poLight ASA Interim Report
Six months ended 30 June 2021

2021

KEY EVENTS IN THE QUARTER

- First design win for a web camera application
- First design-win for a machine vision product
- Good progress in most customer cases
- As already announced the smartphone project mentioned in Q1 report was cancelled due to portfolio changes – the same OEM is still interested in TLens® and other OEMs have started evaluation (post Q2)
- Barcode follow-up purchase order for TLens® worth approximately NOK 1,450,000 (post Q2)

Øyvind Isaksen, CEO of poLight ASA:

"There is no doubt that the already announced cancellation of the smartphone project, in which TLens® was planned to be used, negatively impacted the company and its shareholders. The reason for the cancellation is portfolio prioritization and nothing to do with TLens. Despite this setback, which will delay poLight´s entrance into the smartphone market, the market continues to show significant interest in TLens and we are currently maturing a promising pipeline of smartphone opportunities – both with the OEM that cancelled the project and other OEMs. We also gained two new design wins in other application areas during the quarter – machine vision and web camera. Step by step we are building a platform of reference cases which will future-proof the company. The recently announced repeat order in the barcode segment is encouraging and important. There are many reasons to be positive about the future."

Key figures

(in NOK million)	**Q2 2021**	**Q2 2020**	**YTD 2021**	**YTD 2020**	**FY 2020**
Revenue	2.9	0.6	4.4	1.2	3.0
Gross profit	1.6	0.5	2.8	1.0	2.3
EBITDA	-13.7	-10.4	-33.9	-26.6	-39.2
Net cash flows used in operating activities	-12.6	-8.3	-23.8	-30.6	-42.6
Net increase/decrease in cash and cash equivalents	-12.9	39.1	-21.6	16.4	3.8

MANUFACTURING, PRODUCT DEVELOPMENT AND MARKETS

Manufacturing and operations

poLight works primarily with two categories of sub-contractor – MEMS/wafer suppliers (STMicroelectronics [ST]) and assembly partners. While ST produces the wafers/actuator, the assembly partners assemble the complete product. The polymer (*i.e.* lens material) is produced at poLight's headquarters.

poLight collaborates with two assembly partners, and pilot production is ongoing at both partners' sites. One of the partners has already been qualified. However, since the production line has been moved to a different factory for cost optimisation reasons, a requalification process is underway and has progressed well during the quarter. An improved final test machine (to be used to test the performance and quality of the assembled TLens) with more functionality is due to be delivered, and an additional complete new final test machine is currently being manufactured to increase test capacity. The final test equipment is owned by poLight and is being installed at the assembly partner's premises. A customer has carried out a successful quality audit during the quarter.

ST is processing poLight's latest order, and wafers are scheduled to be delivered throughout the year. An additional PO has been issued to secure materials for 2022/part of 2023.

Lead time and capacity constraints in the industry remain challenging and require long-term commitment on materials and capacity.

Product development

The majority of R&D resources have been used to support ongoing customer projects during the quarter, both smartphone-related and in other application areas. Typically, this activity involves advising how to integrate TLens® for particular designs (*e.g.* add-ins), carrying out requested additional testing (*e.g.* reliability), performance evaluations at system level and improvement activities, etc. The company is also currently having activity related to larger-aperture TLens, which is partly externally financed. Further ongoing pre-projects relate to the design of an Optical Image Stabilisation (OiS) solution for folded/telephoto cameras.

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 and accessories, as well as a broad range of professional applications, such as barcode readers, medical devices and enterprise-focused augmented reality (AR). Interest in our solutions remains high, and the company continues to make progress with several projects with potential customers in these segments. TLens® technology is increasingly being recognised by a wide range of potential customers. Over time, this is expected to develop into a diversified revenue base for poLight.

Consumer market

During the quarter, poLight made progress in positioning TLens® and establishing a wider platform for its technology platform in new consumer markets, such as smartphones and accessories. However, as already announced the company faced a setback after the reporting date, as one smartphone project which planned to use TLens for its selfie camera was cancelled for portfolio prioritization reasons.

The new camera module concept, based on add-in TLens design, is attracting increasing interest. This camera module concept has the potential to become a widely used solution for selfie cameras and may represent a route to the main camera (back camera) for TLens. During the quarter, several new OEMs and camera module vendors engaged with poLight, both with regard to the add-in design used in the cancelled project and variants of the same concept. The cases have differing maturities and will need more time to become concrete projects. In the longer term, efforts are underway to use poLight's technology platform to realise new products for improved back camera solutions, such as making a TLens with a larger aperture, improved telephoto/folded camera systems, etc.

During the quarter, poLight gained a design win for a web camera application from Maxhub and has received its first two POs worth around NOK 1 million. Given the current increase in video conferencing, this is an important showcase for the company. The market potential is significant and will be further explored.

End-user sales of high-end smartwatches continue to be negatively impacted by the Covid-19 epidemic. New releases are expected to reduce costs and will probably use cheaper auto focus (AF) solutions. The two watches which use TLens are still the high-end versions of the watches and therefore available in the market. A special edition of one of the smartwatches is being tested for preanalytical phase management and exact sampling time tracking, see https://samplify.org.

The add-in design concept has also generated interest in the smartwatch market segment and could potentially help to differentiate the TLens®-based solution from Voice Coil Motor (VCM).

At the end of the quarter, poLight's TLens had been used in 31 Proof-of-Concept (PoC) projects relating to the consumer market (16 ongoing and 15 completed).

Industrial/professional market

During the quarter, the company gained a design win and received a first purchase order worth NOK 560,000 for a machine vision case. This gives the company a new reference in the industrial market, which over time will help establish a strong platform for the company. Annually this product will only generate a low volume, but it is expected to have several years' lifetime. The product has still not been officially released on the market but is believed to have been supplied to selected customers.

poLight is involved in several barcode cases, and will continue to actively explore this important market, which is expected to be an important gross margin contributor in the longer term.

TLens® is currently being considered for use in next generation augmented reality (AR) headsets by key market participants, and testing/prototype building is continuing. TLens' low power consumption, and compactness, are being highlighted as one of its key technical benefits. While the AR market is still at an early stage, with low volumes mainly targeting the enterprise/professional market, many key opinion leaders believe it could be the next high-volume consumer product. The AR cases poLight is involved in, whose market release could be in the first half 2022 according to the current outlook, relate to the enterprise/professional market. However, some of the augmented reality cases being explored in the enterprise/professional market may evolve into a more consumer-oriented product over time.

The use case for TLens in the AR-segment is both in the world facing camera as well as a part of the laser-based display.

At the end of the quarter, poLight's TLens was used in 20 PoCs relating to the industrial market, either ongoing (4) or completed (15). Four customer projects have now been established: three AR (professional use) case and one barcode cases.

Other applications

The TLens technology continues to be of interest for a range of other applications, such as medical (5 PoCs, of which 1 has been completed). One completed PoC case has progressed to a product project.

FINANCIAL REVIEW

Profit and loss

(in NOK million)	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
Revenue	2.9	0.6	4.4	1.2	3.0
Cost of sales	-1.3	-0.1	-1.6	-0.2	-0.7
Research and development expenses [1)]	-7.6	-4.0	-16.8	-9.5	-20.4
Sales and marketing expenses	-1.4	-1.9	-2.7	-4.2	-5.4
Operational / supply chain expenses	-2.5	-1.6	-5.0	-5.1	-8.0
Administrative expenses	-3.7	-3.4	-12.1	-8.7	-7.7
EBITDA	**-13.7**	**-10.4**	**-33.9**	**-26.6**	**-39.2**
Share option plan expense	0.8	0.7	1.9	1.4	3.7
Accrued social securities on share option plan	0.3	0.2	7.2	0.5	2.0
EBITDA ex share options	**-12.5**	**-9.6**	**-24.8**	**-24.7**	**-33.5**
Depreciation and amortisation	-2.9	-3.1	-5.9	-6.1	-12.1
EBIT ex share options	**-15.4**	**-12.6**	**-30.7**	**-30.8**	**-45.7**

1) R&D expenses, net of government grants (see details of grants in Note 8)

Q2 2021

Total revenue of NOK 2.9 million in Q2 2021 (NOK 0.6 million in Q2 2020) reflects deliveries of TLens and ASICs for commercial use, evaluation kit, deliveries of TLens and ASICs for customer development projects and deliveries of a prototype of a potential new product.

R&D expenditures, net of government grants, amounted to NOK 7.6 million, compared with NOK 4.0 million in Q2 2020. The rise is attributable to increased use of internal and external resources and materials on R&D projects (including materials used for manufacturing technology improvements).

Sales and marketing expenses came to NOK 1.4 million in Q2 2021 (NOK 1.9 million). Operational/supply chain expenses totalled NOK 2.5 million (NOK 1.6 million). The decrease in sales and operational expenses is due to the diversion of resources to customer development projects, classified as R&D.

Administration expenses totalled NOK 3.7 million in the quarter (NOK 3.4 million).

EBITDA totalled NOK -13.7 million (NOK -10.4 million). The increased loss is attributable to increased R&D expenses.

Share option plan expenses amounted to NOK 0.8 million in Q2 (NOK 0.7 million), while accrued employer national insurance contributions (NICs) amounted to NOK 0.3 million (NOK 0.2 million).

Depreciation and amortisation totalled NOK 2.9 million in the quarter (NOK 3.1 million).

First half of 2021

The company recognised revenue of NOK 4.4 million in the first half of 2021 compared with NOK 1.2 million in the first half of 2020.

R&D expenses amounted to NOK 16.8 million, compared with NOK 9.5 million in the first half of 2020. The rise is attributable to increased use of internal and external resources and materials on R&D projects (including materials used for manufacturing technology improvements).

Sales and marketing expenses came to NOK 2.7 million in the first half of 2021 (NOK 4.2 million). The decrease is due to the diversion of resources to customer development projects, classified as R&D.

Operational/supply chain expenses totalled NOK 5.0 million (NOK 5.1 million). Administration expenses amounted to NOK 12.1 million in the first half 2021 compared with NOK 8.7 million in the first half of 2020. The increase is attributable to accrued employer NICs relating to the share option plan, of which NOK 5.8 million has been recognised as administration expenses. The increase in accrued employer NICs is mainly attributable to the rise in poLight's share price in the period.

EBITDA was NOK -33.9 million, compared with NOK -26.6 million in the first half of 2020. The increased loss is attributable to accrued employer NICs relating to the share option plan of NOK 7.2 million.

The share option plan expense amounted to NOK 1.9 million in the first year 2021, compared with NOK 1.4 million in the first six months of 2020, while accrued employer NICs totalled to NOK 7.2 million (NOK 0.5 million).

Depreciation and amortisation for the first half-year closed on NOK 5.9 million (NOK 6.1 million).

Balance sheet

(in NOK million)	**Q2 2021**	**Q2 2020**	**FY 2020**
Property, plant and equipment	0.9	1.1	0.8
Intangible assets	38.5	48.8	43.6
Right-of-use assets	5.4	1.3	1.0
Inventories	8.6	9.3	9.2
Receivables and prepayments	11.9	6.3	9.9
Cash and cash equivalents	55.6	89.9	77.2
Total equity	94.3	145.6	128.8
Total current liabilities	22.2	11.0	12.9
Total non-current liabilities	4.4	0.1	0.0
Total equity and liabilities	120.9	156.7	141.8

As at 30 June 2021, total assets amounted to NOK 120.9 million, compared with NOK 156.7 million as at 30 June 2020 and NOK 141.8 million as at 31 December 2020.

At the balance sheet date intangible assets totalled NOK 38.5 million, compared with NOK 48.8 million as at 30 June 2020, reflecting amortisation during the period, and NOK 43.6 million as at 31 December 2020. As at 30 June 2021, poLight had cash and cash equivalents of NOK 55.6 million, compared with NOK 89.9 million as at 30 June 2020 and NOK 77.2 million as at 31 December 2020.

At period-end, right-of-use assets amounted to NOK 5.4 million, compared with NOK 1.3 million as at 30 June 2020. The increase is attributable to a new premises lease for the company's headquarters in Horten signed in the quarter. A corresponding liability has been recognised increasing both current and non-current liabilities.

At the balance sheet date, total current liabilities amounted to NOK 22.2 million, compared with NOK 11.0 million as at 30 June 2020 and NOK 12.9 million as at 31 December 2020. The increase is mainly attributable to an increase in accrued employer NICs relating to the share option plan from NOK 2.0 million as at 31 December 2020 to NOK 9.2 million as at June 2021.

Cash flow

(in NOK million)	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
Net cash flow used in operating activities	-12.6	-8.3	-23.8	-30.6	-42.6
Net cash flow used in investing activities	-0.1	0.0	-0.3	-0.2	-0.2
Net cash flow from/(used in) financing activities	-0.1	47.5	2.6	47.2	46.6
Net increase/decrease in cash and cash equivalents	**-12.9**	**39.1**	**-21.6**	**16.4**	**3.8**

Q2 2021

The net cash flow used in operating activities totalled NOK -12.6 million in Q2 2021, compared with NOK -8.3 million in Q2 2020. The increase is attributable to higher operating expenses.

The net cash flow from financing activities in Q2 2021 totalled NOK -0.1 million (NOK 47.5 million). In Q2 2020, net proceeds from share issues raised NOK 47.8 million.

The net decrease in cash and cash equivalents came to NOK 12.9 million for the quarter, compared with an increase of NOK 39.1 million in the same period in 2020.

First half of 2021

The net cash flow used in operating activities totalled NOK 23.8 million in the first half of the year compared with NOK 30.6 million used in in the same period in 2020. The net cash flow used in investing activities totalled NOK 0.3 million (NOK 0.2 million). The net cash flow from financing activities totalled NOK 2.6 million (NOK 47.2 million). In Q2 2020, net proceeds from share issues raised NOK 47.8 million.

The net decrease in cash and cash equivalents for the first half year was NOK 21.6 million, compared with an increase of NOK 16.4 million in the same period in 2020.

RISK FACTORS AND COVID-19

The Covid-19 pandemic negatively impacted sales of smartwatch phones that use poLight's TLens® in 2020. This trend continued into 2021. However, the company has been able to penetrate other market segments, such as the barcode and accessory markets (web cam), as well as strengthen its opportunity pipeline in the smartphone market, even though the already announced cancellation of a smartphone project (due to portfolio strategic reasons) in which poLight's TLens® was planned to be used illustrates the inherent risk in the industry.

While the pandemic has had no other significant impact on operations so far, it has made it more challenging to follow up our partners. It has also exacerbated the shortage of components and capacity in the sector. All employees are working normally, and none have been temporarily or permanently laid off as a direct consequence of the pandemic. The pandemic may also have led to some delays in customer qualification programmes.

Over the next 12 months, the Group's principal source of liquidity will still be cash generated from financing, equity and/or debt, in addition to net cash flows generated from sales. Consequently, any shortfall in cash generated from operations will have to be covered through additional financing in order to safeguard the Group's ability to continue as a going concern. According to current plans, the Group's cash deposits will fund activities throughout 2021. Additional capital will be required to continue poLight's planned commercialisation of its TLens technology in 2021/2022. Management and the Board of Directors are focused on the Group's liquidity requirements and are evaluating alternatives, such as issuing additional equity and/or taking on new debt. Based on the Group's track record of raising funds and in light of the positive developments achieved in the past year, it is expected that the capital markets will be receptive to the issue of equity sufficient to meet liquidity requirements and support ongoing operations and expansion plans under current conditions. poLight's ability to continue as a going concern is dependent upon the success of these efforts. However, there is a risk that, when needed, adequate sources of funds may not be available, or available on acceptable terms and conditions.

Management believes that poLight will be successful in attracting the capital necessary to meet its current obligations in order to be able to continue as a going concern. Accordingly, these consolidated financial statements have been prepared on the assumption that both the Group and the parent company are going concerns, and management confirms that this an appropriate assumption.

OUTLOOK

Overall, the progress has been relatively good during the quarter. Obviously, the already announced cancellation (post Q2) of the smartphone project for which TLens® was planned used, has impacted the company and shareholders negatively. The cancellation was due to portfolio strategic reason and nothing to do with TLens. The interest in TLens remains high after the add-in design concept has been introduced, and the pipeline of opportunities is promising, - both based on the OEM who cancelled the project, other OEM´s and camera module vendors. Significant effort and investments are being made by several players in the eco system to evaluate/prepare themselves for use of TLens based cameras.

The announced cancellation will imply delay of poLight´s entrance into the smartphone market from earlier planned phone release in Q1-2022 to potentially 2nd half 2022. Timing is difficult to predict as it depends on progress on PoC´s and strategic decision at the OEM´s. Several OEMs are considering using TLens in 2nd half 2022 phone releases.

Further, two new design-wins has been reported during the quarter related to other application areas – machine vision and web camera. Step by step poLight are building a platform of various reference cases which will future proof the company.

poLight will continue to prepare the supply chain being capable of supporting smartphone projects, AR projects, new industrial use cases and other commitment already in place. This implies significant effort at our sub suppliers and need for placing purchase order to secure long lead items and capacity.

According to current plans, the Group’s cash deposits will fund activities throughout 2021.

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 2020, 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 2021 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 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, 19 August 2021

Ann-Tove Kongsnes (sign) **Chair**	**Grethe Viksaas (sign)** **Board member, Independent**	**Juha Alakarhu (sign)** **Board member, Independent**
Svenn-Tore Larsen (sign) **Board member, Independent**	**Thomas Görling (sign)** **Board member**	**Øyvind Isaksen (sign)** **Chief Executive Officer**

Condensed interim Financial statements

Interim condensed consolidated statement of income

NOK 000	Note	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
Sale of goods		2 518	580	3 341	1 009	2 590
Rendering of services		367	42	1 089	149	429
Revenue		**2 885**	**622**	**4 430**	**1 158**	**3 019**
Cost of sales		-1 295	-133	-1 610	-194	-698
Gross profit		**1 590**	**489**	**2 820**	**964**	**2 321**
Research and development expenses net of governmental grants	7,8	-7 622	-4 020	-16 841	-9 526	-20 432
Sales and marketing expenses		-1 362	-1 908	-2 663	-4 172	-5 419
Operational / supply chain expenses		-2 538	-1 596	-5 043	-5 095	-7 972
Administrative expenses	11	-3 719	-3 414	-12 129	-8 741	-7 734
Operating result before depreciation and amortisation (EBITDA)		**-13 652**	**-10 448**	**-33 856**	**-26 571**	**-39 237**
Depreciation and amortisation	9	-2 861	-3 056	-5 893	-6 109	-12 132
Operating result (EBIT)		**-16 514**	**-13 505**	**-39 750**	**-32 679**	**-51 369**
Net financial items	6	8	36	233	-59	417
Loss before tax		**-16 506**	**-13 469**	**-39 517**	**-32 739**	**-50 952**
Income tax expense		-38	-18	-45	-17	-203
Loss for the period		**-16 544**	**-13 488**	**-39 562**	**-32 756**	**-51 155**
Attributable to:						
Equity holders of the parent		-16 544	-13 488	-39 562	-32 756	-51 155
Non-controlling interests		0	0	0	0	0
Earnings per share:						
Basic, attributable to ordinary equity holders of the parent (NOK)		-1.81	-1.52	-4.36	-3.90	-5.93
Diluted, attributable to ordinary equity holders of the parent (NOK)		-1.81	-1.52	-4.36	-3.90	-5.93

Interim consolidated statement of other comprehensive income

NOK 000	Note	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
Loss for the period		**-16 544**	**-13 488**	**-39 562**	**-32 756**	**-51 155**
Other comprehensive income						
Exchange differences on translation of foreign operations		32	-26	-7	265	212
Income tax effect		0	0	0	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**32**	**-26**	**-7**	**265**	**212**
Total comprehensive income for the period, net of tax		**-16 512**	**-13 514**	**-39 569**	**-32 491**	**-50 943**
Attributable to:						
Equity holders of the parent		-16 512	-13 514	-39 569	-32 491	-50 943
Non-controlling interests		0	0	0	0	0

Interim consolidated statement of financial position

NOK 000	Note	Q2 2021	Q2 2020	FY 2020
ASSETS				
Property, plant and equipment		936	1 068	839
Intangible assets	9	38 511	48 791	43 646
Right-of-use assets		5 415	1 327	964
Total non-current assets		**44 863**	**51 186**	**45 448**
Inventories		8 571	9 254	9 166
Trade and other receivables		10 557	6 045	6 040
Prepayments	8	1 302	283	3 897
Cash and cash equivalents		55 631	89 945	77 209
Total current assets		**76 060**	**105 527**	**96 312**
Total assets		**120 923**	**156 713**	**141 761**
EQUITY AND LIABILITIES				
Share capital		1 826	1 809	1 810
Share premium		683 397	680 325	680 229
Reserves		1 032	1 092	1 040
Retained earnings		-591 910	-537 596	-554 239
Equity attributable to equity holders of the parent		**94 346**	**145 630**	**128 840**
Non-controlling interests		0	0	0
Total equity		**94 346**	**145 630**	**128 840**
Lease liabilities		4 358	110	0
Total non-current liabilities		**4 358**	**110**	**0**
Trade and other payables	10	19 974	8 500	10 684
Current lease liabilities		1 056	1 284	1 048
Provisions	12	1 189	1 189	1 189
Total current liabilities		**22 219**	**10 973**	**12 921**
Total liabilities		**26 577**	**11 083**	**12 921**
Total equity and liabilities		**120 923**	**156 713**	**141 761**

Interim consolidated statement of changes in equity

		Attributable to equity holders of the parent						
NOK 000	Note	Share capital	Share premium	Retained earnings	Translation reserve	Total	Non-controlling interest	Total equity
As at 1 January 2020		**1 623**	**632 682**	**-506 755**	**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
Issue of ordinary shares		182	49 818			50 000		50 000
Transaction costs			-2 857			-2 857	0	-2 857
Share options exercised		4	681			685		685
Equity-settled share-based payment				1 916		1 916	0	1 916
As at 30 June 2020		**1 809**	**680 325**	**-537 596**	**1 092**	**145 630**	**0**	**145 630**
As at 1 January 2021		**1 810**	**680 229**	**-554 239**	**1 040**	**128 840**	**0**	**128 840**
Loss for the period				-39 562		-39 562	0	-39 562
Other comprehensive income					-7	-7	0	-7
Total comprehensive income		0	0	-39 562	-7	-39 569	0	-39 569
Share options exercised		16	3 188			3 204		3 204
Transaction costs			-20			-20	0	-20
Equity-settled share-based payment				1 891		1 891	0	1 891
As at 30 June 2021		**1 826**	**683 397**	**-591 910**	**1 032**	**94 346**	**0**	**94 346**

Interim consolidated statement of cash flows

NOK 000	Note	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
Operating activities						
Profit / loss (-) for the period		-16 506	-13 469	-39 517	-32 739	-50 952
Adjustments for:						
Depreciation and impairment of property, plant and equipment and right-of-use assets		294	481	759	962	1 842
Amortisation and impairment of intangible assets	9	2 567	2 575	5 134	5 146	10 290
Net finance income		-8	-36	-233	59	-417
Equity-settled share-based payment transactions		812	888	1 891	1 916	3 672
Other items related to operating activities		-9	-104	210	-224	-473
Changes in unrealised net foreign exchange rate differences/fluctuations		-64	39	8	226	221
Changes in working capital:						
Decrease (+) in trade and other receivables and prepayments		1 918	323	1 372	719	-2 902
Decrease (+) in inventories		281	-287	596	-1 526	-1 439
Decrease (-) in trade and other payables	10	-1 268	636	9 290	-2 518	1 655
Changes in provisions and government grants		-628	495	-3 293	-2 740	-4 718
Interest received	6	9	201	28	296	851
Interest paid	6	-4	-18	-14	-39	-68
Income tax paid		-38	-55	-45	-108	-196
Net cash flows used in operating activities		**-12 644**	**-8 330**	**-23 814**	**-30 569**	**-42 633**
Investing activities						
Purchase of property, plant and equipment		-103	-50	-350	-203	-226
Net cash flows used in investing activities		**-103**	**-50**	**-350**	**-203**	**-226**
Financing activities						
Proceeds from issue of ordinary shares		0	50 000	0	50 000	50 000
Proceeds from exercise of share options		0	685	3 204	685	738
Transaction costs on issue of shares		0	-2 857	-6	-2 857	-3 005
Payment of lease liabilities		-135	-308	-597	-613	-1 119
Net cash flows from/(used in) financing activities		**-135**	**47 520**	**2 601**	**47 215**	**46 614**
Net increase in cash and cash equivalents		-12 882	39 140	-21 563	16 443	3 755
Effect of exchange rate changes on cash and cash equivalents		96	-65	-15	39	-9
Cash and cash equivalents at the start of the period		68 417	50 870	77 209	73 463	73 463
Cash and cash equivalents at the close of the period		**55 631**	**89 945**	**55 631**	**89 945**	**77 209**

Notes to the condensed interim consolidated financial statements

1 General

poLight ASA is a public limited liability company. It was 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 readers, machine vision systems and various types of 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.

2 Basis of preparation

The interim condensed consolidated financial statements for the quarter ended 30 June 2021 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 2020.

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 2020.

4 Significant accounting judgements, estimates and assumptions

Management makes accounting judgements on development costs. Key significant estimates are made regarding impairment of intangible assets and share option plans, described in the Consolidated Financial Statements for the year ended 31 December 2020.

5 Specification of operating expenses by nature

(in NOK 000)	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
Employee benefits expense	8 656	7 470	23 562	19 136	36 190
Depreciation, amortisation and net impairment losses	2 861	3 056	5 893	6 109	12 132
Other operating expenses	6 586	3 468	13 116	8 399	5 367
Total operating expenses	**18 104**	**13 994**	**42 570**	**33 643**	**53 689**

6 Financial items

(in NOK 000)	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
Net foreign exchange gain (loss)	-94	-213	10	-498	-235
Interest income	115	266	248	480	782
Interest expense on lease liabilities	-4	-18	-14	-39	-69
Financial expenses	-9	0	-10	-2	-61
Net financial items	**8**	**35**	**233**	**-59**	**417**

7 Research and development expenses

(in NOK 000)	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
Employee benefits expense	3 999	2 330	8 417	5 625	14 825
Other operating expenses	7 608	2 914	15 073	5 791	14 553
Government grants	-3 984	-1 224	-6 648	-1 890	-8 946
Capitalised	0	0	0	0	0
Total	**7 622**	**4 020**	**16 842**	**9 526**	**20 432**

8 Government grants

(in NOK 000)	Q2 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
Net receivables at the start of the period	7 679	5 372	5 014	1 809	1 809
Grants received	-3 355	-1 973	-3 355	-1 973	-8 637
Grants repaid [1)]	0	0	0	2 897	2 897
Capitalised	0	0	0	0	0
Released to the statement of profit and loss	3 984	1 223	6 648	1 890	8 946
Net receivables at the close of the period	**8 307**	**4 622**	**8 307**	**4 622**	**5 014**

1) In 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 2021	Q2 2020	YTD 2021	YTD 2020	FY 2020
At the start of the period	41 079	51 365	43 646	53 936	53 936
Additions — internal development	0	0	0	0	0
Additions	0	0	0	0	0
Amortisation	-2 567	-2 574	-5 134	-5 145	-10 290
At the close of the period	**38 511**	**48 791**	**38 511**	**48 791**	**43 646**

Since the company was founded in 2005, it has raised (gross) NOK 715 million in equity and received significant government grants to develop the TLens® technology from its patents. poLight consider its operations to constitute a single cash generating unit (CGU), the TLens® technology platform. Indicators of impairment of the TLens ® technology have been reviewed, and none identified.

10 Trade and other payables

(in NOK 000)	Q2 2021	Q2 2020	FY 2020
Trade payables	1 937	1 035	1 442
Other payables	8 791	6 999	7 195
Accrued social security on share option plan	9 247	466	2 046
At the close of the period	**19 974**	**8 500**	**10 684**

11 Related party transactions

poLight ASA is the ultimate parent company. None of the shareholders of poLight ASA has control of the company. As at 30 June 2021, the largest shareholder was Investinor AS, which owned 19.5 per cent of the shares.

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

12 Claims

On 14 September 2018, the Norwegian Tax Administration for South Norway (Skatteetaten Sør-Norge) excluded poLight ASA from the Norwegian VAT Register and claimed repayment of refunded VAT, with effect from 1 January 2013, totalling NOK 13.6 million. The Norwegian Tax Administration claimed that the company was not capable of being profitable and did not therefore 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.

On 28 August 2020, the tax authorities decided to re-register poLight ASA in the VAT Register with effect from July 2020 on ordinary terms. The receivable of NOK 8.2 million was recognised in the third quarter 2020, whereof NOK 7.6 million as a reduction of administrative expenses. The cash proceeds from this ruling were received in the fourth quarter 2020. If the company's appeal case is successful, the remaining monetary outcome is estimated to be NOK 11.9 million. Interest from the date of the decision in 2018 is not included in the estimate. This has not yet been reflected in the financial statements.

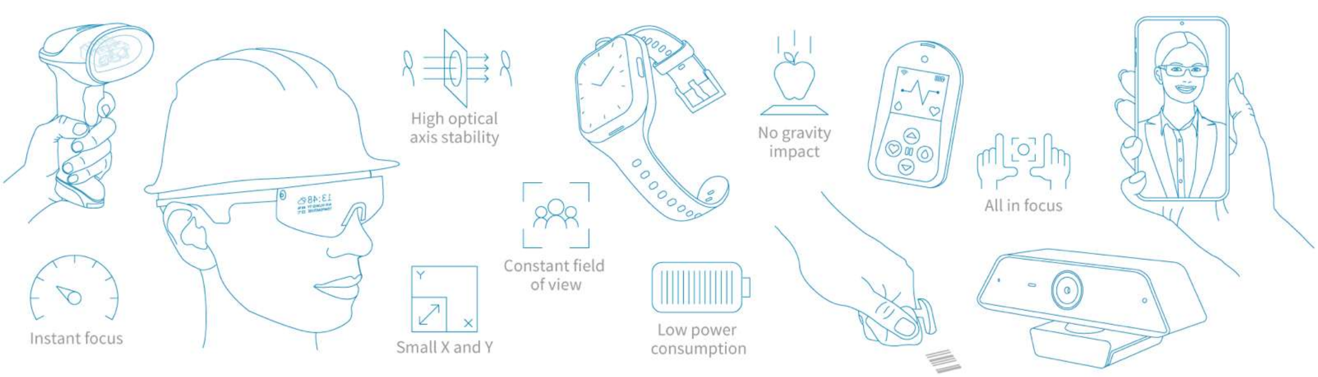
13 Events after the balance sheet date

No significant events have occurred 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 interim 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	EBIDTA excluding share option plan expense incl. social securities
EBIT	Earnings before interest and taxes



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