

Third quarter 2021 - Earnings presentation

29th October 2021



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Today's agenda

- Key events
- Introduction to poLight
- Operations and markets review
- Financial review
- Outlook
- Q&A

Presenting



Dr. Øyvind Isaksen

Chief Executive Officer

Dr. Isaksen has been CEO of poLight since August 2014. He has previously held several CEO positions, most recently in the publicly listed company Q-Free ASA, which he left in January 2014, after 7 years as CEO. Øyvind Isaksen holds a PhD in Applied Physics.



Alf Henning Bekkevik

Chief Financial Officer

Bekkevik is a senior executive with a background from Arthur Andersen (E&Y), Wallendahl, Fjord Line, Grenland Group and lately from Wood Group Mustang as VP Finance. He holds a Master in Business & Economics (Siviløkonom) degree from NHH and is a state certified public accountant.

Key events in the quarter

- Follow-up purchase order for barcode scan engine product, worth approximately NOK 1,450,000 (Q2-rep.)
- 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



poLight at a glance

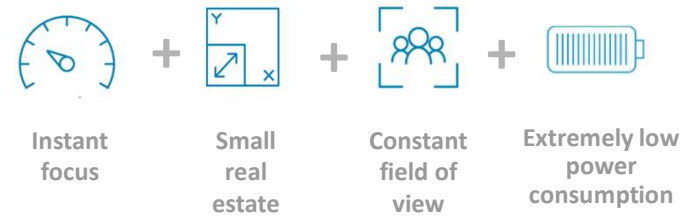
Background and description

- Global player in tunable optics having applications in mobile, web cam, industrial, augmented reality, medical and others
- Founded in 2005 and has since build state-of-the-art expertise in tunable optics, polymers MEMS technology and image applications and processing
- 15 worldwide patents families, 11 pending applications and 3 registered trademarks
- 32 employees (incl. long term consultants)
- Headquartered in Horten, Norway, with offices in Finland and China, and representation in France, UK, USA, Taiwan, Korea and Japan

Geographical footprint



poLight enables unique use cases



TLens[®] customer-win's

MAXHUB UC W20



XUN Smartwatch Max Pro



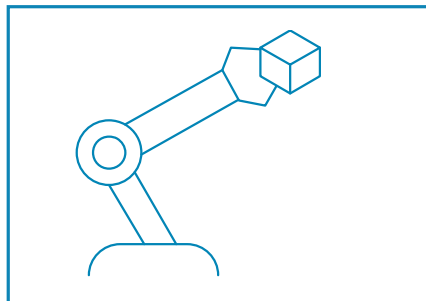
XIAOMI Mi Bunny 4 Pro smart watch



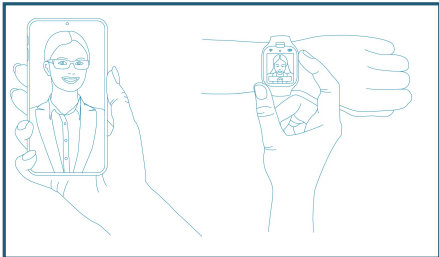
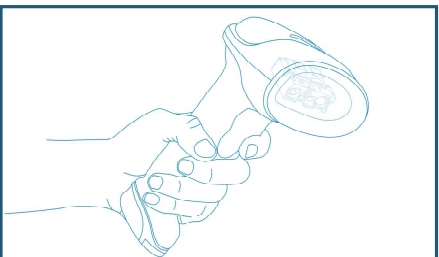
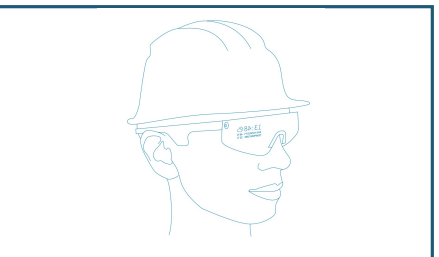
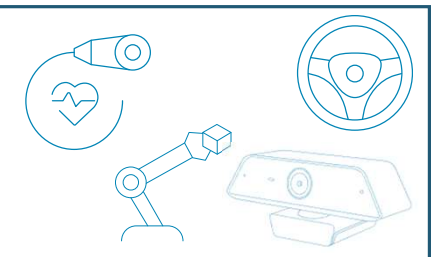
Honeywell EX 30 barcode scanner



Machine Vision – direct marking reading

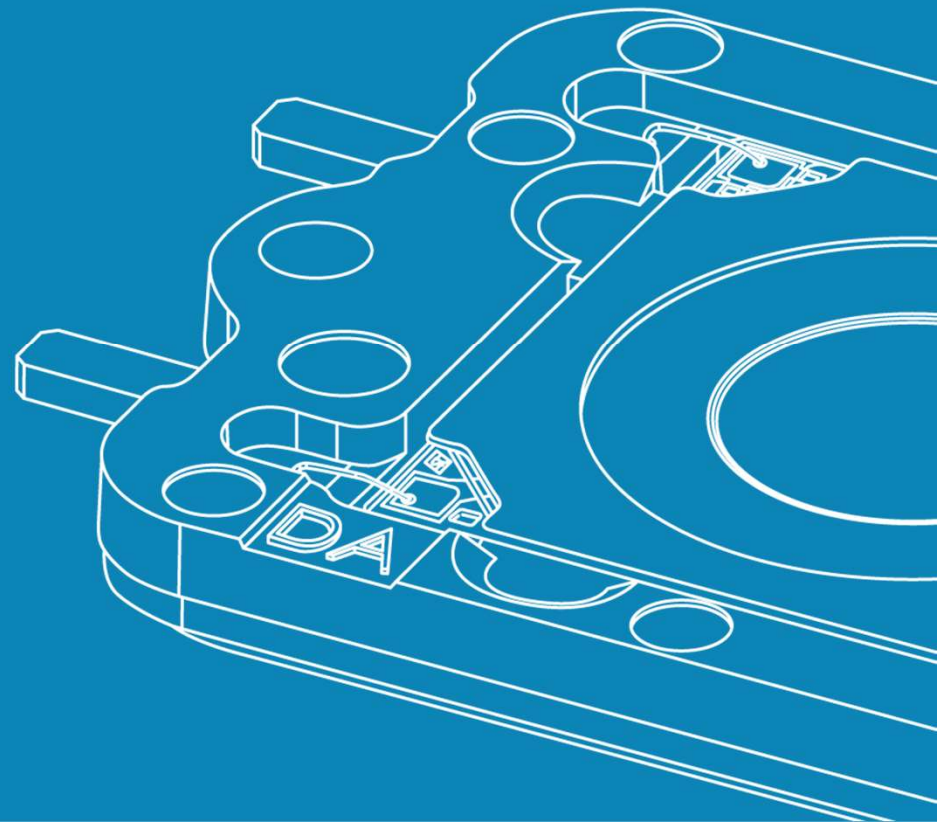


poLight products & technology well-suited for several applications

Smartphone & wearable	Barcode/industrial	Augmented Reality (AR)	Other
			
<ul style="list-style-type: none">• Large addressable market, billions of cameras produced for the each year• 1,5 billion phones/year (1 front cam + 3 (in average) back cam) -> 6 billion cam/year• Potential addressable market for TLens/poLight technology : 1 front cam + 1 back cam -> 3 billion/year• Focus on camera functionality increasing	<ul style="list-style-type: none">• Evolving from 1D laser to 2D imaging barcode readers• Lasers replaced by camera systems. Autofocus will improve efficiency in scanning and portfolio• Barcode technology spreading to new industries• OEM scan engine vendors today are increasingly looking towards enabling machine vision capabilities on current offerings	<ul style="list-style-type: none">• Augmented reality expected to be “the next big thing”• AR glasses will be firstly be deployed for professional use cases and gradually become a consumer device	<ul style="list-style-type: none">• New opportunities emerging and may represent significant potential• Video conferencing and endoscope are some recent examples of new opportunities for poLight technology



Operations and market review



Barcode / Industrial

- Follow-up order for EX30 - good feedback
 - Accumulated order intake has so far been approx. NOK 4.7 millions, - supplies of TLens goes well
 - Release of EX30 has generated more appetite among other potential customers
- 3 design-in's, 2 PoC's and 3 OEM's planning PoC
 - Design-win potential for 1st half 2022

Barcode

Examples of EX30 use cases



Unitech EA630



Urovo RT40



PointMobile 451



Janam XG4

Design-in example



2M MULTI-FOCUS MIPI MODULE
EV2M02MB/MC
B&W and Color



2M Multi-Focus MIPI Module

An Extended Range Imaging Solution



The 2M multi-focus, global shutter, MIPI module is the ideal vision extension to provide sharp images at high speed over extended depth-of-field with significantly reduced system illumination requirements.

KEY FEATURES

Fast auto-focus MEMS-based technology combined with **wide aperture f/4.85 lens**

Ultra compact and lightweight design
20 x 20 x 16.63 mm, 3.7g

Featuring an advanced **full HD, global shutter, low noise CMOS sensor**

MIPI CSI-2 output
with selectable 1, 2 or 4 lanes

AR: TLens considered for next generation glasses by several OEM's

- AR market is still at an early stage, with low volumes
- TLens offers several advantages related to power consumption, speed, compactness and no gravity sensitivity
- Two use cases : world facing camera & tuning for laser display
- poLight is well positioned for market entry at an early stage

- 3 design-in's, 6 ongoing PoC's and 4 OEM's planning PoC
- 3 potential design-win's within first half next year/Q3 (professional use case)
- Of the ongoing PoC's 3 are related to consumer

- Potentially long term the most important consumer segment for poLight

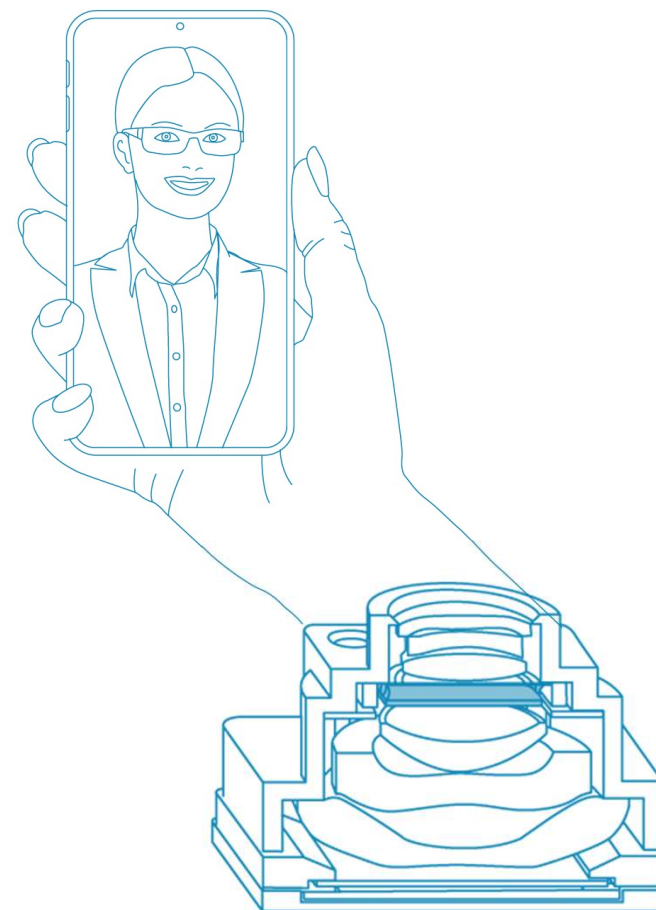


Professional use cases

Smartphone: Interest in TLens[®] remains high

- Add-in TLens design, is attracting good interest
- Potential to become a widely used solution for selfie cameras and may represent a route to the main camera (back camera) for TLens
- Progress on several Proof of Concept (PoC) projects, with OEMs and camera module (CM) vendors during the quarter
- 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

- 7 ongoing PoC's and 3 design-in possibilities 1st half 2022
- Potentially start shipping TLens end Q2-21 and phone release 2nd half 2022



Other cases

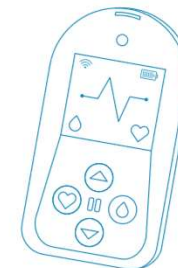
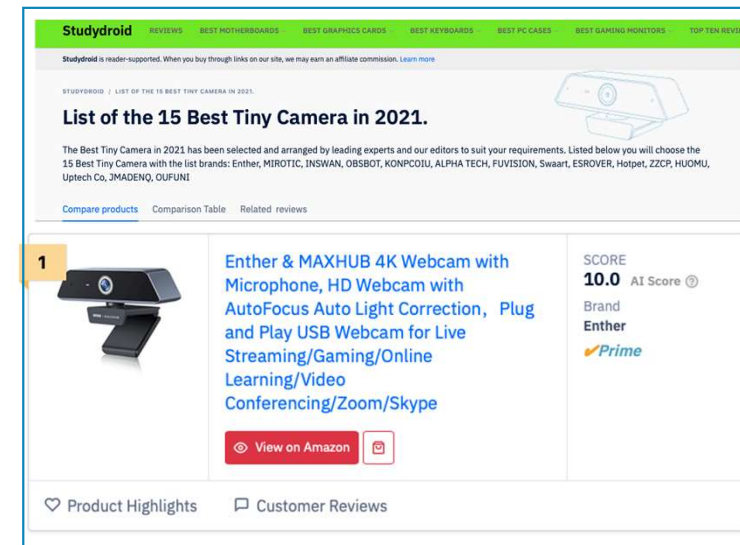
Web camera / Video conferencing

- The pandemic has forced us to cooperate more and more virtual, and video conferring has increased in use
- poLight technology will be potential good fit for web camera application due to constant field of view and speed
- Longer term volumetric video conferencing based on dual camera and light field imaging will benefit from TLens speed and constant field view

- 1 design-win (Maxhub), good feedback from customers

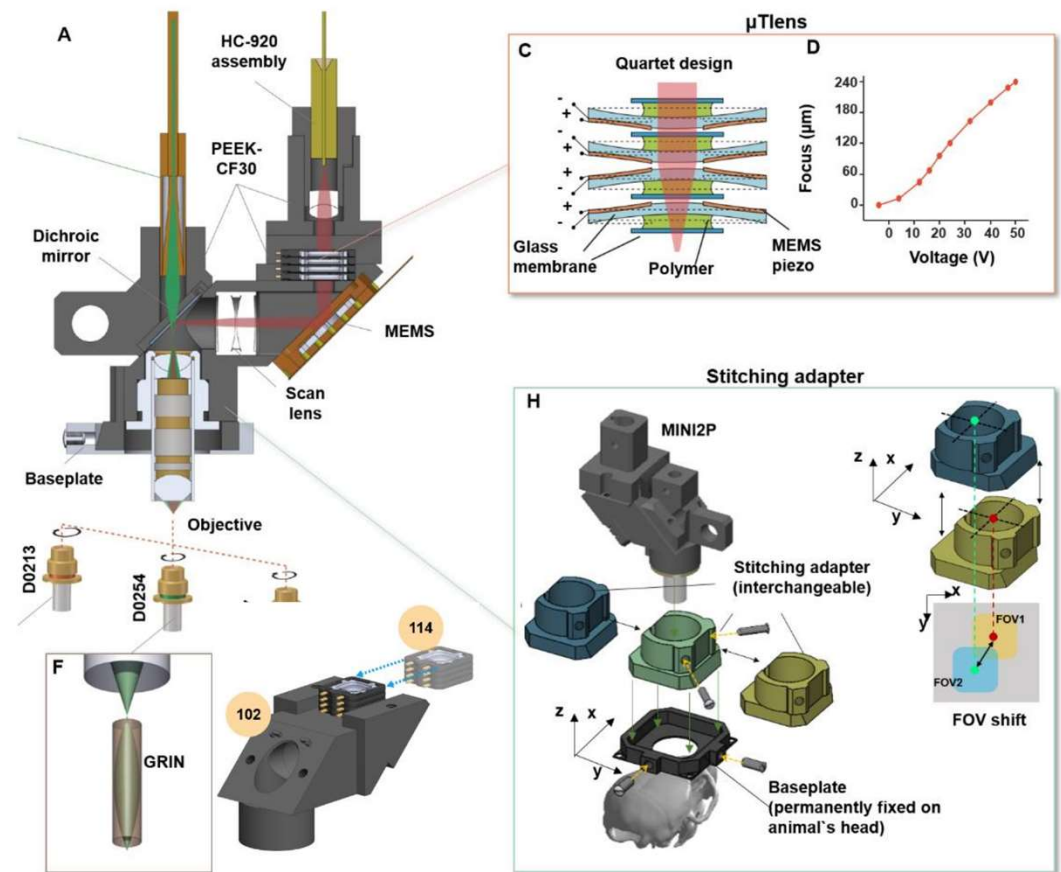
Healthcare

- Starting to see some good interest related to compact surgical equipment
- 1 design-in, 4 ongoing PoC, and 4 planning to start PoC
 - Two purchase orders received, worth a combined total of NOK 4,000,000
 - The design-in may be converted to design-win 1st half 2022

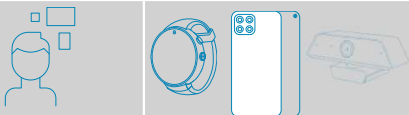





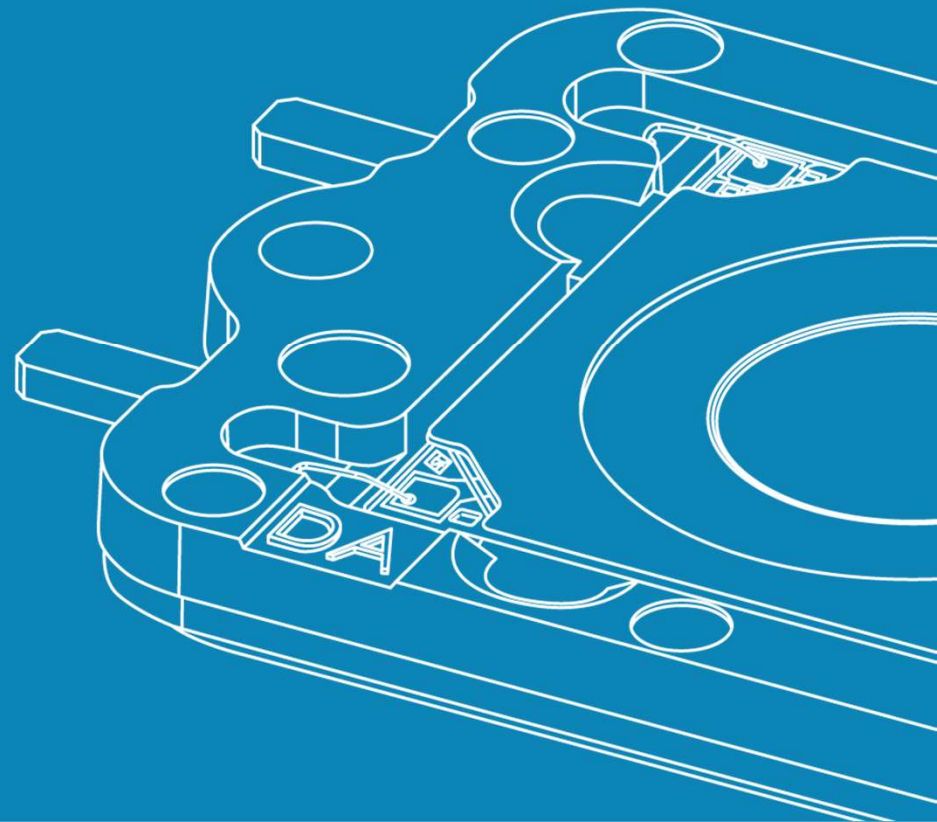
Kavli Institute for Systems Neuroscience and Centre for Neural Computation

- Scientific paper about a miniaturized two-photon microscope
- “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”
- Based on four TLens units, stacked to achieve the optical power need for this application
- Other research teams/companies around the world have been in contact with poLight
- Key arguments why they use TLens;
 - Small size in XYZ
 - Focus range
 - Focus speed
 - Low weight
 - Thermal stability



Good progress in most customer cases

		Ongoing supply	Project	Completed PoC	Ongoing PoC	Planning PoC
Consumer 		3 (3)	0 (0)	17 (16)	9 (12)	2 (2)
Augmented Reality 			3 (3)	6 (6)	6 (3)	4 (0)
Industrial 		2 (2)	3 (1)	14 (12)	3 (4)	8 (6)
Other (e.g. medical) 			1 (1)	2 (1)	3 (4)	4 (1)
<i>(x) last quarter</i>		5 (5)	7 (5)	39 (35)	21 (23)	18 (9)



Financial review

Key financials

Income statement

<i>(in NOK million)</i>	Q3 2021	Q3 2020	FY 2020
Revenue	1.7	0.6	3.0
Cost of sales	-0.9	-0.1	-0.7
Research and development expenses	-2.0	-5.6	-20.4
Sales and marketing expenses	-1.3	-0.1	-5.4
Operational / supply chain expenses	-1.4	-1.5	-8.0
Administrative expenses	0.9	4.0	-7.7
EBITDA	-2.9	-2.7	-39.2

- Revenue reflects sales of TLens and ASICs for commercial use and sample deliveries for customer development projects
- EBITDA loss of NOK 2.9 million vs. loss of NOK 2.7 million in Q3 2020
 - Reversed NOK 5.0 million in accrued employer's national insurance contributions (NICs) relating to the share option plan due to the share price decline in the quarter
 - In Q3 2020, VAT receivables of NOK 8.2 million were recognised after re-register in the VAT Register with effect 3 years back in time

Balance sheet summary

<i>(in NOK million)</i>	Q3 2021	Q3 2020	FY 2020
Intangible assets	35.9	46.2	43.6
Inventories	12.2	9.5	9.2
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 equity and liabilities	228.7	154.5	141.8

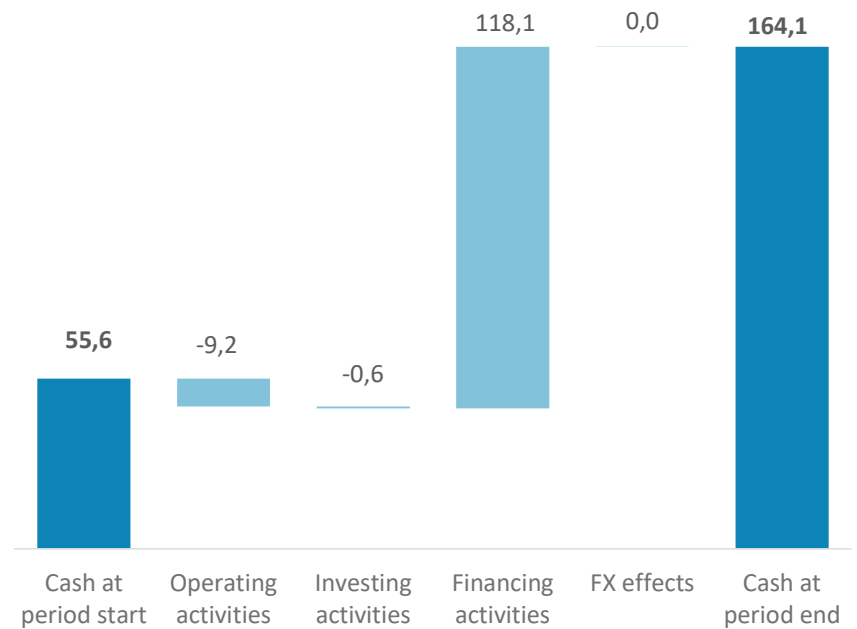
- Cash position of NOK 164.1 million, compared with NOK 79.4 million at Q3 2020
- Private placement successfully raised net NOK 130,300,000 (including sub-sequent offering of net NOK 11,800,000 raised in October-21)

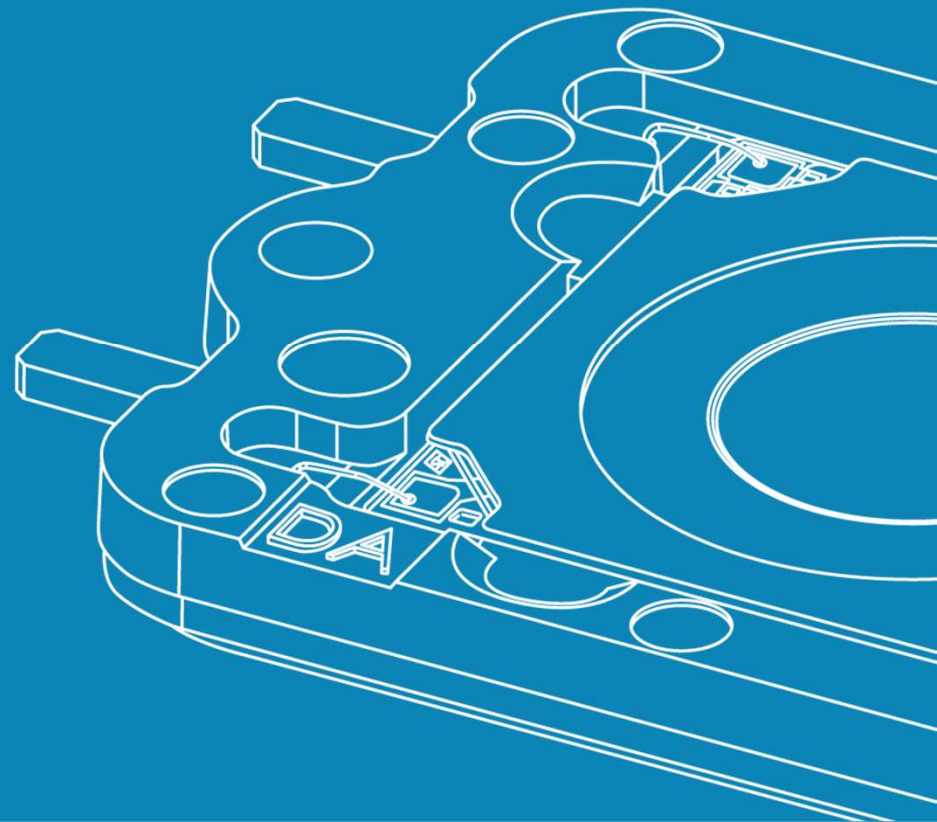
Cash Flow

- Q3 cash used in operating activities was NOK 9.2 million, compared with NOK 10.3 million in Q3 2020
- Q3 cash received from financing activities was NOK 118.1 million
 - net proceeds from the private placement of NOK 118.5 million
- Q3 net increase in cash was NOK 108.4 million

Q3 2021 cash flow development

(NOK million)





Outlook

Outlook

- Overall, progress has been good during the quarter in all market segments
- Smartphone customer cases are still at Proof of Concept 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, AR is a potentially high-volume market
- Furthermore, progress continues in the barcode segment, although it is a slow-moving market
- Medical applications can further enhance the company's involvement in high-value market segments
- To be able to execute on current plans, the company will need to gradually employ more people and continue to invest in its supply chain capability and capacity



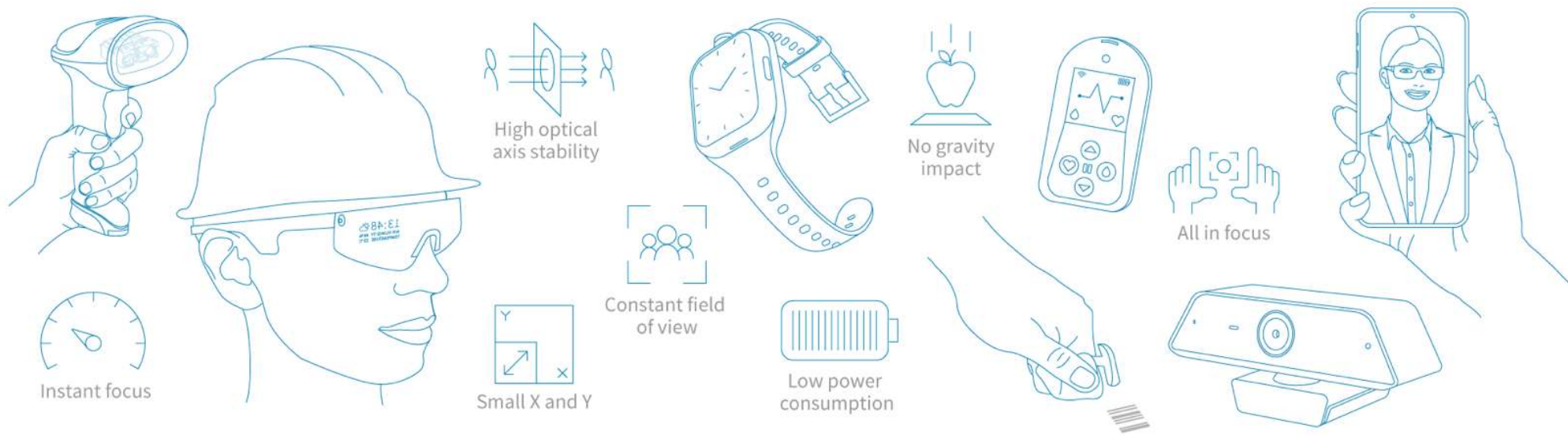


Next event:
Q4-21

18 February 2022



Appendix



Management Team



Dr. Øyvind Isaksen

Chief Executive Officer

Dr. Isaksen has been CEO of poLight since August 2014. He has previously held several CEO positions, most recently in the publicly listed company Q-Free ASA, which he left in January 2014, after 7 years as CEO. Øyvind Isaksen holds a PhD in Applied Physics.



Alf Henning Bekkevik

Chief Financial Officer

Bekkevik is a senior executive with a background from Arthur Andersen (E&Y), Wallendahl, Fjord Line, Grenland Group, and, most recently, as VP Finance for Wood Group Norway AS. He holds a master's degree in business & economics (Siviløkonom) from NHH, and is a certified public accountant.



Pierre Craen

Chief Technology Officer

Craen is a senior executive with more than 20 years' experience in opto-mechanical systems engineering. Prior to joining poLight, he managed product development teams at Varioptic, Barco and Motorola/Symbol. Mr Craen holds an MSc in Optical Engineering from Sup-Optic, as well as an MSc in Applied Physics.



Marianne Sandal

Chief Operating Officer

Sandal is a senior executive with background from Tele-communications (Nera) and Road User Charging (Q-Free). She holds a BSc in Mechanical Engineering in addition to courses from Norwegian School of Management (BI). She has been responsible for world wide operations for more than 15 years.

Board of Directors



Ann-Tove Kongsnes - *Chairman*

Ms. Kongsnes is an Investment Director at Investinor AS. Kongsnes has over her career gained extensive experience from investments, development, M&A, IPO's and exits of technology companies. Prior to this, she worked 7 years with international marketing, and was formerly a Director of Marketing and Operations. Kongsnes has extensive board experience, and currently serves on the boards of 6 of Investinor's portfolio companies in addition to 4 Chair/member seats in Nomination Committees. She holds an MSc in Economics and Business Administration from HIB and took the Advanced Program in Corporate Finance at NHH.



Grethe Viksaas - *Board member, independent*

Grethe Viksaas has a long career from the Northern European managed service provider Basefarm AS. First as founder and CEO, and later as executive chair and member of the board of directors. Prior to Basefarm, Ms Viksaas served as CEO for SOL System AS and in several management positions in IT companies. She has experience from numerous board positions, including Telenor ASA. She is currently a non-executive director on the boards of Link Mobility Group Holding ASA and Crayon Group Holding ASA. She also serves as Chair of the Board in No Isolation AS and Farmforce AS. Ms Viksaas has a master's degree in computer science from the University of Oslo.



Dr. Juha Alakarhu - *Board member, independent*

Juha Alakarhu is the VP of Imaging at Axon in Tampere, Finland. He runs the Axon R&D office in Finland and is responsible for the imaging system for Axon camera products. Dr Alakarhu's entire career has been devoted to developing cameras. Before joining Axon in 2018, he worked for Nokia and Microsoft, where he developed several pioneering camera solutions, such as oversampling (the 41-megapixel camera), optical image stabiliser, and virtual reality technology. Juha Alakarhu holds a PhD from Tampere University of Technology.



Sverre-Tore Larsen - *Board member, independent*

Mr. Larsen is an Electronic Engineer from the University of Strathclyde, UK. He was appointed Chief Executive Officer of Nordic Semiconductor in February 2002. Mr. Larsen has broad international experience in the semiconductor business, previously as Director for the Nordic region for Xilinx Inc. He has also been working at Philips Semiconductor.



Thomas Görling - *Board member*

Thomas Görling is a Senior Investment Director at Stiftelsen Industrifonden (Sweden) with a comprehensive involvement in building successful technology companies. Representing Industrifonden, he has been engaged in a number of portfolio company boards, at present Medtentia International Ltd Oy (Finland) and eBuilder AB (Sweden). Before joining Industrifonden in 1998, Mr. Görling held management positions within the European optical instrument and systems industry. Thomas holds a Master of Science from the Royal Institute of Technology in Stockholm, and studied business economics at Stockholm University.

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

Balance sheet

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

Cash flow

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