



poLight ASA Annual Report



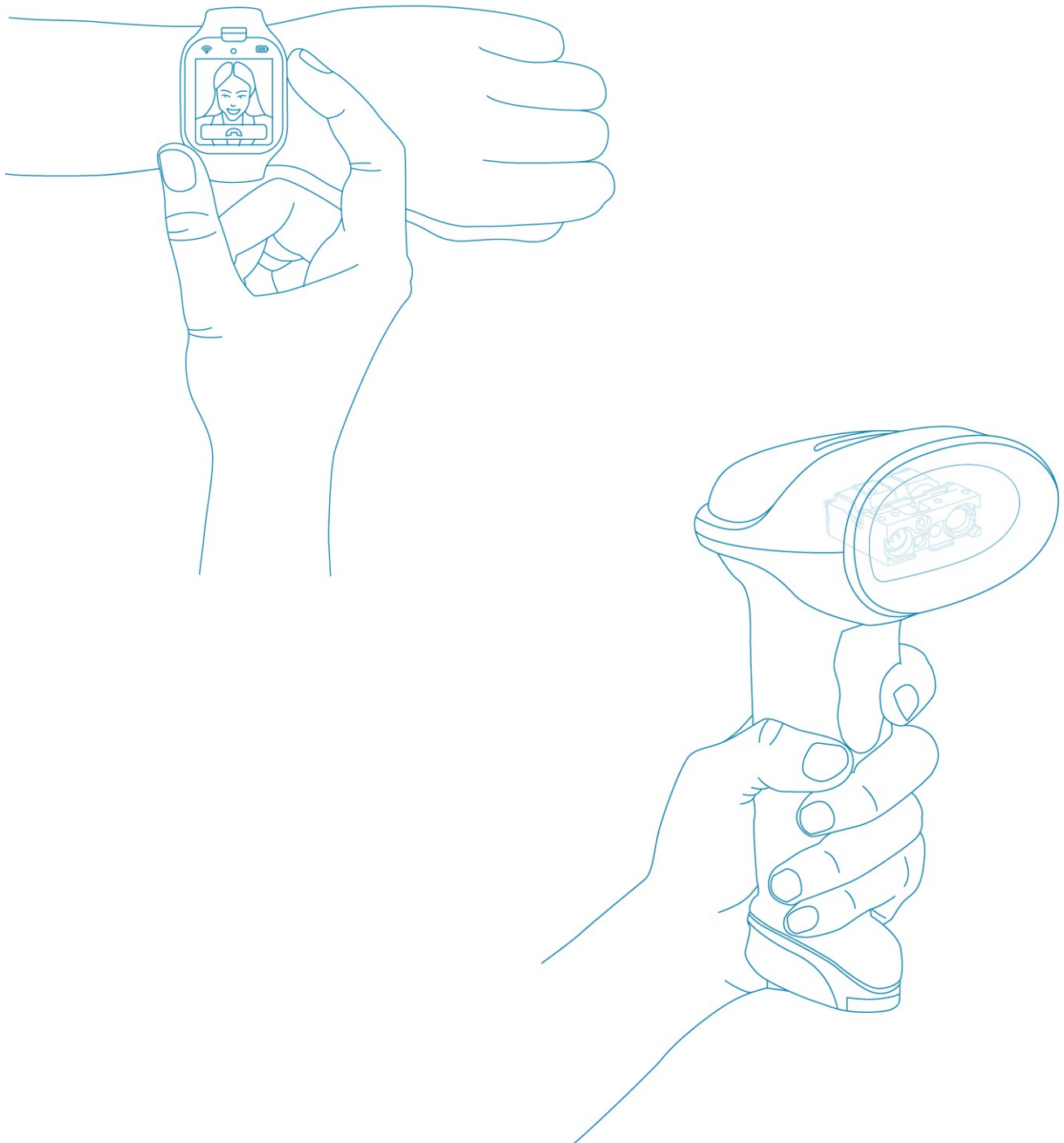
FOR BETTER EXPERIENCES

2020

Contents

This is poLight	4
Message from the CEO	8
Board of directors	9
Management	10
Investor information.....	11
Board of directors' report.....	14
Corporate governance report.....	23
Group financial statements	32
poLight ASA financial statements.....	67
Independent auditor's report.....	81
Contact details.....	86

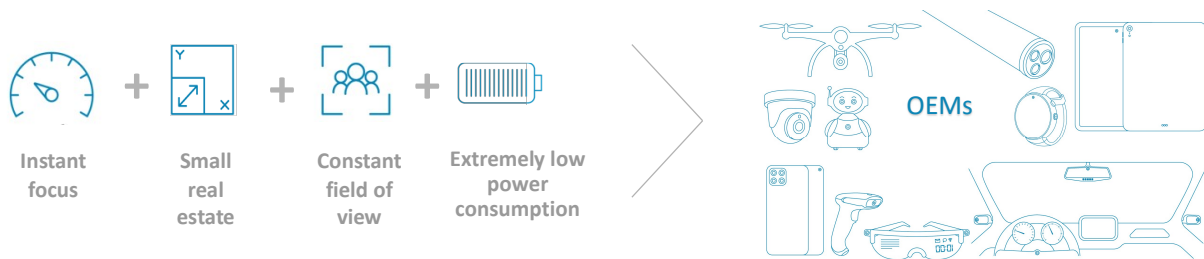
The year of market breakthrough



THIS IS POLIGHT

poLight ASA is a Norwegian company, headquartered in Horten, which has introduced a unique optical lens to the market for both consumer devices and professional applications. The new lens replicates the lens of the human eye, enabling new user experiences and easing the implementation of autofocus functions in various applications.

poLight's patented, proprietary technology offers considerable benefits, such as extremely fast focus, compact xy-dimension, no magnetic interference, low power consumption and constant field of view. These features, and others, open the way for its use in a multitude of as yet unimagined ways.



poLight has offices in Norway, Finland, France and China , and is also represented in South Korea and Taiwan. Since the company was founded in 2005, it has acquired world-class expertise in optics, polymers and MEMS technology. The poLight team comprises highly skilled researchers and technical specialists, all aiming to develop world-leading imaging technologies.



Technology

The company has developed and patented TLens® - a tuneable optical Lens, which outperforms today's standard Voice Coil Motor (VCM) lens in that it offers instant focus, small size, low power consumption, stable field of view and no magnetic interference.

The poLight lens is constructed around a piezo element (pzt film), which is placed on a thin glass membrane and acts as an actuator. A patented polymer is sandwiched between two high-quality glass layers.



The piezo material on the thin glass membrane is designed to spherically deform the polymer when a voltage is applied to it. This structure offers a tuneable lens of high optical quality. When the piezo is in standby mode, no force is applied to the thin glass and light passes through the two glass components, and the polymer, without deviation. When a voltage is applied, the piezo actuator will immediately force the thin glass membrane to bend accordingly. This generates a perfect lens, and an optical power, which focuses the light rays. Due to the optical matching between the glass membrane, the polymer and the supporting glass, and poLight's unique anti-reflective coating, the optical transmittance is optimised for the visible spectrum. Other coatings can be applied to change the characteristics of the product. The TLens can either be used on top of a fixed-focus camera module (*i.e.* add-on concept) or integrated as part of the lens stack (*i.e.* add-in concept).

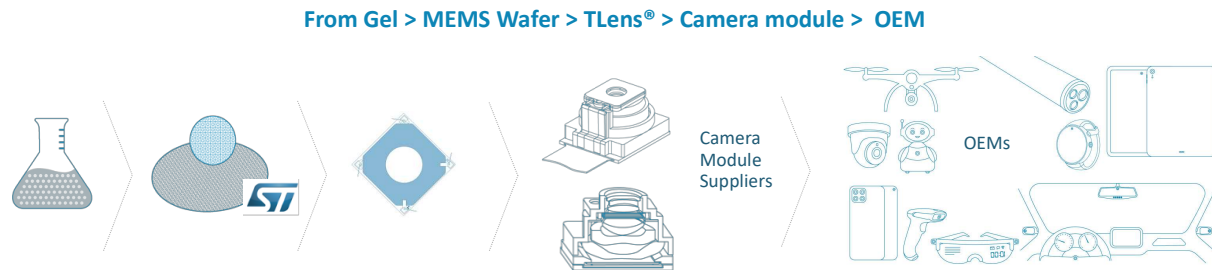
Product portfolio

Based on the TLens technology platform (see above), poLight has launched to the market TLens® Silver and TLens® Silver Premium, as well as the related ASIC driver (PDA 50), which controls the supply of variable voltage to all TLens® products and makes them change focus. TLens® Platinum will be the next product to be completed. TLens Platinum® is currently on hold to prioritise the commercialisation of already released products. From an application perspective, the main difference between the various TLens® products is that they can be used with different sensor formats (size of the image sensor) due to different aperture sizes (the transparent "opening" in the actuator). The TLens® can be supplied as a "packaged" version to enable quick integration/testing.

The TLens® Silver Premium is considered suitable for both consumer and industrial products, whereas the TLens® Silver is best suited for industrial applications where optical range is important.

Supply Chain

poLight is fabless and uses partners for most manufacturing processes, except for the polymer, which is produced at the company's headquarters in Norway. STMicroelectronics is poLight's manufacturing partner for the MEMS actuator, utilising their thin film piezo technology in an 8-inch semiconductor fabrication plant in Italy. Polymer and wafers with actuators are shipped to a manufacturing partner in Taiwan, which assembles the complete TLens® product and ships to camera module vendors.



Market

poLight's TLens technology is suitable for a wide variety of applications, particularly those where there is a need for compact and high-quality autofocus solutions that benefit from high speed, small size and low power consumption. Such applications include, but are not limited to, smartwatches, smartphones, AR (augmented reality) glasses, other wearables/IoT, industrial scanners, readers and sensors, and medical equipment.

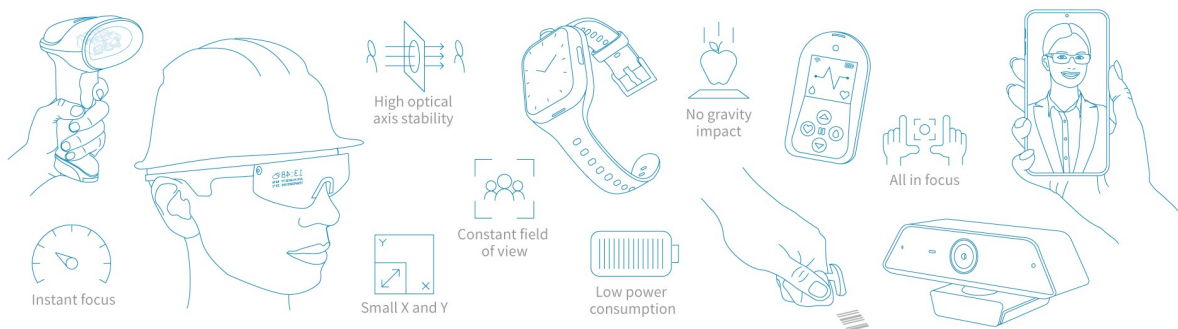
Smartphones represent the biggest market currently being explored. Virtually all current smartphones are shipped with both front-facing and back (main) cameras. Dual or multicamera solutions have also become increasingly common.

For most smartphone users, the camera is an important function. This assumption is supported by the uptake in the number of photos and videos recorded by mobile phones and smartphones being distributed via leading global social media applications such as Snapchat, Instagram and YouTube. The deployment of 5G is expected to reinforce this trend. New technology that enhances the camera-related user-experience is therefore a key area of innovation for smartphone manufacturers.

Another currently maturing consumer market is the wearables segment, specifically smartwatches, and augmented reality (AR) glasses. poLight recently achieved a breakthrough in the smartwatch phone segment, and is now included in two smartwatch phones being sold in China. Smartwatch phones for various segments will develop new use-cases, and the camera function could quickly become very important. AR solutions provide the ability to overlay a visual and audio experience onto a real-world environment, as viewed through a computer, mobile device or special hardware. There are many potential uses for AR, ranging from pure entertainment, such as gaming, visiting places or watching events, to real-world applications in medicine, education and the workplace.

For the wearables segment, power consumption and compactness will be essential. It is therefore a key market for poLight. The wearables segment has the potential to become a new high-volume market for poLight.

There are other attractive market segments with different characteristics, such as longer product lifecycles, less cost pressure and lower volumes. Barcode readers constitute one such segment, for which the company achieved its first design-win during the year. Most of today's barcode readers make use of one-dimensional lasers. There is a growing demand for two-dimensional barcodes in several industries where direct part-marking is becoming crucial to the establishment of more efficient and better controlled supply chains. A key factor for success in this market is to provide a component which reduces the risk of scanning errors and secures high throughput (high-speed AF) and an extended working range (AF capability) for their products. Overall annual demand in this segment is expected to be in the range of some thousands to a few million units. Here, the typical product lifetime is several years, as opposed to the smartphone market where the product lifetime ranges from 3 to 12 months.



MESSAGE FROM THE CEO

2020 was a very important year for poLight, since it marked breakthroughs in both consumer and professional markets. Commercial adoption is an important validation of our unique products. The fact that we are now supplying components for commercially available products is a strong argument in our ongoing discussions with existing and potential customers, and represents a new era for the company.

The company's activity level is at an all-time high, and it is very encouraging to see all the opportunities ahead of us. The strategy we have been pursuing for many years is paying off. There is still much to be done in all parts of the value chain, and success will not be achieved without a determined effort.

Priority is still being given to customer integration projects, based on existing products, and securing a robust supply chain. Although we are also working to develop new product concepts based on our established technology platform/IP, these efforts will progress more slowly as a result.

We are planning to strengthen the organisation in certain areas in order to improve progress on important activities for the long term, such as R&D, but also to establish more capacity to cater for increasing activity.

It is impressive to see how our small and distributed organisation is progressing and maturing the various new cases, as well as supporting and supplying existing customers. I would therefore like to take this opportunity to thank the whole poLight team for their efforts and continued dedication to bringing our unique technology to the market.

I would also like to thank our partners for their efforts and continued support, and our shareholders for following us closely and contributing to the increasing interest in poLight.

Dr Øyvind Isaksen
CEO, poLight ASA

BOARD OF DIRECTORS



Eivind Bergsmyr
Chair, Independent

Eivind Bergsmyr has been a partner at Viking Venture since 2009, and serves on the boards of several Viking Venture portfolio companies. He is the current chair of Xait AS, Tamigo ApS, Flowbox AB, Humly Edtech AB, Timelog A/S and Encode A/S and board member of Attensi AS. He is the former chair of GasSecure AS (sold to Dräger) and former board member of Nanoradio AB (sold to Samsung). Mr Bergsmyr was previously CEO of the Norwegian startup Nacre AS, sold in 2007 to Sperian Protection and recognised as the Nordic Venture Exit of the Year. Prior to this, Mr Bergsmyr acquired extensive industrial experience during his time at Siemens. He holds an MSc in Electronic Engineering from NTNU.



Ann-Tove Kongsnes
Deputy chair

Ann-Tove Kongsnes is an Investment Director at Investor 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 for 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 Investor'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.



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.



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.

MANAGEMENT



Dr Øyvind Isaksen
Chief Executive Officer

Øyvind Isaksen has been CEO of polLight 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.



Pierre Craen
Chief Technology Officer

Pierre Craen has more than 20 years' experience in opto-mechanical systems engineering. Prior to joining polLight, 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.



Alf Henning Bekkevik
Chief Financial Officer

Alf Henning Bekkevik has 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.



Marianne Sandal
Chief Operating Officer

Marianne Sandal has more than 15 years' experience heading worldwide operations in Nera ASA (telecommunications) and Q-Free ASA (intelligent transportation systems). Ms Sandal holds a BSc in Mechanical Engineering, in addition to courses in economics and management from BI Norwegian School of Management.

INVESTOR INFORMATION

Share price development

poLight ASA (PLT) has one class of shares. Its shares were listed on the Oslo Stock Exchange on 1 October 2018. The company had 9,048,822 shares outstanding at the close of 2020, each with a nominal value of NOK 0.20.

In 2020, the Group's shares traded for between NOK 35.86 and NOK 102.2 per share. In total, 20,944,644 shares were traded in 2020, equivalent to 231% of the shares outstanding.



Major shareholders and voting rights

poLight had 3,602 shareholders registered in the Norwegian Central Securities Depository (VPS) as of 31 December 2020. Shareholders owning 1% or more of the shares represented 56.4% of the share capital. Non-Norwegian shareholders owned 21.4% of the shares. All the shares registered by name carry equal voting rights. The shares are freely negotiable.

poLight shareholders as at 31 December 2020

	Ordinary shares	Share- holding	Voting rights
		%	%
Investinor AS	1 779 858	19.7%	19.7%
DnB Bank ASA ¹⁾ (nominee)	1 048 825	11.6%	11.6%
Viking Venture III AS	451 346	5.0%	5.0%
Nordnet Bank AB (nominee)	426 839	4.7%	4.7%
Alliance Venture Polaris AS	276 278	3.1%	3.1%
Nordnet Livsforsikring AS	270 718	3.0%	3.0%
ABN AMRO Global Custody Services (nominee)	229 344	2.5%	2.5%
VPF Nordea Avkastning	150 704	1.7%	1.7%
VPF Pareto Investment	142 458	1.6%	1.6%
LHH AS	120 000	1.3%	1.3%
VPF Nordea Kapital	108 676	1.2%	1.2%
Wiseth Holding AS	102 000	1.1%	1.1%
Total	5 107 046	56.4%	56.4%
Other (less than 1% shareholding)	3 941 776	43.6%	43.6%
Total number of shares	9 048 822	100.0%	100.0%

1) Industrifonden AB

An overview of the 20 largest shareholders is available on the poLight website, updated each week.

Employee share programme

The Board is authorised to issue shares through share option schemes up to a total nominal value of NOK 176,877, equal to 884,386 shares. In 2020, 23,139 shares were issued in order to satisfy the obligation to deliver shares following exercise of share options. As of 31 December, 764,132 share options (equal to 8.4% of shares outstanding) were outstanding, all at a weighted average strike price of NOK 50.5/share.

Corporate actions/events

	Date
Smartwatch launched with advanced autofocus functionality based on poLight TLens	07.01.2020
Second smartwatch phone launched with advanced TLens autofocus function	10.02.2020
Received additional purchase order related to smartwatch phone design-wins	25.02.2020
poLight TLens designed into a barcode product by a Tier 1 vendor	05.03.2020
Successfully completed private placement	16.04.2020
Subsequent offering completed	25.06.2020
Received purchase order for barcode product	13.07.2020
VAT registration application approved	28.08.2020
Signed MoU and received purchase order to make a prototype of a new version of TLens	09.09.2020
Received confirmation that TLens is included in a barcode product	18.09.2020
Follow-up purchase order for barcode scan engine product	28.10.2020

Dividends and dividend policy

polight is focused on developing and commercialising its technology, and intends to retain any future earnings in the foreseeable future to finance development activities, operations and business growth. The company has not previously distributed any dividends to its shareholders and does not expect to do so in the foreseeable future. Any future decision to pay a dividend will depend on the company's financial position, operating profit and capital requirements.

Analyst coverage

Two analysts representing Norwegian and Nordic investment banks had active coverage of polight in 2020. For contact details, please see the company website www.polight.com.

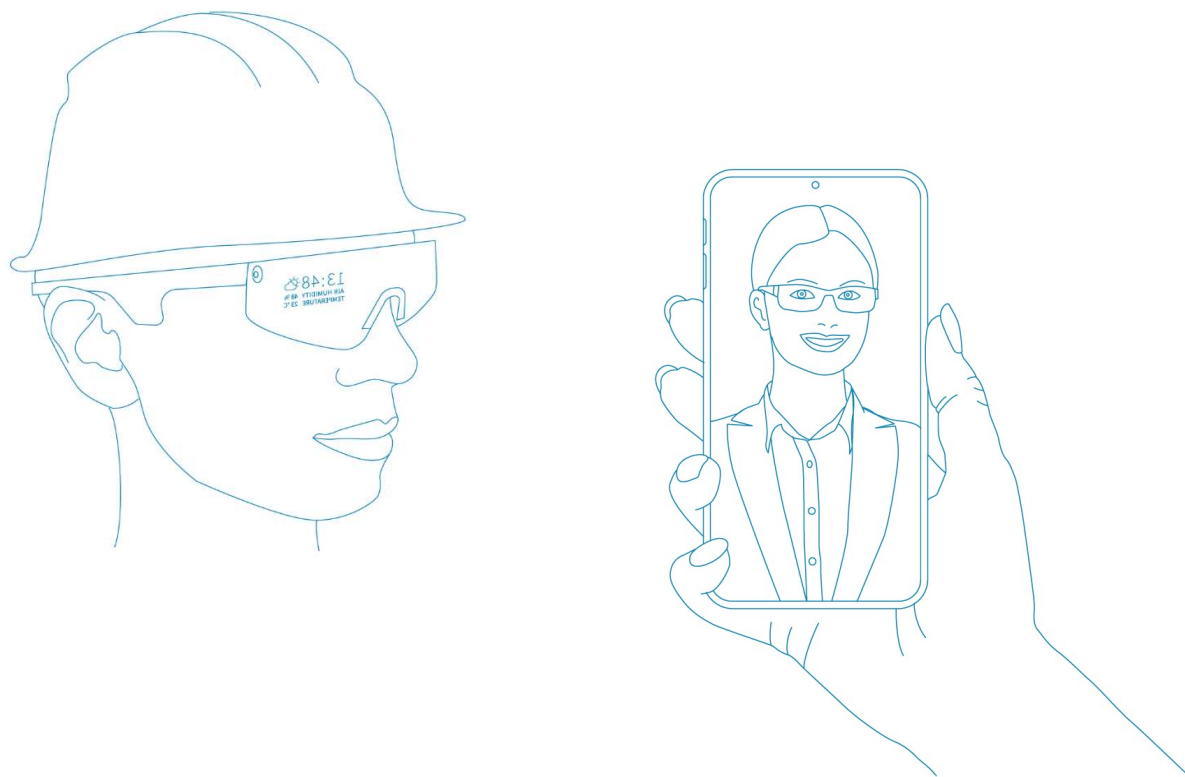
Financial calendar 2021

Date	Event
18 February 2021	Quarterly Report – Q4 2020
22 April 2021	Annual report 2020
07 May 2021	Quarterly Report – Q1 2021
26 May 2021	Annual General Meeting
20 August 2021	Half-yearly Report 2021
29 October 2021	Quarterly Report – Q3 2021
18 February 2022	Quarterly Report – Q4 2021

Further information can be found on the company's website www.polight.com and at www.newsweb.no. polight's IR policy can be found at www.polight.com.

BOARD OF DIRECTORS' REPORT

Through 2020, poLight made significant progress. Its technology was selected for inclusion in three products launched during the year. Representing both consumer and professional applications, these products confirm the versatility and market potential of poLight's unique technology. Progress continues into 2021, and the company is positioning itself for the next phase of commercialisation.



Corporate events in 2020

At the AGM held on 28 May 2020, Eivind Bergsmyr and Ann-Tove Kongsnes were re-elected as the Board's chair and deputy chair for another two years. The AGM also appointed Thomas Wrede Holm, Jan-Erik Hæreid and Anne E. H. Worsøe to serve as the company's Nomination Committee.

On 11 January 2021, Ann-Tove Kongsnes was appointed chair of the Audit Committee, with Eivind Bergsmyr as a member.

In the second quarter 2020, poLight successfully raised NOK 50 million, including a subsequent offering of approximately NOK 10 million, through the issue of new shares priced at NOK 55 per share.

In August 2020, the Norwegian Tax Administration decided to re-register poLight ASA in the VAT register from July 2020. A request for retrospective VAT settlements since to 1 July 2017 was submitted, with NOK 8.2 million being received in the fourth quarter 2020.

Manufacturing and operations

poLight works primarily with two categories of sub-contractors – the MEMS/wafer supplier (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 Headquarters.

poLight works with two partners on the assembly side, and pilot production is ongoing at both sites. One of the partners has already been qualified. However, because the production line has been moved to a different factory, a requalification process is underway.

ST is processing the latest order from poLight, and wafers are planned to be delivered throughout 2021. A new purchase order will be issued soon to secure material for 2022. poLight still has sufficient wafer material in stock to cover its estimated needs in 2021.

Product development

In 2020, poLight engaged in ongoing discussions with smartphone-related vendors concerning new and advanced design concepts based on poLight's existing products and its technology platform in general. This included integration of the company's existing products in a front-facing camera module at minimum screen size penalty, enabled by add-in design, as well as realising improved back-camera solutions and developing a prototype TLens[®] with a larger aperture. In addition, we continued to support various customers in testing and integrating TLens[®] into their products. During the year, most of the company's R&D resources were devoted to customer development/integration projects.

Market

Customer-related activities continued at a high level during the year. poLight is actively engaged in several product areas, including consumer market devices, such as smartphones, wearables and augmented reality, as well as a wide range of professional applications, such as barcode readers and medical devices. 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 expected that this will develop into a diversified revenue base for poLight.

Consumer market

During the year, poLight achieved two design-wins for smartwatches and made significant progress in positioning TLens[®], and its technology platform more generally, in new consumer markets, such as augmented reality, smartphones and accessories.

TLens[®] is currently being considered for use in next generation augmented reality (AR) headsets by key market participants, and testing/prototype building is ongoing. TLens's low power consumption, and compactness, is being highlighted as one of its key technical benefits. 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. The AR cases in which poLight is involved address both the professional and consumer markets. poLight is well positioned for market entry at an early stage. It is within reach for poLight to be included in a next generation AR product to be released towards the end of 2021 or first half of 2022, although the exact launch date will depend on ongoing design work and successful testing. Long term, this is potentially the most important consumer case for poLight's products.

poLight's interaction with the smartphone ecosystem has been intense lately. Tuneable optics, such as TLens[®], are attracting more and more attention. Most of the activity has concerned a new camera module, based on add-in TLens design, that a key camera module supplier has developed to realise a compact, front-facing camera with autofocus (AF). This camera module concept has the potential to become the mainstream solution for selfie cameras. Extensive testing has been carried out during the year, and remains ongoing. So far, the results are promising. Improvement areas have been identified and solutions worked on in cooperation with the customer – both on the component level (TLens) and system level (camera module). Market release discussions are ongoing. Furthermore, efforts are underway to realise new products for improved back-camera solutions, based on the poLight technology platform, such as making a TLens with a bigger aperture and using the poLight technology platform for other applications.

End-user sales of high-end smartwatches have been negatively impacted by the Covid-19 situation. Because children are engaging in fewer activities without their parents, the need for smartwatches as security devices has decreased. In addition, the pandemic has impacted overall consumer spending on high-end products. This is true for all smartwatch brands in China. New releases are expected to focus on lower costs and will probably use cheaper AF solutions. poLight needs to position itself for the time when the market is normalised, and consumers once again have an appetite for high-end watches. Furthermore, the release of more advanced smartwatch platforms will help customers to take advantage of the technical attributes TLens offers. poLight has so far only received positive feedback from the smartwatch market.

At the end of 2020, poLight's TLens had been used in 29 Proof-of-Concept (PoC) projects related to the consumer market (15 ongoing and 14 completed). By the close of the year, one of the completed PoCs seems to have progressed to a real product project.

Industrial market

During the year, poLight also achieved a breakthrough in the professional market, when it was chosen to be a part of Honeywell EX30 scan engine product. According to Honeywell's website: "The Extended FlexRange™ EX30 2D Scan Engine for warehouse and distribution centre operations seamlessly reads barcodes from a distance of 10 cm to 20 m using the latest technology for a fast auto-focus mechanism." The market response has apparently been positive.

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

The company is also exploring other cases within the industrial market, such as machine vision and sensors.

At the end of the year, poLight's TLens was used in 18 PoCs related to the industrial market, either ongoing (8) or completed (10). Two customer projects have been established: one AR (professional use) case and one barcode case.

Other applications

The TLens technology continues to be of interest for a range of other applications, for example in the medical field (4 PoCs, of which 1 has been completed). By the close of the year, one completed PoC case seems to have progressed to a customer project.

Organisation

poLight had 23 full-time employees and no part-time employee at the close of 2020, compared to 21 full-time and 1 part-time employees in 2019. In addition, 4 consultants were engaged on long-term contracts, compared with 2 in 2019. The employees were located in 4 different countries and represented 6 different nationalities, the same as the year before. Women made up 26% of the workforce, compared with 23% in 2019. poLight is committed to being a healthy workplace, which provides equal opportunities for development to all employees, irrespective of gender, ethnicity or other characteristics.

poLight have adopted Code of Conduct that states among other things the following: poLight expects dedicated employees, who treat others with respect and maintain an open communication. In poLight there shall be no discrimination or harassment of age, gender, disabilities, race, sexual orientation, ethnic origin, religion or political affiliation. poLight shall be an engaging workplace with an inclusive working environment. poLight expects that no employees make any actions that could harm the poLight brand. When we are working in other cultures than our own, we treat everyone – persons as well as organisations – with respect, and we are acting in accordance with national laws and regulations. We also pay attention to local etiquette and values in the countries we are working in. In meetings with contacts outside poLight we appear as professionals in behaviour and conduct. poLight supports and respects internationally proclaimed human rights, including those specified by the International Labour Organization. The company respects the right to freedom of association and opposes any form of child labour, forced labour or discrimination, and requests all representatives and suppliers to follow the same principles. All employees, partners etc are made aware of these guidelines.

poLight is commitment to the health, safety and welfare of its employees, their families and its customers. Sickness absence came to 2.2% in 2020, compared with 2.1% in 2019. Sickness absence remains well below the Norwegian national average of approximately 6.2% (2019: 5.9%). No work-related accidents caused personal injuries or material damage in 2020.

Financial development, poLight Group

The Group's consolidated revenue in 2020 totalled NOK 3.0 million compared with NOK 3.0 million in 2019. The revenue reflects sales of TLens and ASICs for commercial use and sample deliveries of TLens and ASICs for customer development projects.

Cost of sales totalled NOK 0.7 million in 2020, compared with NOK 2.1 million in 2019.

R&D expenses amounted to NOK 20.4 million, up from NOK 19.9 million in 2019. Sales and marketing expenses totalled NOK 5.4 million, down from NOK 8.7 million in 2019, reflecting the diversion of resources to customer development projects, classified as R&D. No development expenditures were capitalised during 2020 (2019: NOK 2.4 million).

Administrative expenses totalled NOK 7.7 million, down from NOK 17.1 million in 2019. The decrease is mainly attributable to VAT refunds of NOK 8.2, whereof NOK 7.6 million was recognised as a reduction of administrative expenses. A provision of NOK 1.5 million was recognised in 2019 with respect to severance packages.

Operational/supply chain costs totalled NOK 8.0 million, down from NOK 8.2 million in 2019.

Depreciation, amortisation and net impairment losses amounted to NOK 12.1 million, down from NOK 26.2 million in 2019. poLight started amortising previously capitalised development investments in TLens Silver and its associated ASIC driver in the second quarter of 2019, as they became ready for commercial sales. In the fourth quarter 2019, an impairment charge of NOK 18.3 million was recognised with respect to TLens Platinum. Efforts to prepare TLens Platinum for mass production have been put on hold until the product is closer to the anticipated market breakthrough. In this situation, the company was not able to demonstrate cash flow projections for Platinum on reasonable and supportable assumptions as required under the accounting standards. However, the recognition of impairment for accounting purposes does not imply that the assets have no commercial value.

The Group made an operating loss of NOK 51.4 million in 2020, compared with an operating loss of NOK 79.2 million in 2019.

Net financial items in 2020 totalled NOK 0.4 million, down from NOK 1.4 million in 2019. This is attributable primarily to interest on bank deposits. The tax expense in 2020 came to NOK 0.2 million, compared with NOK 0.1 million the year before.

The Group made a net loss of NOK 51.2 million in 2020, compared with a net loss of NOK 77.9 million in 2019. This represents a loss in 2020 of NOK 5.83 per share on a fully-diluted basis, compared with a loss of NOK 9.59 per share in 2019.

Financial position

As of 31 December 2020, total assets came to NOK 141.8 million, compared with NOK 145.0 million at year-end 2019. Total equity came to NOK 128.8 million, compared with NOK 128.4 million at year-end 2019. Share issues carried out in the second quarter 2020 raised NOK 47.8 million in net proceeds.

Intangible assets amounted to NOK 43.6 million as of 31 December 2020, compared with NOK 53.9 million at the close of 2020, reflecting amortisation over the year. Trade and other receivables totalled NOK 6.0 million (NOK 6.1 million in 2019), including recognised government grants of NOK 5.0 million (NOK 4.7 million in 2019).

On 31 December 2020, the company had cash and cash equivalents of NOK 77.2 million, compared with NOK 73.5 million at the close of 2019. The change was mainly a function of liquidity consumed by operating activities and net proceeds from share issues.

No long-term liabilities were recognised at year-end 2020 (NOK 0.8 million in 2019). Total current liabilities at year-end 2020 totalled NOK 12.9 million (NOK 15.9 million in 2019).

Cash flow

Net cash flow from operating activities totalled NOK 42.6 million in 2020, compared with NOK 49.5 million in 2019. Net cash flow used in investing activities totalled NOK 0.2 million in 2020, compared with NOK 2.7 million used in 2019. The decrease was mainly due to lower capitalised development expenses in the period. Net cash flow from financing activities totalled NOK 46.6 million in 2020 (NOK -1.7 million in 2019). The positive cash flow from financing activities reflects the net proceeds from the share issues carried out in the second quarter 2020, which raised NOK 47.8 million in net proceeds.

Financial development, parent company

In 2020, the parent company generated NOK 3.1 million in gross revenue, compared with NOK 3.5 million the year before. It made an operating loss of NOK 52.3 million in 2020, after total operating expenses of NOK 54.7 million. In 2019, the parent company made a loss of NOK 81.1 million, after total operating expenses of NOK 82.5 million.

Operating expenses in 2020 include payroll expenses of NOK 26.8 million, compared with NOK 27.6 million in the preceding year. The parent company had on average 15 employees in 2020, compared with 22 in 2019. In 2020, other operating expenses amounted to NOK 17.0 million, compared with NOK 32.4 million in 2019. (See Note 3.)

The net result for poLight ASA in 2020 was a loss of NOK 49.9 million, compared with a loss of NOK 79.2 million in 2019.

The Board proposes that NOK 46.2 million be transferred from the share premium fund and NOK 3.7 million from retained earnings. The Board does not propose payment of a dividend for 2020.

Share capital

On 31 December 2020, poLight ASA had a share capital of NOK 1.8 million, consisting of 9,048,822 shares, with a nominal value of NOK 0.20 each.

poLight employees have been granted options to subscribe for shares under share options schemes. The Board is authorised to issue shares – in share option schemes – up to a total nominal value of NOK 176,877 (884,386 shares at a nominal value of NOK 0.20). As of 31 December, 764,132 share options (equal to 8.4% of shares outstanding) were granted, all at a weighted average strike price of NOK 50.50 per share with a range from NOK 18.90 to NOK 77.90.

Risks and risk management

poLight's risk management is based on the principle that risk assessment is an integral part of all business activities. As a technology company with global operations, poLight is exposed to risk factors of a financial and operational nature, which may affect business activities and the company's financial position. poLight's Board places a high priority on managing risk and has established routines and policies to limit overall risk exposure.

Market risk: poLight develops highly innovative autofocus lenses for consumer and industrial products. The markets for these products are undergoing rapid technological changes. poLight's future success will depend on the company's ability to meet changing industry demands, develop new technologies that address prospective customers' increasingly sophisticated requirements, and ensure high-quality and cost-effective mass production.

IPR related risk: poLight's technology is interlinked with the company's operations and business strategy. To protect the company's intellectual property rights (IPR), the company relies on a combination of patents, copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions. poLight actively seeks to protect its products and technologies in every market and geographic region. There is, however, inherent risk related to copyright protection of new products, potential challenges from third parties and the extent to which competing technological solutions may impair the company's ability to do business.

Foreign exchange risk: poLight is subject to certain financial risks associated with currency and interest rates. While the company has had limited revenue so far, it does incur costs in various currencies. No single large currency risk that could have a significant impact on the company's net profit has been identified. Proceeds from share issues are kept in NOK. poLight has not entered into any hedging agreements.

Liquidity risk: poLight currently operates at a loss. For the next 12 months, the Group's principal source of liquidity will still be cash generated from financing, equity and debt, in addition to net cash flows generated from sales. Consequently, any shortfall of cash generated from operations will have to be covered through additional financing in order to safeguard its ability to continue as a going concern. When such additional funds are needed, there is a risk that adequate sources of funds may not be available, or available at acceptable terms and conditions.

In 2018, the company raised new equity through an initial public offering and subsequent listing on the Oslo Stock Exchange, with net proceeds of NOK 124 million. In the second quarter of 2020, the company raised NOK 50 million in a private placement with subsequent offering. As a natural part of the business, the company will from time to time seek to raise further capital to finance R&D activities and expansion plans. See the *Going concern statement*.

Corporate governance

poLight aims to comply with the Code of Practice for Corporate Governance published by the Norwegian Corporate Governance Board (NUES). A separate section of this annual report provides further details of the poLight Group's corporate governance.

Corporate social responsibility

poLight aims to be a responsible company with regard to working conditions, human rights, the environment and anti-corruption efforts. The company promotes a healthy, safe and fair working environment in accordance with applicable laws and regulations, including the UN Global Compact. poLight has established a code of conduct as an initial step in developing formal guidelines, principles, procedures and standards related to corporate social responsibility. poLight is not regulated by any environmental permits or regulatory mandates.

Going concern and events in 2020

The Covid-19 pandemic had a negative impact on sales of smartwatch phones using poLight's TLens® in 2020. This trend will continue into 2021. On the other hand, the Company has been able to penetrate other market segments, such as barcode and accessory market (web cam), as well as strengthen its opportunity pipeline in the smartphone market.

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

For 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 of cash

generated from operations will have to be covered through additional financing in order to safeguard its ability to continue as a going concern. According to current plans, the Group's cash deposits will fund activities through 2021. In order to continue poLight's plan for the commercialisation of the TLens technology in 2021/2022, additional capital is required. Management and the Board of Directors are focused on the Group's liquidity requirements and are evaluating alternatives, such as the issue of additional equity and/or 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, when such additional funds are needed, there is a risk that adequate sources of funds may not be available, or available at acceptable terms and conditions.

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

Outlook

The company continued to make progress during 2020, with three design-wins and new market opportunities maturing in several segments. Prospects for a smartphone market breakthrough increased during the year, AR-cases are maturing, as well as new opportunities in the professional market.

There is still much to be done in all parts of the value chain, and success will not be achieved without a determined effort. Priority is currently being given to customer integration projects for existing products and securing a robust supply chain. poLight is also working to develop new product concepts based on our established technology platform/IP, though these efforts will progress more slowly due to the diversion of resources to ongoing customer integration projects, which will hopefully secure new design-wins. To improve progress on important longer-term endeavours and cater for increasing activity, poLight is seeking to strengthen its organisation.

The progress described above gives grounds for growing confidence in the continued commercialisation of poLight's technology and diversified future revenue streams, based on the use of TLens® technology in various market segments.

According to current plans, the Group's cash deposits will fund activities through 2021.

Statement by the Board of Directors and the CEO

We confirm that, to the best of our knowledge, the consolidated financial statements for 2020 have been prepared in accordance with IFRS, as adopted by the EU, as well as additional disclosure requirements set out in the Norwegian Accounting Act; and that the financial statements for the parent company for 2020 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway; and that the information presented in the financial statements provides a true and fair view of the parent company and the Group's assets, liabilities, financial position, and results for the period viewed in its entirety; and that the Board of Directors' report provides a true and fair view of the development, performance and financial position of the parent company and the Group, and includes a

description of the material risks that the Board of Directors, at the time of writing this report, considers could have a significant impact on the financial performance of the Group.

poLight ASA
Horten, 22 April 2021

Eivind Bergsmyr (sign)
Chair

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

CORPORATE GOVERNANCE REPORT

1. Governance principles and objectives

poLight ASA ("poLight" or the "company") seeks to create sustained shareholder value and pays due respect to the company's various stakeholders. These include its shareholders, employees, business partners, society in general and the public authorities. poLight is committed to maintaining a high standard of corporate governance and has established principles and guidelines that define the roles and relationship between the shareholders, the Board of Directors (the "Board") and the company's executive management ("management").

poLight is incorporated and registered in Norway and subject to Norwegian law. The company's shares are listed on the Oslo Stock Exchange. As an issuer of shares, the company must comply with rules applicable to companies listed on the Oslo Stock Exchange and rules applicable to public limited companies in general.

The company observes the Norwegian Code of Practice for Corporate Governance, issued by the Norwegian Corporate Governance Board, most recently revised 17 October 2018 (the "**Code of Practice**"). The Code of Practice is available at www.nues.no.

Application of the Code of Practice is based on the "comply or explain" principle, which stipulates that any deviations from the code, should be explained. poLight seeks to follow the Code of Practice, and any deviation will be explained in the corporate governance report included in its annual report. poLight's corporate governance policy is available on its website, www.polight.com, in accordance with the company's IR policy.

The principles and implementation of corporate governance are subject to annual review by the company's Board of Directors. The corporate governance policy was last reviewed and approved 11 January 2021.

2. Business

The operations of the company comply with the business objective set forth in its Articles of Association, which reads as follows:

"The company's purpose is to develop and deliver optical components and all naturally related activities, including ownership of shares and other securities in other companies."

The Board of Directors has established goals, strategies and a risk profile for the company within the definition of its business objective which are described in the Annual Report. These are subject to annual review by the Board.

poLight has adopted a set of ethical guidelines (code of conduct) which represents the foundation of poLight's corporate culture. The guidelines define the core principles and ethical standards for the company's operations, and the integration of stakeholder considerations and how these relate to the value creation by the company. The code of conduct applies to the members of the Board, all employees and representatives of poLight as well as direct business partners such as agents or re-sellers. The code is available at www.polight.com.

3. Equity and dividends

Capital adequacy

As at 31 December 2020, poLight's consolidated equity totalled NOK 128.8 million, which is equivalent to 91% of total assets. Liabilities were mainly trade payables and provisions. The Board of Directors is responsible for ensuring that poLight is adequately capitalised relative to the company's goals, strategy and risk profile.

Dividend policy

poLight has not previously distributed any dividends to its shareholders and does not expect to pay any dividend in the foreseeable future. The company is focused on developing and commercialising its technology and intends to retain any future earnings to finance development activities, operations and business growth. Any future decision to pay a dividend will depend on the company's financial position, operating profit and capital requirements.

Authorisations to the Board of Directors

On 28 May 2020, the annual general meeting (AGM) granted the Board of Directors an authorisation to issue new shares to holders of share options in poLight who exercise their rights to subscribe for new shares. The authorisation to issue new shares at a nominal value NOK 0.20 each, up to the share capital equivalent of NOK 176,877, is valid until the date of the 2021 AGM, or 30 June 2021 at the latest.

The AGM on 28 May 2020 granted the Board a general authorisation to issue shares and to increase the share capital by a maximum of NOK 353,754. The authorisation is valid until the 2021 AGM, or 30 June 2021 at the latest. The authorisation had not been utilised as at 31 December 2020.

The AGM also granted the Board an authorisation to buy back shares equal to a share capital of NOK 176,877. The authorisation is valid until the 2021 AGM, or 30 June 2021 at the latest. The authorisation had not been utilised as at 31 December 2020.

4. Equal treatment of shareholders and transactions with close associates

Pre-emption rights to subscribe

In the event of an increase in share capital, the Board shall propose that existing shareholders be granted pre-emptive rights. If the Board decides to waive the pre-emptive rights of existing shareholders pursuant to an authorisation granted to the it by a general meeting of shareholders, the reason therefor shall be publicly disclosed in a stock exchange announcement. Except for the shares issued under the IPO over-allotment option, no new shares have been issued in poLight after the IPO where shareholders pre-emption rights were set aside by existing board authorisations

Trading in treasury shares

Any trading carried out by the company in its own shares shall be carried out through the stock exchange, and always at prevailing stock exchange prices. If there is limited liquidity in the company's shares, other ways shall be considered to ensure that all shareholders are treated equally. There has been no trading in treasury shares after the IPO in 2018.

Approval of agreements with shareholders and close associates

In the event of not immaterial transactions between the company and its shareholders, a shareholder's parent company, members of the Board, executive personnel or close associates of any such party, the Board

shall arrange for an independent third-party valuation. There were no transactions with close non-group associates in 2020. For further details see Note 20 to the financial statements in the Annual Report.

5. Shares and negotiability

poLight ASA has one class of shares and each share carries equal rights, including the right to participate in general meetings. All shareholders shall be treated equally, unless there is just cause for treating them differently. The company's shares are freely negotiable.

6. General meetings

The general meeting of shareholders is the company's highest decision-making body. The Board shall ensure that the general meeting is an effective forum for communication between the shareholders and the Board, and enable as many shareholders as possible to exercise their rights through their attendance. Extraordinary general meetings (EGM) may be called by the Board at any time, or by shareholders representing at least 5% of the shares.

Notification

The Board will ensure that proposed resolutions and any supporting material shall be sufficiently detailed and comprehensive to enable shareholders to understand and form an opinion on all matters to be considered at the general meeting.

Registration and proxies

Deadlines for shareholders to give notice of their attendance at the general meeting shall be set as close to the date of the general meeting as practically possible. Shareholders who cannot attend the general meeting may vote by proxy on each individual matter.

Agenda and execution

The agenda for the general meeting is set by the Board. The agenda shall include detailed information on the resolutions to be considered, as well as the Nomination Committee's recommendations. The shareholders attending may vote to determine who will chair the general meeting.

The Board and the general meeting's chair shall ensure that the shareholders are able to vote separately on each candidate nominated for election.

Representatives of the Board and the Nomination Committee's chair shall be present at general meetings. Although general meetings will normally be chaired by the Board's chair, the Board must also ensure that the general meeting can appoint an independent chairperson.

In 2020, poLight held its AGM on 28 May.

7. Nomination Committee

Composition

The company shall have a nomination committee consisting of two to three members, see section 7 of its Articles of Association. The general meeting elects the Nomination Committee's members and chair and determines their remuneration.

As at 31 December 2020, the Nomination Committee consisted of the following three members: Thomas Wrede Holm (Investinor), Jan Erik Hæreid (independent) and Anne E. H. Worsøe (independent). The committee's members were elected by the AGM for terms lasting until the company's AGM in 2021 or 2022.

None of the Nomination Committee's members are members of the Board or executive management. The majority of the Nomination Committee's members are deemed to be independent of the company's Board and executive management.

Tasks

The Nomination Committee is responsible for recommending candidates for the election of board members and the Board's chair, and the remuneration payable to members of the Board and its sub-committees. It also recommends candidates for election to the Nomination Committee itself. The objectives, responsibilities and functions of the committees are detailed in the company's "guidelines for the Nomination Committee".

All shareholders are entitled to nominate candidates for election to the Board of poLight ASA. Nominations are submitted by sending an e-mail to the leader of the committee thomas.wrede-holm@investinor.no. Nominations must be received well in advance to be considered for election at poLight's AGM. All proposals should include information about the candidate, grounds for consideration and contact details for the person nominating the candidate concerned.

8. The Board of Directors – composition and independence

According to the company's articles of association, the Board of Directors shall consist of up to five members. At 31 December 2020, the Board consisted of the following five members: Eivind Bergsmyr (Chair), Ann-Tove Kongsnes (Deputy Chair), Grethe Viksaas, Juha Alakarhu and Sverre-Tore Larsen.

The Board's chair has been elected by the general meeting. Members of the Board are elected for a term of up to two years at a time and may be re-elected. poLight's annual report and website provide details of board members' background and expertise.

All members of the Board are considered independent of executive management and material business connections. Further, Eivind Bergsmyr, Grethe Viksaas, Juha Alakarhu and Sverre-Tore Larsen are independent of the company's major shareholder(s). The Board of Directors does not include executive personnel.

Name	Role	Considered independent	Served since	Term expires	Participation Board Meetings 2020	Shares in polLight 31 December (direct/ indirect)
Eivind Bergsmyr	Chair	Yes, from March 2020	September 2010	AGM 2022	100%	
Ann-Tove Kongsnes	Deputy Chair	No	December 2011	AGM 2022	100%	1,779,858 (1)
Grethe Viksaas	Board member	Yes	June 2018	AGM 2021	100%	
Juha Alakarhu	Board member	Yes	May 2019	AGM 2021	100%	
Svenn-Tore Larsen	Board member	Yes	May 2019	AGM 2021	100%	

1) Ann-Tove Kongsnes is Investment Director and Head of International Affairs at Investinor AS, which held 1.78 million shares in polLight ASA at 31 December 2020

Members of the Board of Directors are encouraged to own shares in the company.

9. The work of the Board of Directors

The Board of Directors' tasks

The Board of Directors is elected by the shareholders to oversee executive management, and to make sure that the long-term interests of shareholders and other stakeholders are properly served. The Board has ultimate responsibility for management and the company's activities in general. Its main responsibilities include the company's organisation and planning, and the control and supervision of its operations.

The Board shall also ensure that the organisation of the company's accounting and cash management is compliant and under satisfactory control. The Board adopts an annual plan for its work, with particular emphasis on objectives, strategy, and implementation.

Instructions to the Board of Directors

The Board has issued instructions for its own work, as well as for the CEO, to allocate duties and responsibilities between the CEO and the Board of Directors. The instructions are based on applicable laws and well-established practices. The current instructions were last amended by the Board in April 2015.

Members of the Board of Directors and the company's executive management shall notify the Board in the event of any material direct or indirect interest in a transaction entered into by the company.

The Board's instructions state that, in situations when its chair cannot, or should not, lead the work of the Board, the longest-serving director shall chair the Board, until an interim chairperson has been elected by and from among the directors present.

Audit Committee

The Committee supports the Board with respect to the assessment and control of financial risk, financial reporting, auditing, control, and prepares discussions and resolutions for Board meetings. The Audit Committee will not make decisions on behalf of the Board, and the establishment of the Audit Committee

does not alter the Board's legal responsibilities or tasks. In addition, under the whistle-blower procedure, complaints from employees and other concerned parties are received and followed up by the Committee. The Chief Financial Officer participates in the meetings of the Audit Committee. The Committee holds at least one meeting per year with the auditor and without the Chief Financial Officer or any other members of the Group Management and administration present.

The Audit Committee held 3 meetings in 2021 and was in regular contact with the Company's auditor regarding audits of the statutory accounts. The Committee also assesses and monitors the auditor's independence, including non-audit services provided by the auditor.

The Committee makes recommendations to the Board with respect to appointment, retention and termination of the Group's auditor as well as the auditor's fees. The Committee reviews complaints regarding accounting, internal controls, and auditing matters.

The tasks and rules of procedure of the Audit Committee are further regulated in the Audit Committee Charter.

The Audit Committee shall consist of at least two members of the Board. The Audit Committee shall in total have the expertise that, based on the company's organisation and operations, is necessary for carrying out its tasks. At least one of the members of the Audit Committee is to be independent of the operations and have accounting or auditing qualifications. The Board shall appoint one member of the Committee as Chairman.

11 January 2021, Ann-Tove Kongsnes was appointed as the Chairman and Eivind Bergsmyr as member of the Audit Committee.

Remuneration Committee

The Board of Directors has established a remuneration committee which assists and facilitates decision-making related to the remuneration of executive personnel. The purpose of the remuneration committee is to ensure thorough and independent preparation of matters relating to compensation to the executive personnel. The remuneration committee puts forth a recommendation for the board of directors' guidelines for remuneration to senior executives in accordance with section 6-16a of the Norwegian Public Limited Liability Companies Act.

The Remuneration Committee shall consist of at least two members of the Board of Directors. The Remuneration Committee's members and chair are appointed for a term of two years. All members must be independent of the company's executive management.

As at 31 December 2020, the Remuneration Committee consisted of the following three members: Ann-Tove Kongsnes, Grethe Viksaas and Eivind Bergsmyr.

Evaluation of the Board

The Board evaluates its performance and expertise annually.

10. Risk management and internal control

The Board places a high priority on managing risk, and has established routines and policies to limit overall risk exposure. The rules and guidelines take into account the extent and nature of the company's activities and the integration of stakeholder considerations in the company's value creation through its corporate values, ethical guidelines and corporate social responsibility policies.

The Board conducts an annual review of the company's most important areas of risk exposure, and its internal control arrangements.

poLight's risk management is based on the principle that risk assessment is an integral part of all business activities. As a technology company with global operations, poLight is exposed to various risk factors of a financial and operational nature, which may affect business activities and the company's financial position. Management reports monthly to the Board of Directors on key operational developments, including project risk assessments, and on financial performance. In addition, quarterly financial reports are prepared and distributed to the financial market, in accordance with the Oslo Stock Exchange's requirements.

Detailed information on the company's operational and financial risks are included in the Annual Report.

11. Remuneration of the Board of Directors

The remuneration payable to board members is decided by the AGM, based on the Nomination Committee's recommendation. The remuneration paid shall reflect the Board of Directors' responsibilities, competence, time involved, and the complexity of the business.

The remuneration of the Board of Directors shall not be performance-based and shall not contain option elements. Members of board sub-committees shall be compensated separately. The company shall not provide loans to board members. Detailed information on the remuneration of board members is specified in Note 5 to the parent company's financial statements.

Members of the Board of Directors and/or companies with which they are associated should not take on specific assignments for the company in addition to their directorships. Should they do so, however, this must be disclosed to the full Board. The remuneration for such additional duties will be approved by the Board of Directors.

12. Remuneration of executive management

The Board of Directors prepares guidelines for the remuneration of the company's executive management. These guidelines are communicated to the AGM. See Note 20 *Related parties*, in the consolidated financial statement for further details.

Performance-related remuneration of executive personnel in the form of share options, bonus programmes, or the like, shall be linked to value creation for the shareholders or the company's earnings performance over time.

13. Information and communications

The Board places great emphasis on open, honest and timely dialogue with shareholders, potential investors, analysts and other participants of the capital markets. The primary purpose of poLight's external information activities, is to provide the financial markets with sufficient information to accurately appraise the company's

shares. Such information shall be presented factually and soberly, and shall be issued using methods and channels that ensure simultaneous, fair and wide distribution. All information is published in English, which is poLight's corporate language.

The company's primary channels for communication are its interim reports, the annual report and associated financial statements. poLight also issues other notices to shareholders when appropriate. All reports and notices are issued and distributed in accordance with the Oslo Stock Exchange's rules and practices, and are made available on the company's website, and at www.newsweb.no.

poLight has adopted an investor relations policy and guidelines for the company's contact with shareholders other than through general meetings. The CEO and the CFO are responsible for communicating with shareholders, the stock exchange, analysts and the media. The general meeting provides a forum for shareholders to raise issues with the Board. The Board of Directors will review and evaluate the content of the IR policy at least annually.

14. Takeovers

General

In the event of a takeover bid, the Board of Directors and the company's executive management each have an individual responsibility to ensure that the company's shareholders are treated equally, and that the company's activities are not unnecessarily interrupted. The Board has a special responsibility to ensure that the shareholders have sufficient information and time to form an informed opinion about the offer.

The Board has established guiding principles for how it will act in the event of a takeover bid. These are available at www.polight.com.

If an offer is made for the company's shares, the Board shall issue a statement evaluating the offer, and make a recommendation as to whether, in the Board's opinion, the shareholders should or should not accept the offer. If the Board finds itself unable to give a recommendation to shareholders on whether or not to accept the offer, it should explain the reasons for this. The Board of Director's statement on a takeover bid shall make it clear whether the views expressed are unanimous, and if this is not the case, it shall explain the reasons why specific members of the Board do not endorse the statement.

The Board shall consider whether to arrange a valuation from an independent expert. If any member of the Board, or close associates of such member, or anyone who has recently held such a position but has ceased to do so, is either the bidder or has a particular personal interest in the bid, the Board shall arrange an independent valuation. This shall also apply if the bidder is a major shareholder. Any such valuation should either be enclosed with the Board's statement or reproduced or referred to in the statement.

15. Auditor

The company's external auditor is KPMG. Each year, the Audit Committee ensures that it receives a presentation of the auditor's plan for its annual audit of the company. Additionally, the Audit Committee requires the auditor to participate in Audit Committee meetings where any of the following is on the agenda: the annual financial statements, accounting principles, assessment of any important accounting estimates and matters of importance on which there has been disagreement between the auditor and the company's management.

At least once a year, the Audit Committee and the auditor will jointly review the company's internal control procedures, including identification of weaknesses and proposals for improvement. The auditor also at least once a year meets with the Audit Committee without the presence of the CEO and CFO.

The remuneration paid to the auditor is approved by shareholders at the AGM. The Audit Committee will provide the AGM with a breakdown of the fee paid for audit work and fees paid for other services, if any.

GROUP FINANCIAL STATEMENTS

Consolidated statement of income for the year ended 31 December

<i>(in NOK 000)</i>	Note	2020	2019
Sale of goods	4	2 590	2 988
Rendering of services		429	0
Revenue		3 019	2 988
Cost of sales	12	698	2 075
Gross profit		2 321	913
Research and development expenses	5.4	-20 432	-19 874
Sales and marketing expenses	5.5	-5 419	-8 729
Operational / supply chain expenses	5.6	-7 972	-8 216
Administrative expenses	5.7	-7 734	-17 073
Depreciation, amortisation and net impairment losses	8,9,19	-12 132	-26 191
Operating profit / loss (-)		-51 369	-79 170
Finance income	5.2	1 356	1 987
Finance costs	5.2	-938	-556
Net financial items		417	1 430
Profit / loss (-) before tax		-50 952	-77 740
Income tax expense	6	-203	-124
Profit / loss (-) for the year		-51 155	-77 864
Attributable to:			
Equity holders of the parent		-51 155	-77 864
Non-controlling interests		0	0
Earnings per share:			
Basic, attributable to ordinary equity holders of the parent (NOK)	7	-5.83	-9.59
Diluted, attributable to ordinary equity holders of the parent (NOK)	7	-5.83	-9.59

Consolidated statement of other comprehensive income for the year ended 31 December

<i>(in NOK 000)</i>	Note	2020	2019
Profit for the year		-51 155	-77 864
Other comprehensive income			
Exchange differences on translation of foreign operations		212	-92
Income tax effect		0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		212	-92
Total comprehensive income for the year, net of tax		-50 943	-77 956
Attributable to:			
Equity holders of the parent		-50 943	-77 956
Non-controlling interests		0	0

Consolidated statement of financial position as at 31 December

<i>(in NOK 000)</i>	Note	2020	2019	2018
ASSETS				
Property, plant and equipment	8	839	1 235	1 605
Intangible assets	9	43 646	53 936	75 829
Right-of-use assets	19	964	1 923	0
Total non-current assets		45 448	57 094	77 434
Inventories	12	9 166	7 728	7 372
Trade and other receivables	11.1	6 040	6 147	6 399
Prepayments		3 897	565	901
Cash and cash equivalents	13	77 209	73 463	127 424
Total current assets		96 312	87 903	142 095
Total assets		141 761	144 997	219 529
EQUITY AND LIABILITIES				
Share capital	14	1 810	1 623	1 623
Share premium	14	680 229	632 682	632 682
Reserves		1 040	827	919
Retained earnings		-554 238	-506 755	-433 768
Equity attributable to equity holders of the parent		128 840	128 378	201 456
Non-controlling interests		0	0	0
Total equity		128 840	128 378	201 456
Lease liabilities	19	0	766	0
Total non-current liabilities		0	766	0
Trade and other payables	11.2	10 684	11 911	15 172
Interest-bearing loans and borrowings	11.2	0	0	600
Current lease liabilities	19	1 048	1 241	0
Income tax payable	6	0	0	225
Provisions	15	1 189	2 701	2 076
Total current liabilities		12 921	15 853	18 073
Total liabilities		12 921	16 619	18 073
Total equity and liabilities		141 761	144 997	219 529

Consolidated statement of changes in equity for the year ended 31 December

		Attributable to equity holders of the parent				Non-controlling interest	Total equity
		Share capital	Share premium	Retained earnings	Translation reserve		
(in NOK 000)	Note						
As at 1 January 2019		1 623	632 682	-433 768	919	201 456	0
Losses for the period				-77 864		-77 864	0
Other comprehensive income					-92	-92	0
Total comprehensive income		0	0	-77 864	-92	-77 956	0
Equity-settled share-based payment	5.3,18			4 877		4 877	0
At 31 December 2019		1 623	632 682	-506 755	827	128 378	0
Losses for the period				-51 155		-51 155	0
Other comprehensive income					212	212	0
Total comprehensive income		0	0	-51 155	212	-50 943	0
Issue of ordinary shares	14	182	49 818			50 000	0
Share options exercised	14	5	734			738	0
Transaction costs	14		-3 005			-3 005	0
Equity-settled share-based payment	5.3,18			3 672		3 672	0
At 31 December 2020		1 810	680 229	-554 238	1 040	128 840	0

Consolidated statement of cash flows for the year ended 31 December

(in NOK 000)	Note	2020	2019
Operating activities			
Profit / loss (-) for the period		-50 952	-77 740
Adjustments for:			
Depreciation and impairment of property, plant and equipment and right-of-use assets	8	1 842	1 895
Amortisation and impairment of intangible assets	9	10 290	24 297
Net finance income	5.1	-417	-1 430
Equity-settled share-based payment transactions	18	3 672	4 877
Other items related to operating activities		-610	-58
Changes in unrealised net foreign exchange rate differences/fluctuations		221	-112
Changes in working capital:			
Increase (-) in trade and other receivables and prepayments		-2 902	-560
Increase (-) in inventories	12	-1 439	-356
Decrease (-) in trade and other payables		1 655	-4 718
Changes in provisions and government grants	15,16	-4 718	3 230
Interest received	5.1	851	1 613
Interest paid	5.1	68	-107
Income tax paid		-196	-367
Net cash flows used in operating activities		-42 633	-49 538
Investing activities			
Purchase of property, plant and equipment	8, 9	-226	-319
Development capital expenditures	5.3, 9	0	-2 931
Receipt of government grants	16	0	526
Net cash flows used in investing activities		-226	-2 724
Financing activities			
Proceeds from Issue of ordinary shares	14	50 000	0
Proceeds from exercise of share options		738	0
Transaction costs on issue of shares	14	-3 005	0
Payment of lease liabilities		-1 119	-1 120
Repayment of borrowings	11.2	0	-600
Net cash flows from / (used in) financing activities		46 614	-1 720
Net increase in cash and cash equivalents		3 755	-53 982
Effect of exchange rate changes on cash and cash equivalents		-9	20
Cash and cash equivalents at 1 January	13	73 463	127 424
Cash and cash equivalents at 31 December	13	77 209	73 463

Notes to the Consolidated Financial statements

1 Corporate information

poLight ASA is a limited liability company, founded in 2005, which 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.

Information on the Group and related parties are presented in Note 20 *Related parties*.

The consolidated financial statements of poLight ASA and its subsidiaries (collectively, poLight or the Group) for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 22 April 2021, to be approved by the annual general meeting on 26 May 2021.

2 Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and adopted by the EU (IFRS).

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Norwegian kroner (NOK), and all values are rounded off to the nearest thousand (NOK 000), unless otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of poLight ASA and its subsidiaries.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year, are included in the consolidated financial statements from the date the Group gains control, until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3 Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- Expected to be settled in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be settled within twelve months after the reporting period, or
- The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Revenue from contracts with customers

During 2020 the group had two revenue streams:

- Sales of TLenses and related driver ASICs.

The Group recognizes revenue from sale of TLenses and other components at the point in time when the control of goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. Revenue is generally recognised on delivery of the goods. The effects of variable consideration or existence of significant financing components are immaterial.

- Services related to customer development projects.

In certain cases, when the counterparty to the contract is a customer or a potential customer, the Group will engage in customer development projects financed by the customer. In general, income is recognised when the project is finalised according to the contract and the customer can obtain the benefits from the project. Revenue may be recognised over time when one of the following criteria are met:

- Customer consumes benefits as the Group performs the service
- Customer controls benefits as the Group performs the service

The percentage of completion method is used when revenue is recognised over time. The degree of completion is normally based on accrued cost for a project. This method is used, because normally it is reasonably possible to estimate the stages of project completion on an ongoing basis, based on the remaining costs to complete a project.

Earned revenue for the period is earned revenue at the balance sheet date, less earned revenue in prior periods. If the project is ongoing, income will be recognized continuously in accordance with the agreement, based on actual deliveries.

The Group has for the periods presented insignificant sales and revenues. Further information on revenue recognition or disclosures according to IFRS 15 is consequently not relevant for these financial statements.

Foreign currencies

The Group's consolidated financial statements are presented in Norwegian kroner (NOK), which is also the parent company's functional currency. For each entity, the Group determines the functional currency, and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation, and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate, at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

On consolidation, the assets and liabilities of foreign operations are translated into NOK at the rate of exchange prevailing at the reporting date, and their statement of profit or loss are translated at average monthly exchange rates. The exchange differences arising on the translation are recognised in OCI. Exchange differences arising from the translation of net investment in subsidiaries and borrowings are included in OCI. At December 31, 2019 and 2020 an intercompany subordinated loan to polight France SAS of EUR 2,750,000 was regarded as a part of the net investment in polight France SAS.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received, and that all attached conditions will be complied with. When the grant relates to an expense item, it is deducted from the related expense on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it reduces the carrying amount of the asset. The grant is then recognised as income over the useful life of the depreciable asset, by way of a reduced depreciation charge.

Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities, and their carrying amounts, for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for: all deductible temporary differences: the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date, and are recognised, to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction, either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority.

Property, plant and equipment

Office/lab upgrades and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the facility upgrades and equipment. Repair and maintenance costs are recognised in the profit or loss as incurred. Refer to Significant accounting judgements, estimates and assumptions (Note 3).

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Leased building: The duration of the lease agreement
- Equipment: 3 to 5 years

An item of office/lab upgrade and equipment is derecognised upon disposal, or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of office/lab upgrade and equipment are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office & lab lease, headquarter

The right-of-use assets are also subject to an impairment assessment.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments).

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments).

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office leases in Finland, France and China (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value.

Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Intangible assets

Intangible assets acquired separately, are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is recognised in the statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful lives, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each year. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in the statement of profit or loss when the asset is derecognised.

Development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset, so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied, requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Software license

The Group made upfront payments to purchase software licenses. Licences for the use of intellectual property are granted for periods ranging between three and five years, depending on the specific licence.

A summary of the policies applied to the Group's intangible assets is as follows:

	Software licence	Development costs
Useful lives	Finite (3-5 years)	Finite (3-7 years)
Amortisation method used	Amortised on a straight- line basis over the lives of the licences	Amortised on a straight- line basis over the period of expected consumption of future economic benefits from the related project
Internally generated or acquired	Acquired	Internally generated

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity, and a financial liability or equity instrument of another entity.

i) Financial assets

The Group's financial assets are trade receivables, government grant receivables, accruals and cash.

Trade receivables are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers. The other financial assets are measured initially at fair value plus transaction costs.

Subsequently the assets are measured *at amortised cost*. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

ii) Financial liabilities

Financial liabilities are recognised initially at net of directly attributable transaction costs and subsequently measured at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Impairment of financial assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition, are accounted for as follows:

Components:

- Purchase cost on a first-in, first-out basis

Finished goods and work in progress:

- Cost of direct materials and services from subcontractors

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

Impairment of non-financial assets

Disclosures relating to impairment of non-financial assets are summarised in the following notes:

- | | |
|--|---------|
| • Disclosures of significant assumptions | Note 3 |
| • Property, plant and equipment | Note 8 |
| • Intangible assets | Note 9 |
| • Research and development costs | Note 10 |

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash-Generating Unit (CGU)'s fair value less costs of disposal and its value in use. The recoverable

amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets, or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired, and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value, using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Value in use impairment calculation is based on detailed budgets and forecasts and with use of scenario analyses. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the consolidated statement of income.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand, and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, as they are considered an integral part of the Group's cash management.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit or loss.

If the effect of the time value of money is material, provisions are discounted, using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Pensions and other post-employment benefits

The Group operates one defined contribution plan. Contributions are recognised in the statement of income in the period in which the contribution amounts are earned by the employee.

Share option plans

Employees (including senior executives) of the Group have received remuneration in the form of share options in polight ASA (equity-settled transactions).

The cost of equity-settled transactions is recognised in employee benefits expense (Note 5.3), together with a corresponding increase in equity (other equity) over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date, reflects the extent to which the vesting period has expired, and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense including accrued social security expenses, in the consolidated statement of income for a period, represents the movement in cumulative expense recognised as at the beginning and end of that period.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 7).

3 Significant accounting judgements and key sources of estimation uncertainty

3.1 Significant judgements in applying the Group's accounting policies

Development costs

Development costs are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on management's assessment that technological and economic feasibility is likely, usually when a product development project has reached a defined milestone, according to an established project management model. Cost of material used in manufacturing line until status "mass production" is achieved is recognised as development costs to the extent that it is not sellable parts. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied, and the expected period of benefits.

3.2 Key sources of estimation uncertainty – significant accounting estimates

Impairment of non-financial assets

Cash-generating units are reviewed for impairment when indicators exist. Judgements are required to determine if impairment indicators are present. If an impairment test is performed, changes in key assumptions may result in an impairment. See note 10 for further details.

Share option plans

Estimating fair value for share option plans transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield, and assumptions about the inputs.

For determining the fair value of equity-settled transactions with employees at the grant date, the Group uses the Black-Scholes option pricing model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 18 *Share option plans (equity-settled)*.

3.3 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. Significant valuation issues are reported to the Group's audit committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. IFRS 13.95 The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in the following notes:

Note 18 – Share option plans (equity-settled)

4 Segment information

The Group has only one operating segment, consistent with the reporting to the CEO and the Board.

poLight's product TLens® may be used 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.

Geographical distribution (in NOK 000)	Revenue	
	2020	2019
USA	291	77
Asia	1 815	2 492
Europe	912	419
Total	3 018	2 988

Geographical distribution (in NOK 000)	Right-of-use assets		Machinery & equipment		Development costs	
	2020	2019	2020	2019	2020	2019
Norway	964	1 923	525	1 022	43 646	53 936
France	0	0	27	8	0	0
Finland	0	0	37	46	0	0
Taiwan	0	0	242	140	0	0
China	0	0	7	19	0	0
Total	964	1 923	839	1 235	43 646	53 936

poLight has R&D entities in Norway, France and Finland. All patents and most of the economic IP (intellectual property) is owned by parent company based in Norway. A sales office has been established in China, with a parent holding company in Hong Kong.

5 Other income/expenses

5.1 Specification of operating expenses by nature

(in NOK 000)	Note	2020	2019
Capitalised intangible assets in progress	9	0	-2 435
Employee benefits expense	5.3	36 190	34 800
Depreciation, amortisation and net impairment losses		12 132	26 191
Other operating expenses		5 367	21 527
Total operating expenses		53 689	80 083

5.2 Financial items

<i>(in NOK 000)</i>	2020	2019
Foreign exchange gain	574	387
Interest income	782	1 600
Finance income	1 356	1 987
<i>(in NOK 000)</i>	2020	2019
Foreign exchange losses	809	417
Interest expense on lease liabilities	69	91
Finance expenses	61	49
Finance cost	938	556

5.3 Employee benefits expense

<i>(in NOK 000)</i>	2020	2019
<i>Included in Research and development expenses:</i>		
Wages and salaries	10 674	10 869
Social security costs	1 814	1 753
Pension costs (note 17)	406	459
Other benefits and social costs	419	466
Value of share option plan (note 18)	1 512	1 320
Grants	-2 525	-3 171
Internal development of intangible assets	0	-915
<i>Included in Sales and marketing expenses:</i>		
Wages and salaries	2 898	4 767
Social security costs	492	769
Pension costs (note 17)	110	201
Other benefits and social costs	114	204
Value of share option plan (note 18)	316	223
<i>Included in Administrative expenses:</i>		
Wages and salaries	8 554	8 397
Social security costs	1 453	1 355
Pension costs (note 17)	325	355
Other benefits and social costs	336	360
Value of share option plan (note 18)	3 234	2 773
<i>Included in Operational / supply chain expenses:</i>		
Wages and salaries	4 331	3 253
Social security costs	736	525
Pension costs (note 17)	165	137
Other benefits and social costs	170	139
Value of share option plan (note 18)	656	561
Total employee benefits expense	36 190	34 800
Average number of employees	22	30

All employees are included in a bonus programme, with identical bonus criteria for all except the CEO, who has a separate bonus scheme. The bonus is calculated based on fixed salary, with maximum 50% for the CEO, 30% for management, 20% for department managers and 10% for other employees.

5.4 Research and development expenses

<i>(in NOK 000)</i>	2020	2019
Employee benefits expense	14 825	14 867
Other operating expenses	14 553	14 564
Grants	-8 946	-7 122
Capitalized	0	-2 435
Total Research and development expenses	20 432	19 874

Research and development costs that are not eligible for capitalisation have been expensed in the period incurred and are recognised as Research and development expenses. The TLens® Platinum development project was the only project eligible for capitalisation.

R&D costs that are expensed, includes R&D management, patents, research on improvements of the TLens (see Note 16 *Government grants*) and software applications and integration.

5.5 Sales and marketing expenses

<i>(in NOK 000)</i>	2020	2019
Employee benefits expense	3 930	6 165
Other operating expenses	1 489	2 565
Total Sales and marketing expenses	5 419	8 729

5.6 Operational/supply chain expenses

<i>(in NOK 000)</i>	2020	2019
Employee benefits expense	6 058	4 615
Other operating expenses	1 914	3 600
Total Operational/supply chain expenses	7 972	8 216

5.7 Administrative expenses

<i>(in NOK 000)</i>	2020	2019
Employee benefits expense	13 902	13 240
Retrospective VAT settlements (Note 15)	-7 631	0
Other operating expenses	1 463	3 833
Total Administrative expenses	7 734	17 073

On 28 August 2020, the tax authorities decided to re-register polLight ASA in the VAT Register with effect from July 2020 on ordinary terms (see Note 15 *Provisions*). 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.

5.8 Auditor's remuneration

<i>(in NOK 000)</i>	2020	2019
	<i>(excl. VAT)</i>	<i>(incl. VAT)</i>
Audit fee	266	420
Audit related fee	84	100
Tax fee	34	204
Other service fee	0	0
Total Auditor's remuneration	384	724

6 Income tax

The significant components of income tax expense are:

<i>(in NOK 000)</i>	2020	2019
Consolidated statement of profit or loss		
Current income tax expense	203	124
Adjustments in respect of current income tax of previous year	0	0
<i>Deferred tax:</i>		
Relating to origination and reversal of temporary differences	0	0
Income tax expense reported in the statement of profit or loss	203	124

A reconciliation between tax expense and the product of accounting profit multiplied by Norway's domestic tax rate, is as follows:

<i>(in NOK 000)</i>	2020	2019
Calculated income tax at statutory rate of 22%	-11 209	-17 103
Government grants exempt from tax	-822	-1 032
Tax effect of permanent differences	1 667	799
Transaction costs share issues	-661	0
Change in unrecognised deferred tax assets	11 216	17 413
Change in tax rate	0	0
Effect of different tax rates compared with Norwegian tax rate	13	47
Income tax expense	203	124
Effective tax rate	0,4 %	0,3 %

Movements in deferred tax balances

2020 (in NOK 000)	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Balance at 31 December		
				Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	539	-39	0	501	501	0
Intangible assets	5 571	-135	0	5 436	5 436	0
Inventories	2 771	17	0	2 788	2 788	0
Group loan	-982	0	-379	-1 361	0	-1 361
Provisions	435	-333	0	102	102	0
Tax losses carried forward	121 200	12 084	0	133 283	133 283	0
Tax assets (liabilities) before set-off	129 533	11 594	-379	140 749	142 110	-1 361
Set-off of tax				0	-1 361	1 361
Unrecognised deferred tax assets				-140 749	-140 749	
Net tax assets (liabilities)				0	0	0

2019 (in NOK 000)	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Balance at 31 December		
				Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	596	-57	0	539	539	0
Intangible assets	1 628	3 943	0	5 571	5 571	0
Inventories	2 609	161	0	2 771	2 771	0
Group loan	-1 047	0	65	-982	0	-982
Provisions	195	240	0	435	435	0
Tax losses carried forward	108 192	13 008	0	121 200	121 200	0
Tax assets (liabilities) before set-off	112 174	17 295	65	129 533	130 516	-982
Set-off of tax				0	-982	982
Unrecognised deferred tax assets				-129 533	-129 533	
Net tax assets (liabilities)				0	0	0

Total unrecognised deferred tax assets net, relate to

(in NOK 000)	2020	2019
Norway (no expiry date)	132 861	122 057
France (no expiry date)	7 888	7 476
Total unrecognised deferred tax assets	140 749	129 533

7 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit or loss for the year attributable to ordinary equity holders of the parent, by the weighted average number of shares outstanding during the year.

The following table reflects the income and share data used in the basic and diluted EPS computations:

	2020	2019
Weighted average number of ordinary shares for basic EPS	8 769 193	8 116 592
<i>Effect of dilution:</i>		
Share options in-the-money (average)	314 949	16 539
Anti-dilutive for the periods presented	-314 949	-16 539
Weighted average number of shares adjusted for the effect of dilution	8 769 193	8 116 592

Existing share options have no dilution effect on EPS computations, because this would have decreased loss per share.

There have been no other transactions involving ordinary shares, or potential ordinary shares, between the reporting date and the date of authorisation of these financial statements.

<i>(in NOK)</i>	2020	2019
Earnings per share for income attributable to equity holders of polLight:		
Basic	-5.83	-9.59
Diluted	-5.83	-9.59

8 Property, plant and equipment

<i>(in NOK 000)</i>	Building	Equipment	Total
Cost at 1 January 2018	287	14 189	14 475
Additions	0	749	749
Disposals at cost	0	-3 092	-3 092
Effect of changes in foreign exchange	0	21	21
Cost at 31 December 2018	287	11 868	12 154
Accumulated depreciation and impairment losses at 1 January 2018	-181	-12 420	-12 601
Depreciation	-106	-861	-966
Impairment losses	0	0	0
Accumulated depreciation and impairment losses disposals	0	3 038	3 038
Effect of changes in foreign exchange	0	-19	-19
Accumulated depreciation and impairment losses at 31 December 2018	-287	-10 262	-10 549
Net book value at 31 December 2018	0	1 605	1 605

<i>(in NOK 000)</i>	Building	Equipment	Total
Cost at 1 January 2019	287	11 868	12 154
Additions	0	319	319
Disposals at cost	0	-274	-274
Effect of changes in foreign exchange	0	-16	-16
Cost at 31 December 2019	287	11 896	12 183
Accumulated depreciation and impairment losses at 1 January 2019	-287	-10 262	-10 549
Depreciation	0	-690	-690
Impairment losses	0	0	0
Accumulated depreciation and impairment losses disposals	0	274	274
Effect of changes in foreign exchange	0	17	17
Accumulated depreciation and impairment losses at 31 December 2019	-287	-10 661	-10 948
Net book value at 31 December 2019	0	1 235	1 235

<i>(in NOK 000)</i>	Building	Equipment	Total
Cost at 1 January 2020	287	11 896	12 183
Additions	0	226	226
Disposals at cost	0	0	0
Effect of changes in foreign exchange	0	146	146
Cost at 31 December 2020	287	12 268	12 554
Accumulated depreciation and impairment losses at 1 January 2020	-287	-10 661	-10 948
Depreciation	0	-646	-646
Impairment losses	0	0	0
Accumulated depreciation and impairment losses disposals	0	0	0
Effect of changes in foreign exchange	0	-121	-121
Accumulated depreciation and impairment losses at 31 December 2020	-287	-11 428	-11 715
Net book value at 31 December 2020	0	840	840
Estimated useful lives (years)	1)	3-7	

1) Modifications and upgrades in leased premises are depreciated over the leasing period.

9 Intangible assets

<i>(in NOK 000)</i>	Development costs and TLens patents	Software licence	Total
Cost at 1 January 2018	67 336	242	67 577
Additions — internal development	2 706	0	2 706
Additions	5 738	0	5 738
Disposals	0	0	0
Cost at 31 December 2018	75 780	242	76 022
Accumulated amortisation and impairment losses at 1 January 2018	0	-133	-133
Amortisation	0	-59	-59
Impairment losses	0	0	0
Disposals	0	0	0
Accumulated amortisation and impairment losses at 31 December 2018	0	-193	-193
Net book value at 31 December 2018	75 780	49	75 829

<i>(in NOK 000)</i>	Development costs and TLens patents	Software license	Total
Cost at 1 January 2019	75 780	242	76 022
Additions — internal development	915	0	915
Additions	1 490	0	1 490
Disposals	0	0	0
Cost at 31 December 2019	78 184	242	78 427
Accumulated amortisation and impairment losses at 1 January 2019	0	-193	-193
Amortisation	-5 990	-27	-6 017
Impairment losses	-18 280	0	-18 280
Disposals	0	0	0
Accumulated amortisation and impairment losses at 31 December 2019	-24 270	-220	-24 490
Net book value at 31 December 2019	53 914	22	53 936

<i>(in NOK 000)</i>	Development costs and TLens patents	Software license	Total
Cost at 1 January 2020	78 184	242	78 427
Additions — internal development	0	0	0
Additions	0	0	0
Disposals	0	0	0
Cost at 31 December 2020	78 184	242	78 427
Accumulated amortisation and impairment losses at 1 January 2020	-24 270	-220	-24 490
Amortisation	-10 269	-21	-10 290
Impairment losses	0	0	0
Disposals	0	0	0
Accumulated amortisation and impairment losses at 31 December 2020	-34 539	-242	-34 781
Net book value at 31 December 2020	43 646	0	43 646

Intangible assets with finite useful lives, are amortised systematically over their estimated economic lives, ranging between 3 and 7 years.

In 2008/2009, poLight acquired the core patents of the TLens® technology for NOK 5 million. The patents were granted in 10 different countries in 2006. poLight has since invested substantial resources in research and product development of the TLens®.

poLight started amortising capitalised development investments for TLens Silver and the related ASIC driver in the second quarter of 2019 as they became ready for commercial shipments. The useful lives are deemed to be 7 years for the TLens Silver and 3 years for the related ASIC driver. The useful lives of TLens Silver correlates with the remaining number of years of the first patent. It is expected that the ASIC driver will be subject to development, and therefore shorter useful lives. The commercial useful lives may end up being significantly longer.

NOK 18.3 million has been recognised as impairment loss in 2019 related to TLens Platinum. See Note 10 for further information.

Research and development costs that are not eligible for capitalisation have been expensed in the period incurred and are recognised in Research and development expenses.

10 Research and development costs

The part of poLight's IP (intellectual property) that is recognised as an intangible asset, is the fundamental TLens® technology, which can become a component in smartphones, wearables and augmented reality, as well as a wide range of industrial applications, such as barcode readers and machine vision/sensor applications.

<i>(in NOK 000)</i>	Carrying amount before impairment	Carrying amount after impairment	Accumulated net impairment losses
CGU: TLens®			
At 31 December 2018	75 780	75 780	0
At 31 December 2019	72 194	53 914	18 280
At 31 December 2020	61 926	43 646	18 280

The TLens® technology is poLight's major asset. Since the company was founded in 2005, it has raised (gross) NOK 715 million in equity and received significant governmental grants to develop the TLens® technology from its patents.

Two autofocus lenses based on the TLens technology platform are in production: TLens Silver and TLens Silver Premium. In addition, the ASIC driver needed to supply voltage to the TLens (any TLens) called PDAF50, is also in production.

The third TLens product, TLens Platinum is currently under development. Engineering samples have been produced and have already been tested by some potential customers. However, activity to prepare Platinum for mass production has been put on hold until the product is closer to the anticipated market breakthrough. In December 2019 a management assessment was made and an impairment charge of NOK 18.3 million was recognised related to this product. The recognition of impairment for accounting purposes does not imply that the assets have no commercial value.

In January 2020, the first product using TLens Silver was launched within the consumer market segment. A smartwatch phone for children, that contains two cameras. The main camera includes an advanced autofocus (AF) function delivered by poLight and is used to take pictures. A second camera is integrated in the screen and is used as a face camera without AF. In February 2020, the second product was launched, also using TLens Silver in a smartwatch phone for children.

In March 2020, the TLens Silver Premium was designed into a next-generation barcode scan engine, for use within the industrial market segment and have been shipped to various end users.

Marketing activities have continued at a high level through 2020 and into 2021. 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. TLens technology is increasingly being recognised by a broad range of potential customers in both the consumer and industrial segments.

Introducing new technology to the market is challenging in general and specifically in a dynamic smartphone market. For that reason, there is an inherent risk that TLens products may not be selected for inclusion in items destined for the smartphone or other markets. However, this risk has been reduced by the fact that TLens products are now launched in consumer and industrial markets. Such reference cases are important demonstrations of the technology's viability for other potential customer applications.

The company has one major asset, the TLens® technology and management has evaluated that the group as a whole is one CGU for impairment testing. The remaining carrying value of development costs are NOK 43.6 million and related to TLens® technology including the ASIC driver. Indicators of impairment of the TLens® technology have been reviewed, and none identified.

In addition, management has evaluated that the equity value of the company deducted net debt is an indication of the fair value of the CGU. The company's shares are listed on Oslo Stock exchange, and fair value is estimated based on the observed share price. The fair value measurement is categorized within level 2 of the fair value hierarchy in accordance with IFRS 13. It is considerable headroom between the carrying value and the fair value less cost of disposal.

11 Financial assets and financial liabilities

poLight's principal financial liabilities comprise trade and other payables, lease liabilities and provisions. poLight's principal financial assets include trade and other receivables, and cash.

poLight is exposed to foreign currency risk, credit risk and liquidity risk.

Foreign currency risk

Trade and inventory; poLight's contracts with the suppliers of the actuator and the assembly of the TLens®, are in USD. Foreign currency risk will be mitigated by entering sales contracts in USD or using hedging instruments. The group had not entered into any hedging instruments as at 31 December 2020.

Research and development ("R&D"); a significant part of the R&D expenses is in foreign currency. Services from subsidiaries are invoiced in EUR and development programs at manufacturing partners are invoiced in USD. These activities have not been hedged as of today.

The following tables demonstrate the sensitivity to a reasonably possible change in EUR and USD exchange rates, with all other variables held constant. The impact on the profit before tax is due to changes in the value of monetary assets and liabilities measured in NOK. The impact on the equity is due to the effect on operating activities.

	Change in EUR rate	Effect on profit before tax (in NOK 000)	Effect on equity (in NOK 000)
2020	+5%	-469	-177
	-5%	469	177
2019	+5%	-649	-404
	-5%	649	404

	Change in USD rate	Effect on profit before tax	Effect on equity
2020	+5%	-505	-505
	-5%	505	505
2019	+5%	-458	-458
	-5%	458	458

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. poLight is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Historically, no bad debt has been recognised and since all receivables are current, no provision is made.

Credit quality of a customer is assessed based on D&B's credit rating scorecard and are regularly monitored. As at 31 December 2020, most of the receivables consisted of government grants with low credit risk.

Credit risk from balances with banks are mitigated using 4 different Norwegian banks with a deposit limit of NOK 40 million each. Credit quality is assessed and regularly monitored.

Liquidity risk

According to current plan, the cash deposits will fund Group activities throughout 2021. In order to continue poLight's plan for the commercialization of the TLens technology in 2021/2022, additional capital financing is required. Management and the Board of Directors are focused on the Group's liquidity requirements and are evaluating alternatives like issuance of additional equity and/or issuance of debt. Based on the historical capability of raising funds and in light of the positive development during last year, it is expected that the capital markets will be receptive to the issuance of equity sufficient to meet liquidity requirements and maintain operations under current conditions. When such additional funds are needed, there is a risk that adequate sources of funds may not be available, or available at acceptable terms and conditions.

11.1 Financial assets

<i>(in NOK 000)</i>	2020	2019	2018
Financial assets at amortised cost:			
Trade receivables	317	1 072	188
Grants recognised, not received	5 014	4 690	5 838
Other receivables	709	385	373
Total financial assets	6 040	6 147	6 399
Total current	6 040	6 147	6 399
Total non-current	0	0	0

Trade receivables are non-interest bearing and generally on 30 day terms.

As at 31 December, the ageing analysis of the receivables is as follows:

<i>(in NOK 000)</i>	Total	Not past due	Past due				
			< 30 days	30–60 days	61–90 days	91–120 days	> 120 days
2020	6 040	6 040	0	0	0	0	0
2019	6 147	6 093	9	45	0	0	0
2018	6 399	6 399	0	0	0	0	0

11.2 Financial liabilities

<i>(in NOK 000)</i>	2020	2019	2018
Financial liabilities at amortised cost, other than interest-bearing loans, lease liabilities and borrowings:			
Trade payables	1 442	1 648	5 496
Other payables	7 195	10 262	9 901
Accrued social security on share option plan	2 046	0	0
Provisions	1 189	2 701	2 076
Total	11 873	14 612	17 473
Total current	11 873	14 612	17 473
Total non-current	0	0	0

For all the financial liabilities the carry amounts represent a reasonable approximation of fair value.

Terms and conditions of the above financial liabilities

- Trade payables are non-interest bearing, and are settled on 15–45 day terms
- Other payables are non-interest bearing, and have an average term of 2.7 months
- Accrued social security on exercisable share options with remaining contractual life of 3.47 years as at 31 December 2020. See Note 18 *Share option plans (equity-settled)* for additional information.

<i>(in NOK 000)</i>	Interest rate	Maturity	2020	2019	2018
Current interest-bearing loans and borrowings:					
Secured loan, Innovation Norway	5%	< 1 year	0	0	600
Total			0	0	600

Maturity analysis

The maturity analysis below shows the remaining contractual maturity of financial liability. The analysis shows contractual undiscounted cash-flows (i.e., includes interest), and thus differs from the amounts recognised in the statement of financial position.

<i>(in NOK 000)</i>	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
As at 31. December 2020					
Interest-bearing loans	0	0	0	0	0
Lease liabilities	337	674	0	0	1 011
Trade and other payables	8 707	1 977	0	0	10 684
	9 045	2 651	0	0	11 695

<i>(in NOK 000)</i>	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
As at 31 December 2019					
Interest-bearing loans	0	0	0	0	0
Lease liabilities	326	977	775	0	2 078
Trade and payables	9 948	1 963	0	0	11 911
	10 274	2 940	775	0	13 989

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure in a pre-revenue phase, the Group may issue new shares.

The Group monitors cash monthly towards 5-year budgets and forecasts.

<i>(in NOK 000)</i>	2020	2019	2018
Interest-bearing loans	0	0	600
Trade and other payables	11 873	14 612	17 473
Less: cash and short-term deposits	-77 209	-73 463	-127 424
Net debt	-65 336	-58 851	-109 351

The Group's capital structure is primarily based on deposits. According to current plan, the cash deposits will fund Group activities throughout 2021.

12 Inventories

<i>(in NOK 000)</i>	2020	2019	2018
Components, mainly wafers (at cost)	19 215	20 322	19 233
Finished goods, lenses and driver ASICs (at cost)	2 622	0	0
Obsolescence provision (expensed as cost of sales)	-12 671	-12 595	-11 861
Total inventories at the lower of cost and net realisable value	9 166	7 728	7 372

During 2020, NOK 0.1 million (2019: NOK 0.7 million) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

13 Cash and short-term deposits

<i>(in NOK 000)</i>	2020	2019	2018
Cash at banks	76 335	72 314	126 093
Restricted cash, taxes withheld	692	889	1 072
Restricted cash, deposits	181	260	258
Cash and short-term deposits	77 209	73 463	127 424

Cash at banks earns interest at floating rates based on daily bank deposit rates.

14 Issued capital and reserves

	2020	2019	2018
Ordinary shares	9 048 822	8 116 592	8 116 592

The shareholders are presented in Note 16 *Share capital and shareholder information*, in the financial statement of the parent company, poLight ASA.

Shares issued and fully paid	Number of shares	Issued share capital <i>(in NOK 000)</i>
At 1 January 2019 of NOK 0.20 each	8 116 592	1 623
At 31 December 2019	8 116 592	1 623
Private placement on 16 April 2020 each with a par value of NOK 0.20	727 273	145
Subsequent offering on 28 May 2020 each with a par value of NOK 0.20	181 818	36
Exercise of share options on 26 June 2020 each with a par value of NOK 0.20	20 689	4
Exercise of share options on 1 September 2020 each with a par value of NOK 0.20	2 450	0
At 31 December 2020	9 048 822	1 810

<i>(in NOK 000)</i>	Share premium
At 1 January 2019	632 682
At 31 December 2019	632 682
Private placement on 16 April 2020 of NOK 55 each	39 855
Subsequent offering on 28 May 2020 of NOK 55 each	9 964
Exercise of share options on 26 June 2020 average of NOK 33,11	681
Exercise of share options on 1 September 2020 average of NOK 21,81	53
Decrease due to transaction costs for issued share capital	-3 005
At 31 December 2020	680 229

The board is authorised to increase the share capital issuing new shares up to a total nominal value of NOK 353 754 (1 768 770 shares at par value of NOK 0.2) that is approximately 20 per cent of share outstanding, in addition to shares through share option schemes.

Share option schemes

The board is authorised to issue shares through share option schemes up to a total nominal value of NOK 176 877 (884 386 shares at par value of NOK 0.2), that is approximately 10 per cent of share outstanding. The company's share option schemes, with the opportunity to subscribe for shares in polLight, have been offered all employees (Note 18 *Share option plans (equity-settled)*).

15 Provisions

<i>(in NOK 000)</i>	NRE	Liability	Claims	Total
At 1 January 2019	887	0	1 189	2 076
New or increased provisions	0	1 512	0	1 512
Utilised	-887	0	0	-887
At 31 December 2019	0	1 512	1 189	2 701
New or increased provisions	0	0	0	0
Utilised		-1 512	0	-1 512
At 31 December 2020	0	0	1 189	1 189

Expected timing of cash flow

<i>(in NOK 000)</i>	NRE	Liability	Claims	Total
Current, < 1 year	0	0	1 189	1 189
Non-current	0	0	0	0
At 31 December 2020	0	0	1 189	1 189

Non-recurring engineering (NRE)

Some of the non-recurring product development cost (NOK 2.4 million) associated with the TLens driver project was agreed to be paid as an additional cost price element on the driver purchase price. The remaining NRE have been paid during 2019.

Liability

A provision of NOK 1.5 million was recognised in the fourth quarter of 2019 related to severance packages for 6 FTE (full time equivalent) employees.

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 decision in 2018 is not included in the estimate. This has not yet been reflected in the financial statements.

16 Government grants

<i>(in NOK 000)</i>	2020	2019
Receivable at 1 January	1 809	4 413
Received during the year	-5 740	-10 253
Grants recognised as reduction to capitalised development expenditures	0	526
Grants recognised as reduction of research and development expenses in the consolidated statement of income	8 946	7 122
Receivable at 31 December	5 014	1 809

The group have received grants for development of next generation optical components based on TLens® technology and analyses and testing activities to understand better relations between micro failure in optical components and mechanical, physical and electric testing. The group has in addition received Tax Refund grants related to project for creating camera module systems and application reference design enabled by poLight technology, autofocus lens and ASIC projects.

<i>(in NOK 000)</i>	2020	2019	2018
Current	5 014	1 809	4 413
Non-current	0	0	0
Total	5 014	1 809	4 413

17 Pensions

poLight ASA (the Group's Norwegian company) is subject to the requirements of the Mandatory Occupational Pensions Act, and the company's pension scheme follows the requirements of the Act. As the subsidiaries in France, Finland and China are not subject to mandatory pension schemes in addition to the national insurance schemes, no pension scheme has been established there.

The pension scheme in Norway is based on a defined contribution plan, and the premium is calculated on the basis of the employees' income. In 2020 5.55% of the salary between 1G (1G=NOK 101,351) and 7.1G, and 8% of the salary between 7.1G and 12G was calculated. The period's contributions are recognised in the Consolidated statement of income as pension cost for the period.

<i>(in NOK 000)</i>	2020	2019
Defined contribution plan	861	1 045
Social security tax	121	147
Total pension cost	983	1 192

18 Share option plans (equity-settled)

Share options in the parent company are granted to all employees. The exercise price of the share options is equal to, or higher than, the market price of the underlying shares on the date of grant. The share options in each agreement are vested in equal parts, with 1/36 each month over 3 years, at the expiry of each calendar month, starting at the date of grant, and conditional on the employee's continued employment in polight.

The share options can be exercised up to two years after the three-year vesting period. Vested options may be exercised, and shares issued once per quarter each following the release of polight ASA's quarterly reports.

<i>Share option expense</i> <i>(in NOK 000)</i>	2020	2019
Share option plan	3 672	4 877
Accrued social security	2 046	0
Recognised as employee benefits expense	5 718	4 877

For additional details of the expense recognised in profit or loss, see Note 5.2 *Employee benefits expense*.

The board is authorised to issue shares - in share option scheme - up to total par value of NOK 176 877 (884 386 shares at par value of NOK 0.2).

Reconciliation of outstanding share options

	2020		2019	
	Number of share options	WAEP	Number of share options	WAEP
Outstanding at 1 January	590 826	41.6	421 475	52.7
Granted during the year	198 000	74.9	218 322	26.6
Forfeited during the year	0		-37 874	45.0
Cancelled during the year	0		0	
Exercised during the year	-23 139	31.9	0	
Expired during the year	-1 555	45.6	-11 097	105.0
Outstanding at 31 December	764 132	50.5	590 826	41.6
In % of outstanding shares	8.44 %		7.28 %	
Exercisable at 31 December	402 902	44.9	205 265	43.6

The weighted average exercise price (WAEP) for the share options exercised during 2020 was NOK 31.9, and the average market price at the exercise dates was NOK 60.9.

The weighted average exercise price for the share options outstanding as at 31 December 2020, was NOK 50.5 (2019: NOK 41.6) with a range from NOK 18.90 to NOK 77.90. The weighted average remaining contractual life for the share options outstanding as at 31 December 2020 was 3.47 years (2019: 4.05 years).

At the end of the year, the weighted average exercise price was NOK 44.9 (2019: NOK 43.6) on exercisable options.

In the case of an offeror becomes the owner of at least 9/10 of the issued shares of polLight, all of the unvested share options becomes immediately vested.

Share option valuation

The fair value of the options granted in 2020 has been calculated to NOK 6.5 million excluding social security expenses (2019: NOK 1.0 million), by using the Black-Scholes option pricing model.

The basis for the valuation comprises several factors that affect the calculated fair value of granted options. The assumptions used in the calculation was:

	2020	2019
Price at grant date	NOK 75,7	NOK 11,6
Exercise price	NOK 74.9	NOK 18.9, 27 and 33.75 ¹⁾
Expected ²⁾ option life	3.5 years	3.5 years
Risk-free interest rate	0,40 %	1,40 %
Volatility	60 %	80 %

- 1) The share options are vested in equal parts over 3 years. The exercise price is NOK 18.90 for the vested share options the first year, NOK 27 the second year and NOK 33.75 the third year.
- 2) The share options expire 5 years from the date of the grant, but any vested options shall be exercised no later than 6 months after last day of service

Expected vesting is estimated based on employee turnover, and volatility is estimated based on comparable companies listed on the Oslo Stock Exchange.

Sensitivity analysis

The fair value of the share options granted in 2020 of NOK 6.5 million was determined based on an assumption of a volatility of 60%. At a volatility of 70%, holding other assumptions constants, would have increased the fair value with NOK 0.9 million over the three-year vesting period. An increase of the assumed lifetime of the share options from 3.5 years to 4 years, would have increased the fair value with NOK 0.4 million over the vesting period.

19 Leases

polLight has entered into commercial leases with regards to premises and office equipment used in its operations. In Norway, the company leases lab facilities, including a clean room, and offices are leased in Norway, France, Finland and China. The premises in Norway comprises 1,080 square meters. The contract is terminable by both lessee and lessor with twelve months' notice.

The office lease terms in France, Finland and China are terminable by both lessee and lessor with twelve months' notice or less. The leases of office equipment are with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Building

(in NOK 000)

	2020	2019
At 1 January	1 923	1 921
Additions	237	1 207
Depreciation expense	-1 197	-1 205
At 31 December	964	1 923

Set out below are the carrying amounts of lease liabilities and the movements during the period:

(in NOK 000)

	2020	2019
At 1 January	2 007	1 921
Additions	160	1 207
Accretion of interest	69	91
Payments	-1 188	-1 212
At 31 December	1 048	2 007
Current, < 1 year	1 048	1 241
Non-current	0	766

The maturity analysis of lease liabilities are disclosed in Note 11.2.

The following are the amounts recognised in profit or loss:

(in NOK 000)

	2020	2019
Depreciation expense of right-of-use assets	1 197	1 205
Interest expense on lease liabilities	69	91
Expense relating to short-term leases (included in research and development expenses)	419	423
Expense relating to short-term leases (included in sales and marketing expenses)	121	105
Expense relating to leases of low-value assets (included in administrative expenses)	47	51
Total amount recognised in profit or loss	1 851	1 876

The Group had total cash outflows for leases of NOK 1 774 in 2020 (2019: NOK 1 791). The Group also had non-cash additions to right-of-use assets and lease liabilities of NOK 160 in 2020 (2019: NOK 1 207). The termination clause was reduced to 12 months in 2020, addition to a reduction of the office space from mid-2021, explaining the reduced asset and liability.

20 Related parties

The financial statements include the financial statements of the Group and the subsidiaries listed in the following table:

Name	Principal activities	Country of incorporation	2020	2019	2018
poLight ASA	R&D, Sales and Management	Norway	100%	100%	100%
poLight France SAS	R&D	France	100%	100%	100%
poLight Finland Oy	R&D	Finland	100%	100%	100%
poLight Hong Kong Limited	Holding company	HK, China	100%	100%	100%
poLight (Shenzhen) Technical Service Company Limited	Sales	China	100%	100%	100%

polLight ASA is the ultimate parent. None of the shareholders of polLight ASA has control of the company. As of 31 December 2020, the largest shareholder is Investinor AS, with an ownership of 19.7%.

Transactions between group companies

Intercompany agreements are entered with all the subsidiaries in the Group. All sales in the subsidiaries are made with parent company. All transactions are considered to be on an arm's length basis.

<i>(in NOK 000)</i>	2020	2019
Purchases from subsidiaries	12 043	12 837

Outstanding balances	Currency	2020	2019	2018
Subordinated loan agreement	EUR 000	2 750	2 750	2 800
Trade and other payables	NOK 000	1 163	2 101	8

A subordinated loan agreement of EUR 3,000,000 was concluded on 29 December 2016, replacing all intercompany balance between polLight ASA and polLight France SAS. Only the part that exceeds a prudent level, with regards to both equity and subordinated loan combined, shall be regarded as loan in respect to interest accrual. For the financial year 2020, the entire principal is considered as equity, and not interest-bearing. Since the loan is considered to be a part of the net investment in France, the currency translation effect is recognised in OCI. In the parent company an impairment loss of NOK 27 793 000 related to the subordinated loan have been recognised, whereof NOK 1 668 000 recognised in 2020.

Transactions with other related parties

No transactions have been made with other related parties for the relevant financial years.

Compensation to management personnel and board of director's

Management remuneration

In accordance with the Norwegian public Limited Companies Act §6-16 a, the board of directors prepares a separate statement related to the determination of salary and other benefits for the corporate management. The statement shall be subject to an advisory vote by the annual general meeting in accordance with §5-6 (3). The statement for 2021 will be submitted for approval in the annual general meeting 26 May 2021 and will be available on polLight ASA's website at the time the notice of the meeting is sent to the shareholders.

The total remuneration to the management consists of fixed salary, bonus, benefits in-kind, share option program and pension schemes. The fixed salary is subject to an annual evaluation, and any salary increases and other amendments to the employment terms shall be based on a review by the CEO and the Board each year, taking into account trends in local labour markets, the results achieved, and individual contributions to the development of the Company.

<i>(in NOK 000)</i>	Salaries	Bonus	Pension costs	Other benefits	Value ¹ share options	Total 2020	2019
Øyvind Isaksen - CEO	2 857	1 183	66	298	1 727	6 130	5 364
Pierre Craen - CTO	1 790	380	67	37	342	2 617	2 145
Alf Henning Bekkevik - CFO	1 300	287	63	21	232	1 903	1 828
Marianne Sandal - COO	1 548	341	74	31	330	2 325	2 043

- 1) Fair value of the share options using the Black-Scholes option pricing model at the date of the grant. During 2020 Pierre Craen exercised share options with a gain of NOK 298.7 thousand.

If the company terminates the CEO's employment, the CEO is entitled to nine months' salary, in addition to a three months' notice period.

Below is an overview of polLight management's and board members' granted share options:

	Opening balance	Forfeited options	Exercised options	Granted options	Ending balance	Exercisable options
Øyvind Isaksen - CEO	256 750	0	0	80 000	336 750	182 711
Pierre Craen - CTO	63 000	0	-7 667	21 500	76 833	37 459
Alf Henning Bekkevik - CFO	63 000	0	0	0	63 000	42 139
Marianne Sandal - COO	63 000	0	0	21 500	84 500	45 126
	445 750	0	-7 667	123 000	561 083	307 435

The exercise price on all outstanding share options at 31 December 2020, was NOK 50,5 per share in average. 7 667 share options were exercised in 2020.

In the case of an offeror becoming the owner of at least 9/10 of the issued shares of polLight, all of the unvested share options becomes immediately vested.

Remuneration members of the board

<i>(in NOK 000)</i>	2020	2019
Eivind Bergsmyr - chair of the board	350	525
Ann-Tove Kongsnes - deputy chair of the board	175	263
Johan Paulsson ¹⁾	0	203
Grethe Viksaas	175	263
Svenn Tore Larsen ²⁾	175	88
Juha Alakarhu ²⁾	175	88

1) Member to May 28, 2019

2) Member from May 28, 2019

At the Annual General Meeting in May 2019, a resolution was passed that changed the time for payment of remuneration from yearly payments in arrears to quarterly payments in advance, which led to a remuneration period of 18 months paid in 2019. There are no loans from poLight to the management or members of the board.

Remuneration of the nomination committee

The members of the nomination committee, Erik Hagen, Thomas Wrede Holm and Jan Erik Hæreid were each remunerated with NOK 20,000.

21 Events after the end of the reporting period

No events have occurred after the end of the reporting period that requires disclosure.

22 Standards issued, but not yet effective

Issued new standards and amendments are either not applicable for the Group or are not considered to have a significant impact on the financial statements.

POLIGHT ASA FINANCIAL STATEMENTS

Statement of income poLight ASA – NGAAP for the year ended 31 December

<i>(in NOK 000)</i>	Note	2020	2019
Sale of goods	2	2 590	2 988
Rendering of services	2	463	490
Revenue		3 053	3 478
Cost of sales	12	698	2 075
Gross profit		2 355	1 403
Research and development expenses		-21 318	-21 915
Sales and marketing expenses		-5 525	-9 146
Administrative expenses		-8 999	-18 285
Operational / supply chain expenses		-7 972	-8 216
Depreciation, amortisation and net impairment losses	9,10	-10 882	-24 928
Operating profit/ loss (-)		-52 342	-81 086
Net financial items	7	2 491	1 846
Profit / loss (-) before tax		-49 851	-79 240
Income tax expense	8	0	0
Profit / loss (-) for the year		-49 851	-79 240
Allocated to/from:			
Share premium	17	-46 179	-74 363
Retained earnings	17	-3 672	-4 877
Profit / loss (-) for the year		-49 851	-79 240

Balance Sheet poLight ASA – NGAAP as at 31 December

<i>(in NOK 000)</i>	Note	2020	2019
ASSETS			
Property, plant and equipment	9	768	1 162
Intangible assets	10	43 646	53 914
Investments in subsidiaries	11	320	320
Subordinated loan to subsidiaries	13,20	1 000	1 000
Total non-current assets		45 733	56 396
Inventories	12	9 166	7 728
Trade receivables	13	317	1 072
Other receivables	13	9 514	5 428
Cash and cash equivalents	15	74 462	70 586
Total current assets		93 459	84 813
Total assets		139 193	141 209
EQUITY AND LIABILITIES			
Share capital	16,17	1 810	1 623
Share premium	17	125 752	124 385
Total owners' equity		127 562	126 009
Retained earnings	17	0	0
Total equity		127 562	126 009
Trade payables	13	2 558	3 719
Public duties payable		3 355	1 626
Other payables	13	5 718	9 855
Total current liabilities		11 631	15 201
Total liabilities		11 631	15 201
Total equity and liabilities		139 193	141 209

Horten, 22 April 2021

THE BOARD OF DIRECTORS OF POLIGHT ASA

Eivind Bergsmyr (sign)
Chair

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

Statement of cash flows poLight ASA – NGAAP for the year ended 31 December

<i>(in NOK 000)</i>	Note	2020	2019
Operating activities			
Profit before tax		-49 851	-79 240
Depreciation, amortisation and net impairment losses	9,10	10 882	24 928
Changes in inventories, accounts receivables and accounts payable		-1 846	-3 082
Changes in other accruals		-4 788	7 050
Net cash flows from / (used in) operating activities		-45 603	-50 344
Investing activities			
Purchase of property, plant and equipment	9	-201	-300
Development capital expenditures	10	0	-2 931
Receipt of government grants	4	0	526
Proceeds from group borrowings	13,20	0	489
Dividend from subsidiaries	7	1 947	0
Net cash flows from / (used in) investing activities		1 746	-2 215
Financing activities			
Proceeds from Issue of ordinary shares	17	50 000	0
Proceeds from exercise of share options	17	738	0
Transaction costs on issue of shares	17	-3 005	0
Repayment of borrowings	14	0	-600
Net cash flows from / (used in) financing activities		47 733	-600
Net increase in cash and cash equivalents		3 876	-53 159
Cash and cash equivalents at 1 January	15	70 586	123 745
Cash and cash equivalents at 31 December	15	74 462	70 586

Notes to the Financial statement poLight ASA

1 Significant accounting policies

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

Use of estimates

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information about potential liabilities in accordance with generally accepted accounting principles in Norway.

Foreign currency translation

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK, using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK, using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognised in the income statement as they occur during the accounting period.

Revenue recognition

Revenues from the sale of goods are recognised in the income statement, once delivery has taken place and most of the risk and control has been transferred.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received, and that all attached conditions will be complied with. When the grant relates to an expense item, it is deducted in the related expense on a systematic basis over the periods that the costs it is intended to compensate, are expensed. Where the grant relates to an asset, it reduces the carrying amount of the asset. The grant is then recognised as income over the useful life of the depreciable asset by way of a reduced depreciation charge.

Income tax

The tax expense comprises tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 22% of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized. Taxes payable and deferred taxes are recognised directly in equity, to the extent that they relate to equity transactions.

Classification and valuation of balance sheet items

Current assets and short-term liabilities consist of receivables and payables due within one year, and items related to the operating cycle. Other balance sheet items are classified as fixed assets/long-term liabilities.

Current assets are valued at the lower of cost and fair value. Short-term liabilities are recognised at nominal value.

Fixed assets are valued at cost, less depreciation and impairment losses. Long-term liabilities are recognised at nominal value.

Research and development

Development costs are capitalised, providing that a future economic benefit associated with development of the intangible asset can be established and costs can be measured reliably. Otherwise, the costs are expensed as incurred. Capitalised development cost is amortised straight-line over its useful life. Research costs are expensed as incurred.

Fixed assets

Property, plant and equipment is capitalised and depreciated straight-line over the estimated useful life. Significant fixed assets which consist of substantial components with dissimilar economic life, have been unbundled; depreciation of each component is based on the economic life of the component. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property, plant and equipment are added to the acquisition cost and depreciated with the related asset. If carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realisable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are discounted.

Investments in subsidiaries

The investments in subsidiaries are valued as cost less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Dividends, group contributions and other distributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the subsidiaries. If dividends/group contribution exceeds withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

Inventory

Inventories are recognised at the lowest of cost and net selling price. The net selling price is the estimated selling price in the case of ordinary operations, minus the estimated completion, marketing and distribution costs. The cost is arrived at using the FIFO method, and includes the costs incurred in acquiring the goods and the costs of bringing the goods to their current state and location.

Receivables

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables. For the remaining receivables, a general provision is estimated, based on expected loss.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term, highly liquid investments with maturities of three months or less.

2 Revenue

<i>(in NOK 000)</i>	2020	2019
By business area		
TLens® for Smartphone and other markets	3 019	2 988
Group revenue	34	490
Total	3 053	3 478
Geographical distribution		
USA	291	77
Asia	1 815	2 492
Europe	946	909
Total	3 053	3 478

3 Specification of operating expenses by nature

(in NOK 000)	Note	2020	2019
Capitalised intangible assets in progress	10	0	-2 404
Employee benefits expense	5, 18	26 796	27 604
Depreciation, amortisation and net impairment losses	9, 10	10 882	24 928
Other operating expenses	6, 14	17 018	32 362
Total operating expenses		54 697	82 489

4 Government grants

(in NOK 000)	2020	2019
At 1 January	1 809	4 413
Received during the year	-5 740	-10 253
Capitalised	0	526
Released to the statement of profit or loss	8 946	7 122
At 31 December	5 014	1 809

polight ASA has received grants for reimbursement of expenses related to technology and product development and process improvement programs.

5 Employee benefits expense

(in NOK 000)	2020	2019
Wages and salaries	18 956	20 689
Social security costs	2 951	2 932
Pension costs (Note 18)	926	1 101
Other benefits and social costs	769	1 175
Value of share option plan	5 718	4 877
Grants	-2 525	-3 171
Internal development of intangible assets	0	-915
Total employee benefits expense	26 796	26 689

Average number of employees	15	22
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All employees are included in a bonus programme, with identical bonus criteria for all except the CEO, who has a separate bonus scheme. The bonus is calculated based on fixed salary, with maximum 50% for the CEO, 30% for management, 20% for department managers and 10% for other employees.

All employees in the group are included in a share option programme. Details are presented in Note 18 *Share option plans (equity-settled)*, in the consolidated financial statement.

Management and board member's remuneration are presented in Note 20 *Related parties*, in the consolidated financial statement.

6 Auditor's remuneration

<i>(in NOK 000)</i>	2020	2019
	<i>(excluding VAT)</i>	<i>(including VAT)</i>
Audit fee	214	400
Audit related fee	84	100
Tax fee	34	204
Other service fee	0	0
Total	332	704

7 Financial items

Finance income

<i>(in NOK 000)</i>	2020	2019
Interest income from group companies *)	0	0
Other interest income	782	1 590
Currency gain on loan to group companies	1 668	0
Reversal of impairment on group loan	0	730
Dividend from subsidiaries	1 947	0
Other financial income (currency gain)	574	198
Total finance income	4 970	2 518

*) According to the subordinated loan (see Note 13) only the part that exceeds a prudent level, both equity and subordinated loan combined, shall be regarded as loan in respect to interest accrual.

Finance expense

<i>(in NOK 000)</i>	2020	2019
Other interest expenses	1	16
Currency loss on loan to group companies	0	242
Impairment of group loan	1 668	0
Other financial expenses (currency loss)	810	413
Total finance expenses	2 480	671

8 Income tax

Income tax expense

<i>(in NOK 000)</i>	2020	2019
Current income tax expense	0	0
Changes in deferred tax	0	0
Total income tax expense	0	0

Tax base calculation
(in NOK 000)

	2020	2019
Profit before income tax	-49 851	-79 240
Permanent differences	5 762	4 912
Transaction costs private placement	-3 005	0
Government grants exempt from tax	-3 736	-4 690
Temporary differences	-2 224	18 998
Tax base	-53 054	-60 020

Temporary differences:
(in NOK 000)

	2020	2019
Receivables	0	0
Inventories	12 671	12 595
Fixed assets	2 276	2 451
Intangible assets	24 708	25 322
Group loan	21 606	21 606
Provisions	466	1 978
Tax losses carry forward	569 980	516 926
Net deferred tax assets/(liabilities)	631 708	580 878
22 % deferred tax asset/(liability)	138 976	127 793
Unrecognised deferred tax assets	-138 976	-127 793
Recognised net deferred tax assets	0	0

Reconciliation of nominal tax rate to effective tax rate:
(in NOK 000)

	2020
Calculated income tax at statutory rate of 22%	-10 967
Tax effect of permanent differences	607
Government grants exempt from tax	-822
Change in unrecognised deferred tax assets	11 183
Income tax expense	0
Effective tax rate	0,0%

9 Property, plant and equipment

(in NOK 000)

	Building	Equipment	Total
Cost at 1 January 2020	287	10 021	10 307
Additions	0	201	201
Disposals at cost	0	0	0
Cost at 31 December 2020	287	10 021	10 508
Accumulated depreciation	-287	-9 225	-9 512
Accumulated impairment losses	0	-229	-229
Accumulated depreciation and impairment losses at 31 December 2020	-287	-9 454	-9 740
Net book value at 31 December 2020	0	768	768
Depreciation for the year	0	614	614
Estimated useful lives (years)	1)	3-7	
Amortisation plan	Linear	Linear	

1) Modifications and upgrades in leased premises are depreciated over the leasing period.

10 Intangible assets

(in NOK 000)

	Development costs and TLens patents	Software licence	Total
Cost at 1 January 2020	78 184	171	78 355
Additions	0	0	0
Cost at 31 December 2020	78 184	171	78 355
Accumulated amortisation	-16 259	-171	-16 430
Accumulated impairment losses	-18 280	0	-18 280
Accumulated amortisation and impairment losses at 31 December 2020	-34 539	-171	-34 710
Net book value at 31 December 2020	43 646	0	43 646
Depreciation for the year	10 269	0	10 269
Estimated useful lives (years)	3-7	3-7	
Amortisation plan	Linear	Linear	

In 2008/2009, poLight acquired the core patents of the TLens® technology for NOK 5 million. The patents were granted in 10 different countries in 2006. poLight has since invested substantial resources in research and product development of the TLens®.

poLight started amortising capitalised development investments for TLens Silver and the related ASIC driver in the second quarter of 2019 as they became ready for commercial shipments. The useful lives are deemed to be 7 years for the TLens Silver and 3 years for the related ASIC driver. The useful lives of TLens Silver correlates with the remaining number of years of the first patent. It is expected that the ASIC driver will be subject to development, and therefore shorter useful lives. The commercial useful lives may end up being significantly longer.

Research and development costs that are not eligible for capitalisation have been expensed in the period incurred and are recognised in Research and development expenses.

11 Investment in subsidiaries

Company	Acquisition date	Location	Share ownership	Voting rights
poLight France SAS	19.08.2010	Lyon, France	100 %	100 %
poLight Finland Oy	15.09.2016	Tampere, Finland	100 %	100 %
poLight Hong Kong Limited	08.12.2016	HK, China	100 %	100 %
poLight (Shenzhen) Technical Service Company Limited	24.04.2017	Shenzhen, China	100 %	100 %

Company	Share capital	Number of shares	Book value	Equity	Net profit 2020
	NOK 000		NOK 000	NOK 000	NOK 000
poLight France SAS	80	10 000	0	-23 846	222
poLight Finland Oy	23	100	23	882	808
poLight Hong Kong Limited	202	200 000	202	202	0
poLight (Shenzhen) Technical Service Company Limited	246	200 000	94	1 106	97

The entities in France and Finland provide R&D services to poLight ASA, Norway. In China a sales office is established with a parent holding company in Hong Kong.

12 Inventories

(in NOK 000)	2020	2019
Work in progress (at cost)	19 215	20 322
Finished goods (at cost)	2 622	0
Obsolescence provision (expensed as cost of sales)	-12 671	-12 595
Total inventories at the lower of cost and net realisable value	9 166	7 728

During 2020, NOK 0.1 million (2019: NOK 0.7 million) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

13 Intercompany balances with group companies

Receivables	2020	2019
(in NOK 000)		
Trade receivable	0	0
Other receivables	0	0
Total	0	0

Subordinated loan
(in NOK 000)

	2020	2019
Non-current receivables	28 793	27 125
Impairment	-27 793	-26 125
Total	1 000	1 000

A subordinated loan agreement was concluded on 29 December 2016, replacing all intercompany balance. Because of limited activity in France, a significant part of the loan has been subject to impairment.

Payables
(in NOK 000)

	2020	2019
Trade payables	1 163	2 101
Other payables	0	0
Total	1 163	2 101

14 Operating lease commitments

polight ASA has entered into commercial leases on premises and office equipment. The premises (lab facilities and offices) comprise 1,080 square meters, and the contract is renewed annually, with twelve months' notice.

Future minimum rentals payable under non-cancellable operating leases are as follows:

<i>(in NOK 000)</i>	2020	2019
Within one year	1 047	1 236
After one year but not more than five years	0	780
More than five years	0	0
Total	1 047	1 972

15 Cash and short-term deposits
(in NOK 000)

	2020	2019
Cash at banks and on hand	73 588	69 436
Restricted cash, taxes withheld	692	889
Restricted cash, deposits	181	260
Cash and short-term deposits	74 462	70 586

16 Share capital and shareholder information

	Number of shares	Par value	Book value
		NOK	NOK 000
Ordinary shares	9 048 822	0.20	1 810

Shareholders of poLight ASA at December 31, 2020	Ordinary shares	Share-holding	Voting rights
		%	%
Investinor AS	1 779 858	19.7%	19.7%
DnB Bank ASA ¹⁾ (nominee)	1 048 825	11.6%	11.6%
Viking Venture III AS	451 346	5.0%	5.0%
Nordnet Bank AB (nominee)	426 839	4.7%	4.7%
Alliance Venture Polaris AS	276 278	3.1%	3.1%
Nordnet Livsforsikring AS	270 718	3.0%	3.0%
ABN AMRO Global Custody Services (nominee)	229 344	2.5%	2.5%
VPF Nordea Avkastning	150 704	1.7%	1.7%
VPF Pareto Investment	142 458	1.6%	1.6%
LHH AS	120 000	1.3%	1.3%
VPF Nordea Kapital	108 676	1.2%	1.2%
Wiseth Holding AS	102 000	1.1%	1.1%
Total	5 107 046	56.4%	56.4%
Other (less than 1% shareholding)	3 941 776	43.6%	43.6%
Total number of shares	9 048 822	100.0%	100.0%

At 31 December 2020, Øyvind Isaksen, CEO, owned 24,856 shares (0.27%), through his company Oimacon AS.

17 Equity

(in NOK 000)	Share capital	Share premium	Retained earnings	Total
Equity at 31 December 2019	1 623	124 385	0	126 008
Profit for the period			-49 851	-49 851
Issue of ordinary shares	182	49 818	0	50 000
Share options exercised	5	734	0	738
Transaction costs		-3 005	0	-3 005
Equity-settled share-based payment			3 672	3 672
Allocation to retained earnings		-46 179	46 179	0
Equity at 31 December 2020	1 810	125 752	0	127 562

18 Pensions

PoLight ASA is subject to the requirements in the Mandatory Occupational Pensions Act, and the company's pension scheme adheres to the stipulations of the Act.

The pension scheme is based on a defined contribution plan, and the premium is calculated on the basis of the employee's income. 5.5% of the income between 1 and 7.1G and 8% of the income between 7.1 and 12G is calculated. At 31 December 2020, 15 members were covered by the plan.

<i>(in NOK 000)</i>	2020	2019
Defined contribution plan	861	1 045
Social security	121	147
Total pension cost	983	1 192

19 Provisions

<i>(in NOK 000)</i>	Liability	Claims	Total
At 1 January 2020	1 512	1 189	2 701
New or increased provisions	0	0	0
Utilised	-1 512	0	-1 512
At 31 December 2020	0	1 189	1 189

<i>Expected timing of cash flow (in NOK 000)</i>	Liability	Claims	Total
Current, < 1 year	0	1 189	1 189
Non-current	0	0	0
At 31 December 2020	0	1 189	1 189

Liability

A provision of NOK 1.5 million was recognised in the fourth quarter of 2019 related to severance packages for 6 FTE (full time equivalent) employees.

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. This has not yet been reflected in the financial statements.

20 Related parties

poLight ASA is the ultimate parent. None of the shareholders of poLight ASA has control of the company. As of 31 December 2020, the largest shareholder is Investinor AS, with an ownership of 19.7%.

Transactions between group companies

Intercompany agreements are entered with all the subsidiaries in the group. All sales in the subsidiaries are made with the parent company. All transactions are considered to be on an arm's length basis.

A subordinated loan agreement (balance 31.12.2020: EUR 2,750,000) was concluded on 29 December 2016, replacing all intercompany balance between poLight ASA and poLight France SAS. Only the part that exceeds a prudent level, with regards both to equity and subordinated loan combined, shall be regarded as loan in respect to interest accrual. For the financial year 2020, the entire principal is considered as equity, and not interest-bearing.

Transactions with other related parties

No transactions were made with other related parties for the relevant financial years.

21 Events after the balance sheet date

No events have occurred after the balance sheet date that have a material effect on the financial statements.

INDEPENDENT AUDITOR'S REPORT



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To the General Meeting of poLight ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of poLight ASA, which comprise:

- The financial statements of the parent company poLight ASA (the Company), which comprise the balance sheet as at 31 December 2020, the statement of income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of poLight ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2020, the statement of income, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Statsskattedirektoratet • medlemmer av Den norske Revisorforening

Offices in:

Oslo	Bærum	Mo i Rana	Stord
Ålesund	Finnes	Molde	Strømme
Arad	Hamar	Sjøan	Tromsø
Bergen	Haugesund	Sandnessjøen	Tromsø
Birda	Karvik	Sandnessjøen	Tromsø
Drammen	Kongsås	Stavanger	Ålesund



poLight ASA

Impairment of intangible assets

Refer to page 18 in the Board of Director's report, the accounting policies on page 41, the critical accounting judgments and key sources of estimation uncertainty described in Note 3 on page 44, Note 10 Research and development costs on page 53 in the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
<p>The assessment of possible impairment of intangible assets with a total carrying value of NOK 43,6 million is considered to be a risk area due to the size of the balances and the inherent uncertainties related to successful commercialization of the TLens technology platform ("TLens").</p> <p>Management has determined that it has one cash generating unit, the TLens, and has evaluated if there were impairment indicators present for the TLens at 31 December 2020. Management considers the primary indicator to assess for possible impairment would be a negative development in the price of the Company's shares or low market capitalization of the Company over a period time.</p> <p>Significant auditor judgment is required when evaluating whether management's assessment is reasonable and supportable.</p> <p>No impairment charges have been recognised during the year.</p>	<p>Our audit procedures to assess the carrying value of intangible assets included:</p> <ul style="list-style-type: none"> - Challenged management's assessment and considered whether an evaluation of all relevant impairment indicators have been included based on our knowledge of the business, its operating environment, industry, current market conditions and other information obtained during the audit. - Assessed whether the volume of trading in the Company's shares supports that the market capitalization represents the fair value of the equity in the Company. - Considered whether management's assessment of impairment indicators are appropriately disclosed in the notes of the financial statements. <p>We accepted management's assessment that no indicators of impairment of the intangible assets were identified at 31 December 2020.</p>

Going Concern

Refer to page 20 in the Board of Director's report, the Group's assessment of financial risk management in Note 11 on page 54.

The Key Audit Matter	How the matter was addressed in our audit
<p>The Board of Director's confirms that the financial statements of both the Group and Company have been prepared on a going concern basis.</p> <p>The Group is in an early stage of commercializing its TLens technology platform, undertaking significant costs to bring its products to the market and secure growth by capturing market share in defined segments as described in note 4 and note 10.</p> <p>Currently the Group has limited sales, and is incurring significant marketing, research and development costs.</p> <p>The Group and Company focus on managing its net cash outflows from operations and liquidity position. Management continuously evaluates the Group and Company's working capital needs applying cash flow forecasting based on</p>	<p>Our audit procedures to assess the preparation of the financial statements of both Group and Company on a going concern basis included:</p> <ul style="list-style-type: none"> - Agreed management's estimated future cash flows to the most recent budget and business plan as approved by the Board of Director's. - Challenged management on whether the assumption that the Group and Company will be able to raise further equity as needed is realistic and achievable. - Evaluated and challenged the integrity of cash flow projections, both base case and alternative sensitivity cases, and compared the key input assumptions to external and internal sources of information and performed retrospective analysis of prior year actual spending compared to budgets.



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<p>approved budget for 2021 and long-term forecasts for 2022-2025.</p> <p>The Group and Company are dependent on securing future financing to support its going concern assessment and includes plans to:</p> <ul style="list-style-type: none"> - Raise new equity and/or debt financing - Significantly increase revenue growth/gross margins from prospective sales, production and distribution - Reduce or delay costs and expenditures <p>Going concern is an area of significant risk as management makes assumptions which depend on factors beyond the Group and Company's control, such as projections on future cash flows, including future costs and profits, as well as shareholder approval to raise new capital.</p>	<ul style="list-style-type: none"> - Considered the appropriateness of the going concern disclosures included in the Group and Company financial statements. <p>From the audit evidence obtained, we consider management's assessment and disclosures to be in accordance with the requirements under the relevant accounting standards.</p>
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Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices



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generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



poLight ASA

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 26 April 2021
KPMG AS



John Thomas Sørhaug
State Authorised Public Accountant

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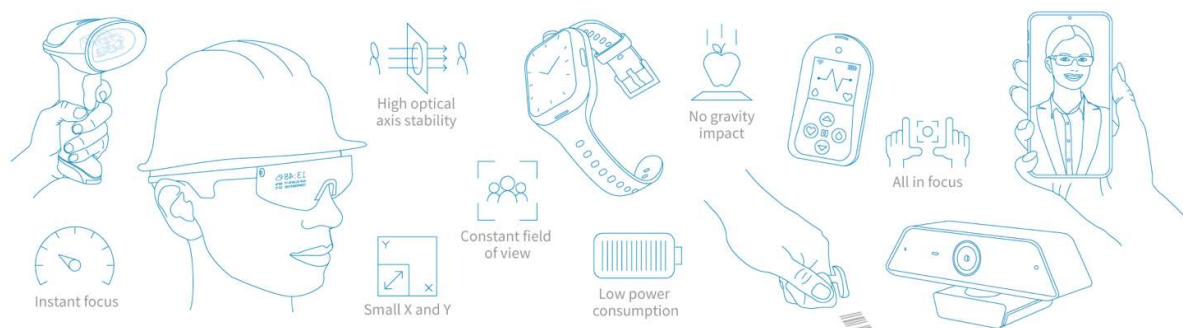
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