



poLight ASA Quarterly Report



2021

KEY EVENTS IN THE QUARTER

- Follow-up purchase order for barcode scan engine product, worth approximately NOK 1,450,000 (mentioned in Q2 report)
- Two purchase orders received related to a surgical device, worth a combined total of NOK 4,000,000
- Private placement successfully raised net NOK 130,300,000 (including sub-sequent offering of net NOK 11,800,000 raised in October-21)
- Good progress on most customer cases

Øyvind Isaksen, CEO of poLight ASA:

“Another quarter with high activity with respect to support for customer-related projects and preparation of the supply chain. Although there are many challenges to overcome, it is impressive and very encouraging to experience the interest in our products. Our strategy of positioning ourselves for the consumer markets of today and tomorrow, as well as entering new industrial/professional market segments, is gradually producing tangible results. We are making good progress in smartphone customer cases through various Proof of Concept (PoC) projects. Augmented Reality (AR) customer cases are maturing, and we are engaged in projects for which we are planned used in customers next generation smart glasses (*i.e.* design-in’s) and PoCs for technology qualification. Existing and new cases in the industrial/barcode segment are slowly maturing, and we are starting to see traction in the medical field. In the quarter a private placement was successfully placed enabling us to further position the company in the different market segments. Thanks to all our shareholders for supporting us, and – not least – a big thanks to the poLight team for doing everything possible to develop a world-class tuneable optics company.”

Key figures

(in NOK million)

	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY 2020
Revenue	1.7	0.6	6.1	1.8	3.0
Gross profit	0.8	0.5	3.6	1.5	2.3
EBITDA	-2.9	-2.7	-36.7	-29.3	-39.2
Net cash flows used in operating activities	-9.1	-10.3	-33.0	-40.9	-42.6
Net increase/decrease in cash and cash equivalents	108.4	-10.7	86.9	5.7	3.8

MANUFACTURING, PRODUCT DEVELOPMENT AND MARKETS

Manufacturing and operations

poLight works primarily with two categories of sub-contractor – MEMS/wafer suppliers (ST Microelectronics [ST] in Italy) and assembly partners. While ST produces the wafers/actuators, 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. Production is ongoing at both partners. Focus is on yield-improvement initiatives and securing supplies for existing and new customer projects. By mid-2022, assembly partners are expected to have a planned monthly capacity of around 1,500,000. Material flow (*e.g.* wafers) and final test capacity is planned accordingly.

ST is currently processing a significant backlog of wafers ordered by poLight. This is scheduled to be completed by the end of 2022. Some improvement projects are also ongoing at ST.

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

Product development

Most R&D resources have been used to support ongoing customer projects during the quarter. 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 the system level and, not at least, improvement activities. Resources are also used to support manufacturing aspects related to final test equipment and yield-improvement processes. The company is also currently working on a larger-aperture TLens, which is partly externally financed by customer and research grants.

Markets

Customer-related activities continued at a high level in the third 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 augmented reality (AR). 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 wide range of potential customers. Over time, this is expected to develop into a diversified revenue base for poLight.

Consumer market

The new camera module concept, based on add-in TLens design, is attracting good 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 Proof of Concept (PoC) projects, with OEMs and camera module (CM) vendors, made progress. The cases have differing maturities and will need more time to become concrete projects. Improvement activities at OEMs, CM vendors and poLight have been ongoing to optimize performance at the camera module level. This includes dimensions, optical performance, yield and reliability. The closer the TLens comes to a real smartphone application, the more detailed testing is being carried out, and new improvement areas normally surface. To secure design-wins, this is an area of high priority for the company.

As mentioned in previous quarterly reports, end-user sales of high-end smartwatches continue to be negatively impacted by the Covid-19 pandemic. New releases are expected to reduce costs and will probably use cheaper auto focus (AF) solutions instead of using TLens. The two watches which use TLens are high-end versions of the watches and still available in the market. However, their end-of-life is approaching, and will be replaced by new watches next year. A special edition of one of the smartwatches is still being tested/promoted for preanalytical phase management and exact sampling time tracking, see <https://simplify.org>.

Maxhub web camera has received good feedback, but no new purchase orders have been received since April 2021. Currently the company is exploring other applications in the same segment.

At the end of the quarter, poLight's TLens is used in 12 ongoing Proof-of-Concept (PoC) projects relating to the consumer market, and 19 has been completed – totally 31. AR consumer-oriented cases count for three of the ongoing and two of the completed PoCs.

Augmented Reality (AR) market

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 key technical benefits. Currently, the company is engaged in three projects (design-ins) and six ongoing PoCs. In addition, four OEMs are considering starting PoCs. The ongoing projects (design-ins) are all related to professional use cases, *i.e.* low volumes, and have the potential to conclude in the first half of 2022/beginning second half 2022. Three of the ongoing PoCs target the consumer market (*i.e.* higher volume). The use case for TLens mainly relates to world-facing cameras, but the company is also involved in a laser display application. This segment is still at an early stage, and all the technical challenges associated with using TLens may not have surfaced yet. Competing products are also being considered, so the likelihood of success is difficult to assess accurately. Having said that, the current outlook and activity level is positive.

Industrial market

This market segment is dominated by barcode/machine vision cases, but other applications are also being explored/supported. The experience from ongoing supply to existing customers has been good so far, and represents an important reference to position the company for new cases. The company is currently involved in three projects (design-ins), three ongoing PoCs (of which two are for barcode devices) and as many as eight OEMs are planning PoCs (three of which are barcode related). poLight will continue to actively explore this important market, which is expected to be a significant gross margin contributor in the longer term.

Other applications

Of other application areas, the medical market is currently the area of highest interest and could potentially become an important market segment for TLens. The company is already engaged in one concrete project (design-in) for a compact surgical device which will, hopefully, be launched to market in 2022. poLight has already received purchase order worth NOK 4,000,000 to supply samples for the development phase, as well as for preparation for mass production. As mentioned during the Q2 presentation, this project is still in at a relatively early stage, and there are uncertainties related to the use of TLens and the timeframe going forward. Four other OEMs related to medical applications are considering starting PoCs.

It should also be mentioned that the Kavli Institute for Systems Neuroscience and Centre for Neural Computation recently published a scientific paper¹ about a miniaturized two-photon microscope for fast, high-resolution, multiplane calcium imaging of over 1,000 neurons at a time in freely moving mice. The paper stated: *"The improved cell yield was achieved through a new optical system design featuring an enlarged field of view (FOV) and a new micro-tunable lens with increased z-scanning range and speed that allowed for fast and stable imaging of multiple, interleaved planes as well as 3D functional imaging."* The new micro-tunable lens is based on four TLens[®] units, stacked to achieve the optical power need for this application.

Based on this work, other research teams around the world have been in contact with poLight. This activity has therefore helped to spread knowledge about TLens within healthcare science applications.

¹ <https://www.biorxiv.org/content/10.1101/2021.09.20.461015v1>

FINANCIAL REVIEW

Profit and loss

(in NOK million)	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY 2020
Revenue	1.7	0.6	6.1	1.8	3.0
Cost of sales	-0.9	-0.1	-2.5	-0.3	-0.7
Research and development expenses 1)	-2.0	-5.6	-18.8	-15.1	-20.4
Sales and marketing expenses	-1.3	-0.1	-3.9	-4.3	-5.4
Operational / supply chain expenses	-1.4	-1.5	-6.4	-6.6	-8.0
Administrative expenses	0.9	4.0	-11.2	-4.7	-7.7
EBITDA	-2.9	-2.7	-36.7	-29.3	-39.2
Share option plan expense	0.9	0.9	2.8	2.4	3.7
Accrued employer's NICs re. share option plan	-5.0	1.5	2.2	2.0	2.0
EBITDA ex share options	-7.0	-0.3	-31.8	-24.9	-33.5
Depreciation and amortisation	-3.1	-3.0	-9.0	-9.1	-12.1
EBIT ex share options	-10.1	-3.3	-40.8	-34.1	-45.7

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

Q3 2021

Total revenue of NOK 1.7 million in Q3 2021 (NOK 0.6 million in Q3 2020) reflects deliveries of TLens and ASICs for commercial use and evaluation kits and deliveries of TLens and ASICs for customer development projects.

R&D expenditures, net of government grants, amounted to NOK 2.0 million, compared with NOK 5.6 million in Q3 2020. The decrease is attributable to decreased use of internal and external resources on R&D projects and the fact that applications for governmental grants were approved in the quarter with effect from the beginning of the year.

Sales and marketing expenses came to NOK 1.3 million in Q3 2021 (NOK 0.1 million). In Q3 2020 resources used for customer development projects were classified as R&D, which explains the low expenditure. Operational/supply chain expenses totalled NOK 1.4 million (NOK 1.5 million).

Administration expenses totalled positive NOK 0.9 million in the quarter (positive NOK 4.0 million). The positive expenses in Q3 are attributable to reversed accrued employer's national insurance contributions (NICs) relating to the share option plan due to the share price decline in the quarter. A total of NOK 5 million was reversed, whereof NOK 3.8 million has been recognised as reversed administration expenses. In Q3 2020, VAT receivables of NOK 8.2 million were recognised, whereof NOK 7.7 million was recognised as administrative expenses. See Note 12 for further details.

EBITDA totalled NOK -2.9 million (NOK -2.7 million).

Share option plan expenses amounted to NOK 0.9 million in Q3 (NOK 0.9 million), while accrued employer's national insurance contributions (NICs) amounted to positive NOK 5.0 million (NOK 1.5 million). This is attributable to the reversed accrual due to the decline in the share price.

Depreciation and amortisation totalled NOK 3.1 million in the quarter (NOK 3.0 million).

Balance sheet

(in NOK million)	Q3 2021	Q3 2020	FY 2020
Property, plant and equipment	1.4	1.0	0.8
Intangible assets	35.9	46.2	43.6
Right-of-use assets	5.0	1.5	1.0
Inventories	12.2	9.5	9.2
Receivables and prepayments	10.0	16.9	9.9
Cash and cash equivalents	164.1	79.4	77.2
Total equity	207.7	140.5	128.8
Total current liabilities	16.9	13.5	12.9
Total non-current liabilities	4.0	0.5	0.0
Total equity and liabilities	228.7	154.5	141.8

As at 30 September 2021, total assets amounted to NOK 228.7 million, compared with NOK 154.5 million as at 30 September 2020 and NOK 141.8 million as at 31 December 2020. The share issue carried out in the quarter raised NOK 118.5 million in net proceeds increasing both equity and cash.

At the balance sheet date intangible assets totalled NOK 35.9 million, compared with NOK 46.2 million as at 30 September 2020, reflecting amortisation during the period, and NOK 43.6 million as at 31 December 2020. As at 30 September 2021, poLight had cash and cash equivalents of NOK 164.1 million, compared with NOK 79.4 million as at 30 September 2020 and NOK 77.2 million as at 31 December 2020.

At the close of the period, right-of-use assets amounted to NOK 5.0 million, compared with NOK 1.5 million as at 30 September 2020. The increase is attributable to a new lease for the company's headquarters in Horten, which was signed in the second quarter. A corresponding liability was recognised in the second quarter, increasing both current and non-current liabilities.

At the balance sheet date, total current liabilities amounted to NOK 16.9 million, compared with NOK 13.5 million as at 30 September 2020 and NOK 12.9 million as at 31 December 2020. The rise is mainly attributable to an increase in accrued employer's NICs relating to the share option plan from NOK 2.0 million as at 31 December 2020 to NOK 4.2 million as at September 2021.

Cash flow

(in NOK million)	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY 2020
Net cash flow used in operating activities	-9.1	-10.3	-33.0	-40.9	-42.6
Net cash flow used in investing activities	-0.6	0.0	-0.9	-0.2	-0.2
Net cash flow from/(used in) financing activities	118.1	-0.4	120.7	46.8	46.6
Net increase/decrease in cash and cash equivalents	108.4	-10.7	86.9	5.7	3.8

Q3 2021

The net cash flow used in operating activities totalled NOK -9.1 million in Q3 2021, compared with NOK -10.3 million in Q3 2020. The decrease is attributable to lower operating expenses.

The net cash flow from financing activities in Q3 2021 totalled NOK 118.1 million (NOK -0.4 million) and reflected net proceeds from the share issue in the quarter of NOK 118.5 million.

The net increase in cash and cash equivalents came to NOK 108.4 million for the quarter, compared with a decrease of NOK 10.7 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®. Also, the limited ability to efficiently travel to manufacturing partners in Asia is making ramp-up somewhat more challenging. This has been offset by strengthening the local team in Asia.

The pandemic has also exacerbated the shortage of components and capacity in the sector, implying that the company need reduce this risk by planning for material and capacity upfront concrete customer demand. 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. 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, progress has been good during the quarter in all the market segments being explored. Smartphone customer cases are still at Proof of Concept (PoC) level, challenges need to be solved, but the possibility of a real phone project in the second half of 2022 remains in place. In the Augmented Reality (AR) segment, the company is starting to build an impressive and promising pipeline. In the longer-term, this is a potentially high-volume market. It is therefore important to get the first design-wins and references in this market segment. Furthermore, progress continues in the barcode segment, although it is a slow-moving market. As reported earlier, barcode design-wins represent long-lasting and high-value revenue stream. Medical applications can further enhance the company's involvement in such high-value verticals.

To be able to execute its current plans, the company will need to gradually employ more people and invest in its supply chain capability and capacity.

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.

CONDENSED INTERIM FINANCIAL STATEMENTS

Interim condensed consolidated statement of income

NOK 000	Note	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY 2020
Sale of goods		1 696	526	4 777	1 534	2 590
Rendering of services		0	91	1 350	241	429
Revenue		1 696	617	6 126	1 775	3 019
Cost of sales		-930	-122	-2 540	-316	-698
Gross profit		766	495	3 587	1 459	2 321
Research and development expenses net of governmental grants	7,8	-1 967	-5 568	-18 808	-15 095	-20 432
Sales and marketing expenses		-1 270	-136	-3 933	-4 309	-5 419
Operational / supply chain expenses		-1 366	-1 544	-6 410	-6 639	-7 972
Administrative expenses	12	950	4 045	-11 179	-4 696	-7 734
Operating result before depreciation and amortisation (EBITDA)		-2 886	-2 709	-36 743	-29 279	-39 237
Depreciation and amortisation	9	-3 080	-3 012	-8 973	-9 121	-12 132
Operating result (EBIT)		-5 967	-5 721	-45 716	-38 400	-51 369
Net financial items	6	-49	138	184	79	417
Loss before tax		-6 016	-5 583	-45 532	-38 321	-50 952
Income tax expense		-61	-4	-106	-21	-203
Loss for the period		-6 076	-5 587	-45 638	-38 343	-51 155
Attributable to:						
Equity holders of the parent		-6 076	-5 587	-45 638	-38 343	-51 155
Non-controlling interests		0	0	0	0	0
Earnings per share:						
Basic, attributable to ordinary equity holders of the parent (NOK)		-0.65	-0.62	-5.01	-4.51	-5.93
Diluted, attributable to ordinary equity holders of the parent (NOK)		-0.65	-0.62	-5.01	-4.51	-5.93

Interim consolidated statement of other comprehensive income

NOK 000	Note	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY 2020
Loss for the period		-6 076	-5 587	-45 638	-38 343	-51 155
Other comprehensive income						
Exchange differences on translation of foreign operations		4	29	-3	294	212
Income tax effect		0	0	0	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		4	29	-3	294	212
Total comprehensive income for the period, net of tax		-6 072	-5 557	-45 641	-38 048	-50 943
Attributable to:						
Equity holders of the parent		-6 072	-5 557	-45 641	-38 048	-50 943
Non-controlling interests		0	0	0	0	0

Interim consolidated statement of financial position

NOK 000	Note	Q3 2021	Q3 2020	FY 2020
ASSETS				
Property, plant and equipment		1 393	983	839
Intangible assets	9	35 944	46 217	43 646
Right-of-use assets		5 025	1 510	964
Total non-current assets		42 363	48 711	45 448
Inventories		12 236	9 547	9 166
Trade and other receivables	8	8 662	16 563	6 040
Prepayments		1 354	327	3 897
Cash and cash equivalents		164 067	79 364	77 209
Total current assets		186 318	105 801	96 312
Total assets		228 681	154 512	141 761
EQUITY AND LIABILITIES				
Share capital		2 053	1 810	1 810
Share premium		801 739	680 229	680 229
Reserves		1 036	1 121	1 040
Retained earnings		-597 092	-542 699	-554 239
Equity attributable to equity holders of the parent		207 736	140 461	128 840
Non-controlling interests		0	0	0
Total equity		207 736	140 461	128 840
Lease liabilities		4 013	522	0
Total non-current liabilities		4 013	522	0
Trade and other payables	10	14 660	11 279	10 684
Current lease liabilities		1 083	1 061	1 048
Provisions	12	1 189	1 189	1 189
Total current liabilities		16 932	13 529	12 921
Total liabilities		20 945	14 051	12 921
Total equity and liabilities		228 681	154 512	141 761

Interim consolidated statement of changes in equity

NOK 000	Note	Attributable to equity holders of the parent					Non-controlling interest	Total equity
		Share capital	Share premium	Retained earnings	Translation reserve	Total		
As at 1 January 2020		1 623	632 682	-506 755	827	128 378	0	128 378
Loss for the period				-38 343		-38 343	0	-38 343
Other comprehensive income					294	294	0	294
Total comprehensive income		0	0	-38 343	294	-38 048	0	-38 048
Issue of ordinary shares		182	49 818			50 000		50 000
Transaction costs			-3 005			-3 005	0	-3 005
Share options exercised		5	734			738		738
Equity-settled share-based payment				2 399		2 399	0	2 399
As at 30 September 2020		1 810	680 229	-542 699	1 121	140 461	0	140 461
As at 1 January 2021		1 810	680 229	-554 239	1 040	128 840	0	128 840
Loss for the period				-45 638		-45 638	0	-45 638
Other comprehensive income					-3	-3	0	-3
Total comprehensive income		0	0	-45 638	-3	-45 641	0	-45 641
Issue of ordinary shares		227	124 773			125 000	0	125 000
Share options exercised		16	3 188			3 204		3 204
Transaction costs			-6 451			-6 451	0	-6 451
Equity-settled share-based payment				2 785		2 785	0	2 785
As at 30 September 2021		2 053	801 739	-597 092	1 036	207 736	0	207 736

Interim consolidated statement of cash flows

NOK 000	Note	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY 2020
Operating activities						
Profit / loss (-) for the period		-6 016	-5 583	-45 532	-38 321	-50 952
Adjustments for:						
Depreciation and impairment of property, plant and equipment and right-of-use assets		513	439	1 272	1 402	1 842
Amortisation and impairment of intangible assets	9	2 567	2 573	7 701	7 719	10 290
Net finance income		49	-138	-184	-79	-417
Equity-settled share-based payment transactions		894	483	2 785	2 399	3 672
Other items related to operating activities		138	112	349	-111	-473
Changes in unrealised net foreign exchange rate differences/fluctuations		-3	-98	5	128	221
Changes in working capital:						
Increase (-) in trade and other receivables and prepayments		-737	-10 105	634	-9 386	-2 902
Increase (-) in inventories		-3 665	-293	-3 070	-1 819	-1 439
Decrease (-) in trade and other payables	10	-5 314	1 861	3 976	-657	1 655
Changes in provisions and government grants		2 581	461	-712	-2 279	-4 718
Interest received	6	0	41	28	337	851
Interest paid	6	-96	-16	-110	-55	-68
Income tax paid		-61	-52	-106	-160	-196
Net cash flows used in operating activities		-9 150	-10 315	-32 964	-40 884	-42 633
Investing activities						
Purchase of property, plant and equipment		-550	-23	-900	-226	-226
Net cash flows used in investing activities		-550	-23	-900	-226	-226
Financing activities						
Proceeds from issue of ordinary shares		125 000	0	125 000	50 000	50 000
Proceeds from exercise of share options		0	53	3 204	738	738
Transaction costs on issue of shares		-6 431	-148	-6 437	-3 005	-3 005
Payment of lease liabilities		-441	-275	-1 038	-888	-1 119
Net cash flows from/(used in) financing activities		118 128	-370	120 729	46 845	46 614
Net increase in cash and cash equivalents		108 428	-10 708	86 865	5 735	3 755
Effect of exchange rate changes on cash and cash equivalents		7	127	-8	166	-9
Cash and cash equivalents at the start of the period		55 631	89 945	77 209	73 463	73 463
Cash and cash equivalents at the close of the period		164 066	79 364	164 066	79 364	77 209

Notes to the condensed interim consolidated financial statements

1 General

polLight 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 Innlaget 230, N-3185 Skoppum, Norway.

polLight 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. polLight'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 September 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 the accounting for share option plans, described in the Consolidated Financial Statements for the year ended 31 December 2020.

5 Specification of operating expenses by nature

<i>(in NOK 000)</i>	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY 2020
Employee benefits expense	931	8 901	24 493	28 037	36 190
Depreciation, amortisation and net impairment losses	3 080	3 012	8 973	9 121	12 132
Other operating expenses	2 721	-5 698	15 837	2 701	5 367
Total operating expenses	6 733	6 216	49 303	39 859	53 689

6 Financial items

<i>(in NOK 000)</i>	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY 2020
Net foreign exchange gain (loss)	7	41	17	-457	-235
Interest income	82	139	330	619	782
Interest expense on lease liabilities	-96	-16	-110	-55	-69
Financial expenses	-42	-26	-52	-28	-61
Net financial items	-49	138	184	79	417

7 Research and development expenses

(in NOK 000)	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY 2020
Employee benefits expense	2 601	4 926	11 018	10 551	14 825
Other operating expenses	3 051	3 283	18 123	9 074	14 553
Government grants	-3 685	-2 641	-10 333	-4 530	-8 946
Capitalised	0	0	0	0	0
Total	1 967	5 568	18 808	15 095	20 432

8 Government grants

(in NOK 000)	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY 2020
Net receivables at the start of the period	8 307	4 622	5 014	1 809	1 809
Grants received	-6 266	-1 973	-9 621	-3 947	-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	3 685	2 641	10 333	4 530	8 946
Net receivables at the close of the period	5 727	5 289	5 727	5 289	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)	Q3 2021	Q3 2020	YTD 2021	YTD 2020	FY 2020
At the start of the period	38 511	48 790	43 646	53 936	53 936
Additions — internal development	0	0	0	0	0
Additions	0	0	0	0	0
Amortisation	-2 567	-2 573	-7 701	-7 719	-10 290
At the close of the period	35 944	46 217	35 944	46 217	43 646

Since the company was founded in 2005, it has raised (gross) NOK 840 million in equity and received significant government grants to develop the TLens® technology from its patents. poLight's operations constitute one single cash generating unit (CGU) for impairment assessment purposes, 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)	Q3 2021	Q3 2020	FY 2020
Trade payables	2 947	768	1 442
Other payables	7 494	8 560	7 195
Accrued employer's NICs re. share option plan	4 218	1 951	2 046
At the close of the period	14 660	11 279	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 September 2021, the largest shareholder was Investinor Direkte AS, which owned 17.3 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 accept a 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 positive monetary outcome is estimated to be approximately NOK 12 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	EBITDA excluding share option plan expense incl. social securities
EBIT	Earnings before interest and taxes

