>	<b>47 215</b>	<b>-1 162</b>	<b>-1 720</b>
Net increase in cash and cash equivalents		39 140	-16 084	16 443	-35 992	-53 982
Effect of exchange rate changes on cash and cash equivalents		-65	32	39	-13	20
Cash and cash equivalents at the start of the period		50 870	107 470	73 463	127 424	127 424
<b>Cash and cash equivalents at the end of the period</b>		<b>89 945</b>	<b>91 418</b>	<b>89 945</b>	<b>91 418</b>	<b>73 463</b>

## Notes to the condensed interim consolidated financial statements

### 1 General

poLight ASA is a public limited liability 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 offers a new autofocus lens which "replicates" the human eye for use in devices such as smartphones, wearables, barcode, machine vision systems and various medical equipment. poLight's TLens® enables better system performance and new user experiences due to benefits such as extremely fast focus, small footprint, no magnetic interference, low power consumption and constant field of view. For more information, visit [www.polight.com](http://www.polight.com).

### 2 Basis of preparation

The interim condensed consolidated financial statements of the Group for the six months ended 30.06.2020 are unaudited and have been prepared in accordance with IAS 34. These interim condensed consolidated 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 2019.

These interim consolidated financial statements have been prepared on a historical cost basis, 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 these interim condensed consolidated financial statements are consistent with the consolidated financial statements for the year ended 31 December 2019.

### 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 2019.

### 5 Specification of operating expenses by nature

<i>(in NOK 000)</i>	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Capitalised intangible assets in progress	0	-764	0	-2 068	-2 405
Employee benefits expense	7 470	9 163	19 136	19 059	35 701
Depreciation, amortisation and net impairment losses	3 056	1 256	6 109	1 885	26 191
Other operating expenses	3 468	5 007	8 399	10 773	20 596
<b>Total operating expenses</b>	<b>13 994</b>	<b>14 661</b>	<b>33 643</b>	<b>29 649</b>	<b>80 084</b>

### 6 Financial items

<i>(in NOK 000)</i>	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Net foreign exchange gain (losses)	-213	-10	-498	-126	-30
Interest income	267	371	481	777	1 600
Interest expense on debts and borrowings	-1	-15	-1	-16	-16
Interest expense on lease liabilities	-18	0	-39	0	-91
Finance expenses	0	-29	-2	-75	-32
<b>Net financial items</b>	<b>35</b>	<b>317</b>	<b>-59</b>	<b>561</b>	<b>1 430</b>



## 7 Research and development expense

(in NOK 000)	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Employee benefits expense	2 330	3 885	5 625	8 215	14 867
Other operating expenses	2 914	3 641	5 791	7 557	14 564
Grants	-1 224	-1 197	-1 890	-2 538	-7 122
Capitalized	0	-764	0	-2 068	-2 435
<b>Total</b>	<b>4 020</b>	<b>5 565</b>	<b>9 526</b>	<b>11 166</b>	<b>19 874</b>

## 8 Government grants

(in NOK 000)	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Net receivables at the beginning of the period	5 372	6 199	1 809	4 413	4 413
Received grants	-1 973	-2 744	-1 973	-3 876	-11 812
Repaid grants <sup>1)</sup>	0	0	2 897	1 559	1 559
Capitalised	0	0	0	0	526
Released to the statement of profit and loss	1 223	1 674	1 890	3 034	7 122
<b>Net receivables at the end of the period</b>	<b>4 622</b>	<b>5 129</b>	<b>4 622</b>	<b>5 129</b>	<b>1 808</b>

- 1) In Q1 2020 poLight repaid NOK 2.9 million in grants related to advance payments for projects in 2019, due to lower expenditures than planned.

## 9 Intangible assets

(in NOK 000)	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
At period beginning	51 365	77 123	53 937	75 829	75 829
Additions — internal development	0	306	0	821	915
Additions	0	458	0	1 248	1 490
Amortisation	-2 575	-863	-5 146	-873	-6 017
Impairment losses	0	0	0	0	-18 280
<b>At period end</b>	<b>48 790</b>	<b>77 024</b>	<b>48 790</b>	<b>77 024</b>	<b>53 936</b>

Based on simulations of future cash flow, we do not expect that the Covid-19 pandemic will lead to impairment losses.

## 10 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 2020, the largest shareholder was Investinor AS, with an ownership of 19.7%.

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 14 September 2018, the Norwegian Tax Administration (Skatt Sør) excluded poLight ASA from the Norwegian VAT Register and claimed repayment of refunded VAT, with effect from 1 January 2013, of total NOK 13.6 million. The Norwegian Tax Administration claimed that the company was not capable of being profitable and does therefore not qualify as a "business" pursuant to the Norwegian laws and regulations regarding VAT. In September 2018, the decision was appealed, and the Tax Appeals Board (Skatteklagenemda) received the documents needed to adjudicate the matter in February 2019.

The entire claim was paid in 2018, except the additional associated taxes of NOK 1.2 million that will not be payable until a final decision is made. As per 30 June 2020, the monetary impact of the ruling amounted to NOK 19.5 million. The monetary effect of not being VAT registered was NOK 0.5 million in the quarter and NOK 1.0 for the first six months in 2020, increasing the costs recognised.

poLight has been in dialogue with the tax authorities to be re-registered since the decision to exclude poLight ASA from the VAT Register was made. An application to be pre-registered was sent in December 2018, but this application has not been processed pending the outcome of the appeal. In July 2020, poLight ASA sent a request for processing of this application based on commercial developments in 2020, or in the alternative that the tax authorities consider registration on ordinary terms.

#### 12 Events after the balance sheet date

There are no events after the balance sheet date that have a material effect on the financial statements.

## ALTERNATIVE PERFORMANCE MEASURES (APMs)

poLight uses the following alternative performance measures for periodic and annual financial reporting in order to provide a better understanding of the Group's underlying financial performance:

EBITDA	Earnings before interest, taxes, depreciation and amortisation.
EBITDA ex share options	EBITDA excluding share option plan expense
EBIT	Earnings before interest and taxes

