



poLight ASA Annual Report



SHAPING THE
TUNABLE OPTICS
FUTURE

2022

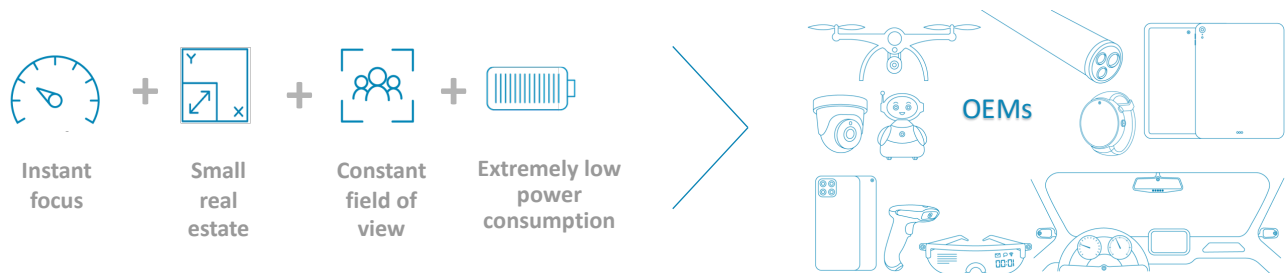
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THIS IS POLIGHT

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 size, 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 employees and long-term consultants in Norway, Finland, France, UK, US, China, Taiwan and the Philippines. 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 tunable optics.



Technology

poLight's tunable optics technology enables native capabilities that replicate the human eye, making instant autofocus across a wide focus distance and constant field of view options possible in a variety of camera systems. It is also well suited for uses where beam steering and optical tilting capabilities are needed. Our technology is differentiated by its extremely compact size, ultra-low power consumption, super high speed, and high optical performance, creating a range of new experiences for users and future innovation opportunities for OEM customers and partners.

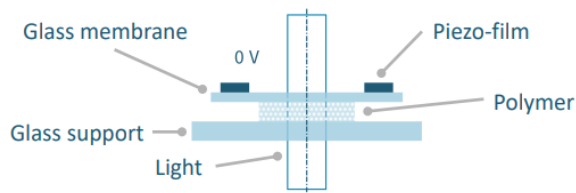
Optical matching between the optical elements and the deformable optical materials, combined with poLight's anti-reflective coating technology, means that the optical transmittance can be optimised for a broad range of selected wavelengths, from visible to near IR spectrum.

Products

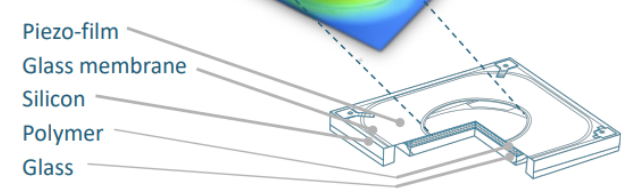
Based on its technology platform, the company has developed and patented TLens® – a tuneable optical lens. TLens® delivers faster and more accurate autofocus compared to standard Voice Coil Motor (VCM) systems, which require advanced calibration procedures, are subject to magnetic noise and temperature fluctuations from power consumption and rely on mechanical movement to adjust the focus. poLight's TLens® technology eliminates many of these issues while enabling instant autofocus, all-in-focus and constant field of view.

The poLight TLens® is constructed around a piezo element (piezo 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.

Principle of operation



Implementation



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. 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).

poLight is in mass production with TLens® Silver and TLens® Silver Premium devices, 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 developed. From an application perspective, the main distinction between the various TLens® products is the different sensor formats (size of the image sensor) with which they can be used, 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.

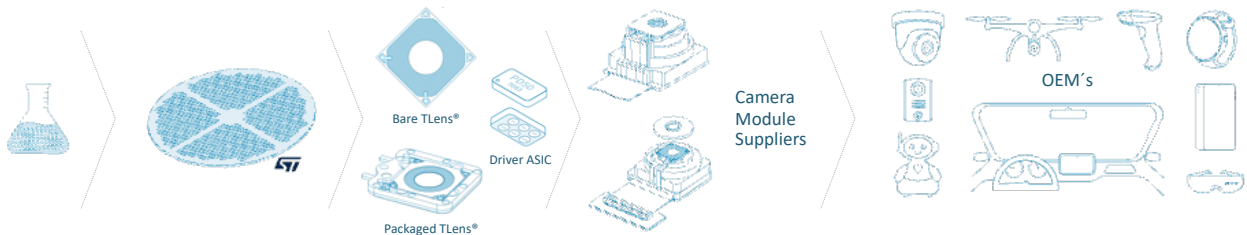
The TLens® Silver Premium is considered suitable for both consumer and industrial products, whereas the TLens® Silver is best suited for industrial applications where optical range is important.

Other products, based on the same technology platform, may be released. TWedge®, for example, is a product currently in development that will improve the resolution for µLED display solutions.

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 manufacturing partners in the Philippines and Taiwan, which assemble and test the complete TLens® products and ship them to camera module vendors.

From Gel > MEMS Wafer > TLens® > Camera module > OEM



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, augmented reality (AR) glasses, other wearables/IoT, industrial scanners, readers and sensors, and medical equipment.



Smartphones, wearables, accessories

- Smartphone represent a large addressable market for which billions of cameras are produced each year
- 1,5 billion phones per year with 1 front camera and an average of 3 back cameras
- Camera function remains a key killer app
- Potential addressable market for TLens®/poLight technology estimated at 3 billion units per year



Barcode/Industrial

- Evolving from 1D laser to 2D imaging barcode readers
- Lasers replaced by camera systems, where autofocus will improve efficiency in scanning and portfolio
- Barcode technology is spreading to new industries
- OEM scan engine vendors today are increasingly looking to enable machine vision capabilities on their current offerings



Augmented Reality (AR)

- AR is expected to grow significantly as the technology is rapidly expanding beyond entertainment and gaming to an increasing number of industrial, commercial, educational applications and later become a consumer device



Others

- New opportunities are emerging that could represent significant potential
- Medical endoscopy and automotive are two other examples of new opportunities for poLight technology

MESSAGE FROM THE CEO

“Once again, we had a busy year supporting an increasing number of customer cases and, not least, preparing for a smartphone project. We have worked hard over many years to qualify for our first smartphone project. Although we have been close to a market breakthrough several times, last-minute changes in customer product release strategies have delayed our entrance into the smartphone market. But finally, we have our chance to show the world our unique technology and the improved user experiences it will offer.

The Augmented Reality (AR) market continues to develop very positively for poLight. We are already being used in two enterprise AR glasses, Magic Leap 2¹ and LLVision. In addition, it has been confirmed that TLens[®] will be included in other enterprise AR glasses to be released in 2023. The technology is also involved in projects aiming to develop AR glasses for the consumer market. The platform we have built over the last year within the AR segment is impressive. Other market segments, such as the industrial, medical and, in the longer term, automotive sectors, also represent significant business opportunities that will help to future-proof poLight.

So, overall, we have experienced a hectic year and made a lot of encouraging progress. However, there are still challenges to overcome. The organisation is showing an impressive dedication and willingness to tackle what needs to be done and deserves a big vote of thanks! We are looking forward to the coming years!”

Dr Øyvind Isaksen
CEO, poLight ASA

¹ <https://www.yolegroup.com/technology-insights/the-polight-tlens-piezoelectric-mems-autofocus-module-is-in-the-magic-leap-2/>

BOARD OF DIRECTORS



Grethe Viksaas
Chair, Independent

Grethe Viksaas has had a long career in 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 held 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, Crayon Group Holding ASA and CatalystONE Solutions Holding AS. She also chairs Farmforce AS's board of directors. Ms Viksaas has a master's degree in computer science from the University of Oslo.



Ann-Tove Kongsnes
Deputy Chair

Ann-Tove Kongsnes is an Investment Director and Deputy CEO at Investinor AS. Over the course of her career, Kongsnes has gained extensive experience of investment, development, M&A, IPOs and exits of technology companies. Prior to her present position, she worked for seven years in international marketing, and was formerly a Director of Marketing and Operations. Ms Kongsnes has extensive board experience, and currently serves on the boards of six of Investinor's portfolio companies. She also serves on or chairs four nomination committees. She holds an MSc in Economics and Business Administration from HIB and took the Advanced Program in Corporate Finance at NHH.



Thomas Görling
Board member

Thomas Görling is a Senior Investment Director at Stiftelsen Industrifonden (Sweden) and is closely involved in building successful technology companies. Representing Industrifonden, he has served on several portfolio company boards, at present HVR Cardio Oy (Finland) and eBuilder AB (Sweden). Before joining Industrifonden in 1998, Mr Görling held management positions within the European optical instrument and systems industry. He holds a Master of Science degree from the Royal Institute of Technology in Stockholm and studied business economics at Stockholm University.



Sverre-Tore Larsen
Board member, Independent

Sverre-Tore Larsen is CEO of Nordic Semiconductor, a position he has held since 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 worked at Philips Semiconductor. Sverre-Tore Larsen has a degree in Electrical Engineering from the University of Strathclyde, UK.



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 poLight since August 2014. He has previously held several CEO positions. Immediately prior to joining poLight, for example, he spent seven years as CEO of the publicly listed company Q-Free ASA. 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 poLight, he managed product development teams at Varioptic, Barco and Motorola/Symbol. Mr Craen holds an MSc in Optical Engineering from the Institut d'Optique Graduate School in Paris, as well as an MSc in Applied Physics from the University of Liege.



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 and 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 at NOK 50 per share (NOK 10 after share split). The company had 51,982,700 shares outstanding at the close of 2022, each with a nominal value of NOK 0.04. On 30 May 2022, the PLT share was split in the ratio of 1:5 which means every single share before the split became five shares after the split.

In 2022, the Group's share price declined from NOK 186.40 per share (NOK 37.28 after share split) at the beginning of the year to NOK 18.50 at the close. During the year, the share price varied between NOK 17.10 and NOK 38.80 per share. In total, 21,520,990 shares were traded in 2022 (share split adjusted volume), equivalent to 41 per cent of the shares outstanding.



Major shareholders and voting rights

poLight had 6,337 shareholders registered in the Norwegian Central Securities Depository (VPS) as at 31 December 2022. The 20 largest shareholders owned shares representing 50.6 per cent of the share capital. Non-Norwegian shareholders owned 22.5 per cent of the shares. All the shares registered by name carry equal voting rights. The shares are freely tradable.

poLight shareholders as at 31 December 2022

	Ordinary shares	Share- holding	Voting rights
		%	%
Investinor Direkte AS	8 899 290	17.1%	17.1%
Stiftelsen Industrifonden	5 244 125	10.1%	10.1%
Nordnet Bank AB (nominee)	2 408 642	4.6%	4.6%
Nordnet Livsforsikring AS	2 156 769	4.2%	4.2%
Deutsche Bank Aktiengesellschaft (nominee)	1 950 930	3.8%	3.8%
VPF Nordea Avkastning	778 075	1.5%	1.5%
VPF Pareto Investment	628 000	1.2%	1.2%
VPF Nordea Kapital	506 222	1.0%	1.0%
Danske Bank A/S (nominee)	392 754	0.8%	0.8%
VPF Nordea Norge Plus	362 535	0.7%	0.7%
Stefan Sveen	338 000	0.7%	0.7%
Saxo Bank A/S (nominee)	325 465	0.6%	0.6%
LHH AS	310 000	0.6%	0.6%
Kjell Mossefin	307 500	0.6%	0.6%
Asbjørn John Buanes	307 465	0.6%	0.6%
Erik Schellhorn	305 497	0.6%	0.6%
Trond Andersen	297 315	0.6%	0.6%
Fjellstuens Eftf. AS	296 285	0.6%	0.6%
Li Zhang	255 884	0.5%	0.5%
Åge Sverre Heggheim	222 000	0.4%	0.4%
Total number of shares owned by the 20 largest shareholders	26 292 753	50.6%	50.6%
Number of shares owned by other shareholders	25 659 947	49.4%	49.4%
Total number of shares	51 952 700	100.0%	100.0%

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 207,717, equal to 5,192,925 shares. In 2022, 27,220 shares (share split adjusted volume) were issued in order to fulfil the obligation to provide shares following the exercise of share options. As at 31 December, 3,275,312 share options (equal to 8.2 per cent of shares outstanding) were outstanding, all at a weighted average strike price of NOK 12.90 per share.

Corporate actions/events

	Date
LLVISION confirm release of enterprise augmented reality (AR) glasses using TLens®	04.04.2023
Customer announcement of release of a new flagship smartphone using TLens®	30.03.2023
Contemplated underwritten rights issue – notice of extraordinary general meeting	20.03.2023
Design-win award and PO received for smartphone	24.01.2023
Design-in award and PO received for samples for an augmented reality (AR) case	15.03.2022
Ex. date share split 1:5	30.05.2022
Capital Markets Day 2022	01.06.2022
Awarded another barcode design-win for industrial applications	07.06.2022
Proof-of-Concept Agreement with a top tier medical customer	27.06.2022

Follow-on order from an augmented reality (AR) customer

16.08.2022

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

poLight does not currently have analyst coverage. Any changes will be updated on the company's website www.polight.com.

Financial calendar 2023

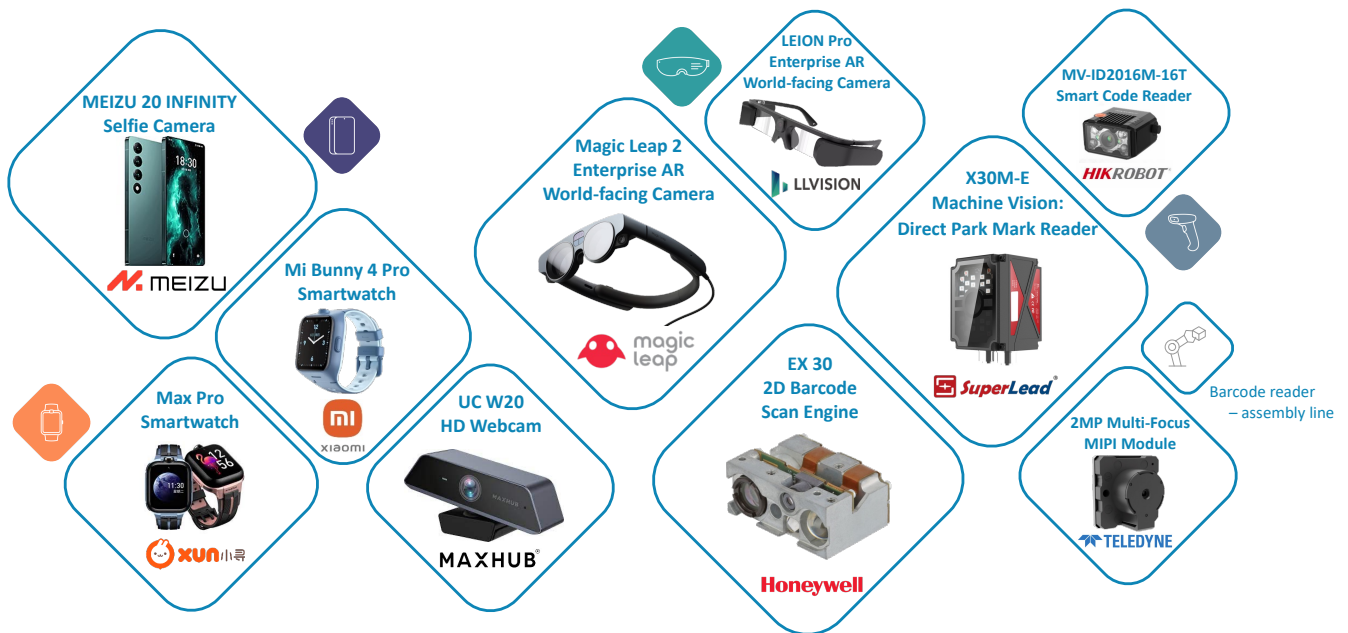
Date	Event
28 February 2023	Quarterly Report – Q4 2022
28 April 2023	Annual report 2022
11 May 2023	Quarterly Report – Q1 2023
24 May 2023	Annual General Meeting
17 August 2023	Half-yearly Report 2023
02 November 2023	Quarterly Report – Q3 2023
27 February 2024	Quarterly Report – Q4 2023

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

Overall progress in 2022 has been encouraging. poLight's TLens® is now used in 11 products, representing both consumer and professional applications, confirming the versatility and market potential of poLight's unique technology. There was a high level of activity related to the smartphone and augmented reality (AR) segments throughout the year, which has led to design-wins in both very strategically important market segments.

TLens® customer-wins per 26 April 2023



Corporate events in 2022

On 17 February 2022, Grethe Viksaas became chair of the Audit Committee, replacing Ann-Tove Kongsnes, who was at that time also Board Chair, in order to meet the requirements for good corporate governance.

At the company's AGM on 25 May 2022, Grethe Viksaas was elected to the position of Board Chair. At the same time, Ann-Tove Kongsnes was re-elected as a board member for another two years and became Deputy Chair. The AGM also appointed Jan-Erik Hæreid and Anne E.H. Worsøe as members of the company's Nomination Committee for a further two years.

On 15 June 2022, Ann-Tove Kongsnes was appointed chair of the Audit Committee.

Manufacturing and operations

poLight works primarily with two categories of subcontractors – a MEMS/wafer supplier (ST Microelectronics (ST) in Italy) and assembly partners. While ST produces the wafers/actuators, assembly partners assemble the complete product. The polymer (*i.e.* lens material) is produced at poLight's headquarters.

With regard to assembly and testing, the focus in 2022 has been on yield-improvement, improved final test setup (both in terms of quality and capacity) and securing supplies for existing and new customer projects. More work and higher production volumes over time will be needed to achieve our targeted yield numbers. In that respect, the start of deliveries to the smartphone project offers an excellent opportunity to improve the manufacturing process and yield. The prospect of achieving an acceptable yield has been confirmed by the output achieved over the past few quarters.

ST is currently manufacturing a significant backlog of wafers ordered by poLight, which is scheduled to be cleared in the first half of 2023. Important changes to the wafers, improving the optical performance of the TLens[®], have now been phased in.

Lead-time and capacity constraints in the industry remain challenging. This has required poLight to make material and capacity commitments well in advance of customer orders, leading to the build-up of wafer inventory.

Product development

Important improvement projects relating to the performance and reliability of existing products (TLens[®]) continued during the quarter. Some aspects will be implemented in the short term, while others have a longer-term horizon. With regard to new products/functionality, our main focus has been on TWedge[®], a potential new product that enables wobulation, a method for improving resolution in AR projection display solutions. Technical samples will be available in mid-2023. Customer interactions so far indicate that this may become a very important product. poLight seeks to establish early customer engagement in the development of this new product.

Market

Customer-related activities continued at a good level during the year. poLight is actively engaged in several market areas. This includes consumer market applications, such as smartphones, augmented reality devices and accessories, as well as a broad range of professional applications, such as barcode readers, medical devices and augmented reality glasses. Recent developments in the automotive market indicate a future need for autofocus solutions, and TLens[®] has been mentioned as a potential candidate. This market is demanding, and it will take a long time to qualify for such applications. Nevertheless, it is worthwhile exploring since the volume potential is significant.

Interest in our solutions remains high and the company continues to make progress on several projects with potential customers. In sum, TLens[®] technology is increasingly being recognised by potential customers in a wide range of market areas. Over time, this is expected to develop into a diversified revenue base for poLight.

Consumer market

The new camera module concept, based on add-in TLens[®] design, is continuing to open up new opportunities for different applications. Several reference designs have been developed to position TLens[®] for various use cases. During the year, the focus was on smartphone and augmented reality applications. Other applications, such as webcams, drones, etc., are also being explored.

poLight has been exploring the smartphone market for many years and been close to a market breakthrough several times. However, last-minute changes in customer product release strategies have delayed poLight's entrance into the smartphone market. After the close of the fourth quarter 2022, the company announced a design-win and mass production purchase order for a flagship phone to be announced during the first half year 2023. The volume is expected to be low, as it is a flagship phone.

At present, poLight has achieved four design-wins, three design-ins (two related to AR) and is involved in six ongoing proof of concept (PoC) projects relating to the consumer market. Two of the ongoing PoCs are consumer-oriented augmented reality cases.

Augmented reality (AR) market

TLens® is being considered/tested by several important AR/VR market players. The TLens® technology's low power-consumption, no gravity sensitivity, temperature stabilisation (often called athermalisation), high speed and compactness stand out as key technical benefits.

The company is currently included in two products already on the market – Magic Leap 2¹ and LLVision (see press release dated 4 April 2023). In addition, five design-ins have been confirmed (two of which are for consumer applications) while four PoCs (two of which are for consumer applications) are ongoing. Good progress was achieved in most cases during the year. Vuzix and XVisio are two of the design-ins mentioned above. They are expected to be launched onto the market around mid-year 2023. In addition, one more is expected to be launched onto the market towards end of the year.

To date, the use case for TLens® has mainly related to world-facing cameras. However, the company is also involved in various AR display applications based on both TLens® and TWedge®.

The AR market is entering a very important phase, and poLight expects to see several companies releasing new AR products in the coming years. Most of the initial customer cases relate to the professional/business market, so initial volumes will be low. Over time, however, AR devices are expected to address the consumer market, prompting a significant increase in demand some years down the road. In the longer term, the AR market is expected to be an important segment for the company.

Industrial market

The opportunity pipeline for this market segment is quite promising and slowly growing. It will take time to develop this market and will require entry into some broader application areas. In addition to barcode applications, the company is involved in various other industrial applications.

At the close of 2022, the company has achieved five design-wins and has 15 ongoing PoCs (13 of which are for barcode/machine vision applications). The Teledyne e2v product "2MP Multi-Focus MIPI Module" is the latest design-win.

Medical/Research

The company is continuing to support selected opportunities in this market segment. Most of the cases being explored are based on "incoming calls". Over time, this sector could potentially become an important market for poLight.

At the end of the year, the company was engaged in one design-win (Kavli, research), one design-in, and 15 ongoing PoCs.

The design-in relates to the announcements made on 20 August and 21 September 2021 regarding a disposable laparoscope being developed by Xenocor (<https://xenocor.com>). Development is now at an advanced stage. Human trials are expected to be carried out in the second quarter, with expected market release in mid-2023.

The Kavli design-win has generated a lot of activity, and similar research cases account for several of the company's ongoing PoCs. The main purpose of this activity is brand-building and providing support for important research. The other ongoing PoCs relate to business enterprises wishing to explore the use of TLens® in commercial products.

Sustainability

poLight aims to comply with all regulations regarding the Norwegian Transparency Act and the EU's Corporate Sustainability Reporting Directive (CSRD). For further details, please see the chapter on ESG (Environment, Social and Governance) later this annual report.

Organisation

poLight ASA had 12 full-time employees and two part-time employees at the close of 2022, compared to 12 full-time and no part-time employees in 2021. In addition, 12 consultants were engaged on long-term contracts, compared with 11 in 2021. The employees and consultants were located in eight different countries and represented 10 different nationalities. Women made up 27 per cent of the workforce, compared with 26 per cent in 2021. 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 is committed to the health, safety and welfare of its employees and their families, as well as its customers. Sickness absence came to 1.1 per cent in 2022, compared with 0.7 per cent in 2021. Sickness absence remains well below the Norwegian national average of approximately 6.8 per cent (2021: 6.4 per cent). No work-related accidents caused personal injuries or material damage in 2022.

Liability insurance

Members of poLight ASA's Board and management are covered by Directors and Officers (D&O) insurance provided by AIG. The insurance also includes poLight's subsidiaries. The Board considers the coverage to be reasonable.

Financial performance, poLight Group

The Group's consolidated revenue in 2022 totalled NOK 13.4 million, compared with NOK 10.0 million in 2021. NOK 10.0 million (2021: NOK 8.7 million) reflects sales of TLens® and ASICs for commercial use and sample deliveries, and NOK 3.3 million (2021: 1.4 million) reflects revenue from non-recurring engineering (NRE) relating to customer development projects. Geographically NOK 6.2 million of the revenue relates to customers in Asia, NOK 2.2 million in America and NOK 4.9 million in Europe.

Cost of sales totalled NOK 4.8 million in 2022, compared with NOK 3.9 million in 2021.

R&D expenses, net of government grants, amounted to NOK 32.9 million, up from NOK 25.4 million in 2021. Increased internal resources contributed to the increased expenditure. However, the most significant contributor was a reduction in government grants (see Note 14 *Government grants* for details). No development expenditures have been capitalised in the past two years. Expensed R&D costs include R&D

management, patents, improvements of the existing TLens®, feasibility studies on new concepts, and costs related to integration of TLens® in new customer applications/products.

Sales and marketing expenses totalled NOK 13.1 million, up from NOK 7.2 million in 2021, mainly due to increased sales activities. Operational/supply chain expenses totalled NOK 9.2 million, up from NOK 9.1 million in 2021.

Administrative expenses totalled NOK 12.1 million, up from NOK 6.9 million in 2021. As a result of the positive outcome of the VAT appeal, NOK 12 million was recognised as a cost reduction in 2021.

Depreciation and amortisation amounted to NOK 10.4 million, down from NOK 11.9 million in 2021.

The Group made an operating loss of NOK 69.1 million in 2022, compared with an operating loss of NOK 54.3 million in 2021.

Net financial items in 2022 totalled NOK 1.5 million, up from NOK 0.9 million in 2021. This is attributable primarily to interest on bank deposits. The tax expense in 2022 came to NOK 0.2 million, compared with NOK 0.1 million the year before.

The Group made a net loss of NOK 67.9 million in 2022, compared with a net loss of NOK 53.5 million in 2021. This represents a loss in 2022 of NOK 1.31 per share on a fully-diluted basis, compared with a loss of NOK 1.13 per share in 2021.

Financial position

As at 31 December 2022, total assets came to NOK 178.2 million, compared with NOK 238.7 million at year-end 2021. Total equity came to NOK 150.7 million, compared with NOK 213.4 million at year-end 2021. Intangible assets amounted to NOK 24.9 million as at 31 December 2022, compared with NOK 33.4 million at the close of 2021, reflecting amortisation over the year.

During the year, inventories increased by NOK 28.8 million to NOK 45.6 million at the close of 2022 (NOK 16.8 at year-end 2021). The increase in inventories mainly relates to wafers from ST Microelectronics and a higher number of finally assembled units. Increased stocks of components with long lead-times (e.g. wafers) will improve readiness for potential volume customers.

Trade and other receivables totalled NOK 8.4 million (NOK 22.1 million in 2021 including VAT claim receivables), of which recognised government grants accounted for NOK 4.6 million (NOK 7.3 million in 2021).

As at 31 December 2022, the company had cash and cash equivalents of NOK 84.2 million, compared with NOK 157.8 million at the close of 2021. The change was mainly a function of liquidity consumed by operating activities and inventory build-up.

Long-term liabilities totalled NOK 3.0 million at year-end 2022 (NOK 3.9 million in 2021). These relate to the lease of the company's headquarters in Horten, which was signed in the second quarter 2021. Total current liabilities at year-end 2022 came to NOK 24.6 million (NOK 21.3 million in 2021).

Cash flow

Net cash flow used in operating activities totalled NOK 63.6 million in 2022, compared with NOK 49.5 million in 2021. The increase is attributable to the inventory build-up of NOK 28.7 million.

Net cash flow used in investing activities totalled NOK 9.2 million in 2022, compared with NOK 2.1 million used in 2021. The increase is primarily due to investments of NOK 5.5 million in additional final test equipment in both Taiwan and the Philippines. The equipment includes sorting features with respect to various performance parameters.

Net cash flow used in financing activities totalled NOK 0.7 million in 2022. The NOK 132.3 million positive cash flow from financing activities in 2021 reflects the net proceeds from the share issues undertaken in that year, which raised NOK 130.3 million in net proceeds.

Financial performance, parent company

In 2022, the parent company generated NOK 13.4 million in gross revenue, compared with NOK 10.0 million the year before. It made an operating loss of NOK 71.3 million in 2022, after total operating expenses of NOK 79.8 million. In 2021, the parent company made a loss of NOK 55.9 million, after total operating expenses of NOK 62.1 million.

Operating expenses in 2022 include employee expenses (including consultants engaged on long-term contracts) of NOK 36.6 million, compared with NOK 38.4 million in the preceding year. The parent company had on average 26 employees and consultants in 2022, compared with 19 in 2021. In 2022, other operating expenses amounted to NOK 33.9 million, compared with NOK 12.9 million in 2021. (See Note 3 *Specification of operating expenses by nature*).

poLight ASA made a net loss of NOK 68.6 million in 2022, compared with a net loss of NOK 54.2 million in 2021.

The Board proposes that NOK 63.8 million be transferred from the share premium and NOK 4.8 million from retained earnings. The Board does not propose payment of a dividend for 2022.

Share capital

As at 31 December 2022, poLight ASA had a share capital of NOK 2.1 million, consisting of 51,952,700 shares, with a nominal value of NOK 0.04 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 207,717 (5,192,925 shares at a nominal value of NOK 0.04). As at 31 December 2022, 4,238,645 share options (equal to 8.16 per cent of shares outstanding) have been granted, all at a weighted average strike price of NOK 12.90 per share with a range from NOK 3.78 to NOK 22.80. 220,000 share options were granted during the year at strike price of NOK 21 per share. 3,275,312 share options were exercisable at 31 December.

Risks and risk management

poLight's risk management is based on the principle that risk assessment is an integral part of all business activities. Reference is also made to the ESG risk assessment described in the enclosed ESG Report. 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: To protect its intellectual property rights (IPR), poLight relies on a combination of patents, copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions. IPR constitutes one of poLight's key assets and poLight actively seeks to protect its products and technologies in the markets and geographic regions in which it operates, and elsewhere as deemed relevant. In its use of IPR, poLight faces several risks. For example, third parties may illegally copy or utilise poLight's IPR, third parties may (with or without merit) claim that poLight's use of IPR infringes the IPR of that third party, or the IPR of others may limit poLight's freedom to operate.

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. In April 2023 the company launched an underwritten preferential rights issue. The rights issue is fully underwritten and will, when it is completed at the beginning of May, raise NOK 135 million in gross proceeds. All the conditions for the obligations of the underwriters have been met. The company may in the future seek to raise further capital to finance R&D activities and expansion plans.

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.

Going concern and events in 2022

The risk factors associated with the Covid-19 pandemic relate to the supply chain. Difficulties in moving employees/competence between Europe and Asia have been reduced after the lifting of many travel restrictions. However, the implications of earlier Covid restrictions have significantly reduced spending and impacted various OEMs' sales volumes and consequently reduced demand from suppliers.

The current tensions between China and Taiwan could potentially have a negative impact on the company's operations. However, the company's main TLens® assembly activities have been moved to the Philippines, and only the final testing is carried out in Taiwan. A similar capability is being established in the Philippines, which will further reduce the risk.

Since poLight does not have any operations, customers or direct suppliers in Russia or Ukraine, the war in Ukraine has, to date, not had any direct consequences of significance for the Group's operations, other than the general impact of the war on the global situation.

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. Management and the Board of Directors are continuously evaluating the Group's liquidity requirements and in April 2023 the company launched an underwritten preferential rights issue. The rights issue is fully underwritten and will, when it is completed at the beginning of May, raise NOK 135 million in gross proceeds. All the conditions for the obligations of the underwriters have been met.

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's high activity levels are reflected in a growing opportunity pipeline.

The company has been, and is still, using substantial resources to position itself for the smartphone market and recently announced a design-win and first mass production purchase order. This is an important milestone for the company. Smartphones undoubtedly currently represent the most important volume market. The announced project relates to a flagship smartphone, and will therefore be a low volume case, it nevertheless represents a key reference for the company in all market segments.

The augmented reality (AR) market continues to develop very positively for poLight. We are already being used in the latest Magic Leap and LLVision AR enterprise glasses. Further it has been confirmed that TLens® will be included in other enterprise AR glasses to be released in 2023. The company is also involved in projects aiming to develop AR glasses for the consumer market. Other market segments, such as the industrial, medical and, in the longer term, automotive sectors, also represent significant business opportunities that will help to future-proof poLight.

In April 2023, poLight successfully launched a fully underwritten rights issue with the aim of raising NOK 135 million in gross proceeds to finance the Group's growth plan. The rights issue is expected to be completed at the beginning of May.

Statement by the Board of Directors and the CEO

We confirm that, to the best of our knowledge, the consolidated financial statements for 2022 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 2022 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 as a whole; 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.

polLight ASA
Horten, 28 April 2023

Grethe Viksaas (sign)
Chair, Independent

Ann-Tove Kongsnes (sign)
Deputy chair

Thomas Görling (sign)
Board member

Svenn-Tore Larsen (sign)
Board member, Independent

Dr Juha Alakarhu (sign)
Board member, Independent

Dr Øyvind Isaksen (sign)
Chief Executive Officer

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT (ESG)

1. Introduction

poLight ASA was founded in 2005 and is a publicly traded company (OSE: PLT) that offers a patented, proprietary tunable optics technology, starting with its first product TLens®, which replicates “the human eye” experience in autofocus cameras in devices such as smartphones, augmented reality glasses, smartwatches, barcode scanners, machine vision systems and medical devices. poLight’s TLens® enables better system performance and new user experiences due to differentiated advantages such as extremely fast focus, small size, ultra-low power consumption, no magnetic interference, no gravity sensitivity, and constant field of view.

poLight® has built a world-class team with expertise in optics, polymers, MEMS technology, imaging applications and camera systems. This team is establishing poLight® as the world leader in tunable optics. poLight® is a fabless company using MEMS foundry, assembly, and packaging services from well-established suppliers. poLight® is headquartered in Horten, Norway, with employees in Finland, France, China, Taiwan, US, UK and the Philippines.

2. Sustainability

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.

Sustainability Statement

We create sustainable technology

We are committed to creating cutting-edge technology for a sustainable world and doing so in a sustainable way. We will offer innovative products that remain highly efficient throughout their service life.

We prioritise people

People are our biggest asset. We work proactively to ensure employee health, respect, safety and wellbeing while maintaining a diverse and participation-based corporate culture that establishes optimum conditions for the sustainable commitment of our employees. We believe diversity enables innovation and stakeholder engagement, and supports growth.

We protect the planet

We are committed to protecting the environment by mitigating the impact of our activities and minimising our carbon footprint, thereby ensuring that our products and services can be delivered with minimal environmental impact. All of our operations, processes, business practices and entire value chain are firmly rooted in sustainability principles. We are committed to achieving carbon neutrality and reducing all greenhouse gas emissions in our operations, while also striving for zero waste.

We generate long-term value for all stakeholders

We believe we have an important role to play in the effort to create a sustainable future and that we are stronger if we act collectively. We are committed to collaborating with suppliers who share our values and to working locally to improve the social, economic and environmental wellbeing of the communities in which we operate.

3. ESG risk assessment

Management carries out an annual ESG (environmental, social and governance) assessment, including a risk assessment, which is subject to evaluation by poLight ASA's Board of Directors. poLight uses a risk assessment tool developed by Investinor (poLight's largest shareholder), according to which the top three risks that are of importance to both stakeholders and poLight are:

1. Quality risks – customer satisfaction
To ensure quality in customer deliveries, poLight makes significant efforts to support the customer in the integration of the TLens[®] as well as thoroughly testing of the products before shipping.
2. Supply chain risks
poLight places great emphasis on qualifying and carrying out continuous improvement processes together with manufacturing partners to ensure the quality, cost-effectiveness and robustness of the supply chain. While managing supply chain partners in general is demanding, it is particularly complex when preparing for various ramp-up scenarios in today's challenging global supply chain situation.
3. Business ethics
poLight's anti-corruption efforts have a high priority. Business associates must comply with poLight's code of conduct, which expresses a zero tolerance for all forms of corruption.

The company is increasingly aware of its role in contributing to the UN Sustainable Development Goals. For example, poLight's products are already in use in medical scientific equipment and thereby contribute to important research for the benefit of society at large. Although not vital for poLight's short or medium-term success, the company feels its engagement in this area is important in a wider social perspective. poLight's technology may also be used in compact surgical devices, making surgical procedures safer and more efficient.

4. Environmental

poLight is still in an early phase of its commercial development, with consequently low production volumes. For this reason, the environmental impact of its products is, at the present time, not considered to be significant. However, we do focus on environmental aspects of our production processes and have conducted projects to study the use of more environmentally friendly materials in the TLens[®].

With wafers manufactured in Europe, assembly in the Philippines and final test operations in Taiwan, some environmental impact is unavoidable, as a consequence of the transportation of wafers and TLens[®] products. With one TLens[®] weighing approx. 6 milligrams, the environment impact of their transportation is nevertheless limited, even at high volume. Since poLight operates globally and has customers in Europe, Asia and the USA, business travel is currently the largest contributor to the company's carbon footprint. Video conferences are therefore frequently used, both to reduce poLight's environmental impact and boost operational efficiency.

As mentioned in the Sustainability Statement, poLight is committed to protecting the environment. All business decisions are made with this in mind.

5. Social

poLight believes in the strength of diversity and has employees and consultants in eight different countries. As a technology company, poLight focuses on attracting and retaining employees, since these represent an important resource for the Group.

poLight's code of conduct states that: "poLight expects dedicated employees, who treat others with respect and maintain open communications. There shall be no discrimination or harassment on the grounds of age, gender, disability, race, sexual orientation, ethnic origin, religion or political affiliation. poLight shall be an attractive workplace with an inclusive working environment. poLight expects its employees to not act in ways that could harm the poLight brand. When we are working in cultures other than our own, we treat everyone – individuals as well as organisations – with respect, and act in accordance with national laws and regulations. We also pay attention to local etiquette and values in the countries where we are working. In meetings with contacts outside poLight, we behave with professionalism and courtesy. poLight supports and respects internationally recognised human rights, including those set out in the International Labour Organization's conventions. 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 abide by the same principles. All employees, partners, etc., are made aware of these guidelines."

To ensure the above:

- poLight conducts quarterly management reviews, which address all parts of the value chain with respect to risks and opportunities,
- all managers carry out quarterly MUST (mutual understanding and special topics) meetings,
- annual appraisals are performed,
- the CEO holds one-to-one meetings with all employees to take the temperature of the entire organisation,
- during the annual poLight seminar, the CEO highlights the importunateness of the code of conduct and ESG in general.

The company's whistleblowing procedure is described in the code of conduct.

Organisation

The Group had 24 full-time employees and two part-time employees at the close of 2022, compared with 22 full-time and no part-time employees in 2021. In addition, 12 consultants were engaged on long-term contracts, compared with 11 in 2021. The employees and consultants were located in eight different countries and represented 13 different nationalities. Women made up 25 per cent of the workforce, compared with 22 per cent in 2021. 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 is committed to the health, safety and welfare of its employees and their families, and its customers. Sickness absence came to 1.1 per cent in 2022, compared with 0.7 per cent in 2021. Sickness absence remains well below the Norwegian national average of approximately 6.8 per cent (2021: 6.4 per cent). No work-related accidents caused personal injuries or material damage in 2022.

6. Governance

poLight considers good corporate governance to be a prerequisite for value creation and credibility, as well as for attracting investors and accessing capital on favourable terms. See the Corporate Governance Report for further details.

7. Norwegian Transparency Act

The Norwegian Transparency Act went into effect on 1 July 2022. The Act requires companies to uphold human rights and ensure decent working conditions in their operations and supply chains.

poLight has embedded responsible business conduct in its code of conduct, which was last updated on 9 January 2023. As a standard practice when entering into new business agreements, our business associates are asked to commit to the code's provisions. poLight's code of conduct is available at [www.polight.com/Investors/Corporate Governance/ Code of Conduct](http://www.polight.com/Investors/Corporate%20Governance/Code%20of%20Conduct).

A risk assessment regarding human rights and decent working conditions has been performed by poLight. All direct Tier 1 suppliers are required to identify, assess, address and report on social impacts and risks. When conducting supply chain audits, specific actions have been standardised with respect to human rights and decent working conditions. In its risk assessments, poLight focuses on the following issues, among others:

- Health, safety and hygiene
- Working hours
- Waste and pollution

These issues are also addressed when approving new Tier 1 suppliers.

A separate transparency report will be published by 30 June 2023. The report will be available on poLight's web site at: www.polight.com/investors/Reports-and-presentations.

CORPORATE GOVERNANCE REPORT

8. 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 (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.

9. 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.

10. Equity and dividends

Capital adequacy

As at 31 December 2022, poLight's consolidated equity totalled NOK 150.7 million, which is equivalent to 85% of total assets. Liabilities were mainly trade payables and other payables. 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 25 May 2022, 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 of NOK 0.04 each, up to the share capital equivalent of NOK 207,717, is valid until the date of the 2023 AGM, or 30 June 2023 at the latest. As at 31 December 2022, shares equal to a share capital of NOK 1,089 have been issued under this authorisation.

The AGM on 25 May 2022 granted the Board a general authorisation to issue shares and to increase the share capital by a maximum of NOK 415,434. The authorisation is valid until the 2023 AGM, or 30 June 2023 at the latest. As at 31 December 2022, no shares have been issued under this authorisation.

The AGM also granted the Board an authorisation to buy back shares equal to a share capital of NOK 207,717. The authorisation is valid until the 2023 AGM, or 30 June 2023 at the latest. The authorisation had not been utilised as at 31 December 2022.

11. Equal treatment of shareholders and transactions with related parties

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 it by a general meeting of shareholders, the reason therefor shall be publicly disclosed in a stock exchange announcement.

Trading in treasury shares

Any trading undertaken by the company in its own shares shall be carried out through the stock exchange, and always at prevailing market 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 related parties

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

related parties in 2022. For further details see Note 18 *Related parties* to the financial statements in the Annual Report.

12. 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.

13. 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 2022, poLight held its AGM on 25 May.

14. 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 2022, the Nomination Committee elected by the AGM, consisted of the following three members:

- Thomas Wrede Holm (Investinor) as chair, elected until annual general meeting of 2023,
- Jan Erik Hæreid (independent), elected until annual general meeting of 2024 and
- Anne E. H. Worsøe (independent), elected until annual general meeting of 2024.

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 election to the Board 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 polLight ASA. Nominations are submitted by sending an e-mail to the Nomination Committee's chair at the following address: thomas.wrede-holm@investinor.no. Nominations must be received well in advance to be considered for election at polLight's AGM. All proposals should include information about the candidate, grounds for consideration and contact details for the person nominating the candidate concerned.

15. 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 2022, the Board consisted of the following five members: Grethe Viksaas (Chair), Ann-Tove Kongsnes (Deputy chair), Thomas Görling, Juha Alakarhu and Svernn-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. polLight'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 associates. Further, Grethe Viksaas, Juha Alakarhu and Svernn-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 at Board Meetings 2022	Shares in polLight 31 December (direct/ indirect)
Grethe Viksaas	Chair	Yes	June 2018	AGM 2023	100%	
Ann-Tove Kongsnes	Deputy chair	No	December 2011	AGM 2024	86%	5,244,125 (1)
Thomas Görling	Board member	No	May 2021	AGM 2023	100%	2,408,642 (2)
Juha Alakarhu	Board member	Yes	May 2019	AGM 2023	86%	
Svernn-Tore Larsen	Board member	Yes	May 2019	AGM 2023	71%	

- 1) Ann-Tove Kongsnes is Investment Director and Head of International Affairs at Investinor AS. Investinor Direkte AS held 5.24 million shares in poLight ASA at 31 December 2022
- 2) Thomas Görling is a Senior Investment Director at Stiftelsen Industrifonden, which held 2.4 million shares in poLight ASA at 31 December 2022

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

16. 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 and Sustainability Committee

The Audit and Sustainability Committee supports the Board with respect to the assessment and control of financial risk, financial and sustainability reporting, auditing and control, and prepares discussions and resolutions for board meetings. The Audit and Sustainability Committee does not make decisions on behalf of the Board, and the establishment of the committee does not alter the Board's legal responsibilities or tasks. In addition, under the whistleblower procedure, complaints from employees and other concerned parties are received and followed up by the Audit and Sustainability Committee. The Chief Financial Officer participates in the meetings. The committee meet quarterly as a minimum but may meet more frequently if deemed advisable. One meeting per year is held with the auditor without the Chief Financial Officer or any other members of the Group Management and administration being present.

The Audit and Sustainability Committee held five meetings in 2022 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;

- the Company's financial statements, accounting and financial reporting processes and financial statement audits

- the Company's compliance with legal and regulatory requirements
- the Company's independent auditors' qualifications, independence and performance

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

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

As at 31 December 2022, the Audit and Sustainability Committee consisted of the following two members: Ann-Tove Kongsnes and Grethe Viksaas.

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 2022, the Remuneration Committee consisted of the following three members: Ann-Tove Kongsnes, Grethe Viksaas and Thomas Görling.

Evaluation of the Board

The Board evaluates its performance and expertise annually.

17. 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.

18. 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 20 to the consolidated 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 must be approved by the Board of Directors.

19. Remuneration of executive management

The Board of Directors prepares guidelines for the remuneration of the company's executive management. These guidelines are communicated annually to the Annual General Meeting. A separate remuneration report will be published on poLight's website as a part of the notification of the Annual General Meeting.

The remuneration paid to members of executive management consists of a fixed salary in combination with certain benefits in kind and an performance-based bonus, in addition to participation in a share option scheme. See Note 5.2 *Employee benefits expense*, in the consolidated financial statements 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.

20. 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.

21. 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.

22. Auditor

The company's external auditor is KPMG. Each year, the Audit and Sustainability Committee ensures that it receives a presentation of the auditor's plan for its annual audit of the company. Additionally, the Audit and Sustainability Committee requires the auditor to participate in 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 and Sustainability 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 committee without the presence of the CEO and CFO.

The remuneration paid to the auditor is approved by shareholders at the AGM. The Audit and Sustainability 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 comprehensive income for the year ended 31 December

<i>(in NOK 000)</i>	Note	2022	2021
Sale of goods	4	10 034	8 683
Rendering of services		3 328	1 350
Revenue		13 363	10 032
Cost of sales	12	4 826	3 851
Gross profit		8 536	6 182
Research and development expenses	5.3	-32 907	-25 360
Sales and marketing expenses	5.4	-13 122	-7 224
Operational / supply chain expenses	5.5	-9 179	-9 139
Administrative expenses	5.6	-12 068	-6 868
Depreciation and amortisation and net impairment losses	8,9,11	-10 400	-11 923
Operating profit / loss (-)		-69 140	-54 332
Finance income	5.8	3 640	1 830
Finance costs	5.8	-2 145	-887
Net financial items		1 496	944
Profit / loss (-) before tax		-67 644	-53 388
Income tax expense	6	-242	-93
Profit / loss (-) for the year		-67 886	-53 481
Attributable to:			
Equity holders of the parent		-67 886	-53 481
Non-controlling interests		0	0
Earnings per share:			
Basic, attributable to ordinary equity holders of the parent (NOK)	7	-1.31	-1.13
Diluted, attributable to ordinary equity holders of the parent (NOK)	7	-1.31	-1.13

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

<i>(in NOK 000)</i>	Note	2022	2021
Profit / loss (-) for the year		-67 886	-53 481
Other comprehensive income			
Exchange differences on translation of foreign operations		95	-5
Income tax effect		0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		95	-5
Total comprehensive income for the year, net of tax		-67 791	-53 486
Attributable to:			
Equity holders of the parent		-67 791	-53 486
Non-controlling interests		0	0

Consolidated statement of financial position as at 31 December

<i>(in NOK 000)</i>	Note	2022	2021
ASSETS			
Property, plant and equipment	8	10 748	2 356
Intangible assets	9	24 855	33 377
Right-of-use assets	11	3 871	4 778
Total non-current assets		39 474	40 511
Inventories	12	45 577	16 836
Trade and other receivables	13.1,14	8 386	22 078
Prepayments		557	1 456
Cash and cash equivalents	15	84 249	157 810
Total current assets		138 769	198 180
Total assets		178 242	238 691
EQUITY AND LIABILITIES			
Share capital	16	2 078	2 077
Share premium	16	145 785	209 320
Reserves		1 130	1 035
Retained earnings		1 699	977
Total equity		150 692	213 409
Lease liabilities	11	2 970	3 934
Total non-current liabilities		2 970	3 934
Trade and other payables	13.2	22 480	19 906
Current lease liabilities	11	1 100	942
Provisions	17	1 000	500
Total current liabilities		24 581	21 349
Total liabilities		27 550	25 282
Total equity and liabilities		178 242	238 691

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

		Attributable to equity holders of the parent			
		Share capital	Share premium	Retained earnings	Translation reserve
(in NOK 000)	Note				
As at 1 January 2021		1 810	125 753	238	1 040
Profit / loss (-) for the year				-53 481	
Other comprehensive income					-5
Total comprehensive income		0	0	-53 481	-5
Issue of ordinary shares	16	251	137 553		
Share options exercised	16	17	3 380		
Transaction costs	16		-7 530		
Equity-settled share-based payments	5.2			4 385	
Allocation to retained earnings			-49 836	49 836	
At 31 December 2021		2 077	209 320	977	1 035
Profit / loss (-) for the year				-67 886	
Other comprehensive income					95
Total comprehensive income		0	0	-67 886	95
Issue of ordinary shares	16				
Share options exercised	16	1	253		
Transaction costs	16				
Equity-settled share-based payments	5.2			4 821	
Allocation to retained earnings			-63 788	63 788	
At 31 December 2022		2 078	145 785	1 699	1 130

Consolidated statement of cash flows for the year ended 31 December

<i>(in NOK 000)</i>	Note	2022	2021
Operating activities			
Profit / loss (-) before tax		-67 644	-53 388
Adjustments for:			
Depreciation and impairment of property, plant and equipment and right-of-use assets	8	1 877	1 654
Amortisation and impairment of intangible assets	9	8 522	10 269
Net finance income	5.8	-1 496	-944
Equity-settled share-based payments	5.2	4 821	4 385
Other non-cash items		-430	937
Changes in unrealised net foreign exchange rate differences/fluctuations		143	21
Changes in working capital:			
Increase (-) in trade and other receivables and prepayments		11 925	-11 332
Increase (-) in inventories	12	-28 741	-7 669
Increase (+) in trade and other payables		2 574	9 223
Changes in provisions and government grants	17,14	3 166	-2 954
Interest received	5.8	2 255	585
Interest paid	5.8	-330	-203
Income tax paid		-242	-129
Net cash flows used in operating activities		-63 600	-49 546
Investing activities			
Purchase of property, plant and equipment	8, 9	-9 202	-2 142
Net cash flows used in investing activities		-9 202	-2 142
Financing activities			
Proceeds from issuance of ordinary shares	16	0	137 803
Proceeds from exercise of share options	16	254	3 397
Transaction costs on issuance of shares	16	0	-7 530
Payment of lease liabilities	11	-964	-1 355
Net cash flows from / (used in) financing activities		-710	132 315
Net increase in cash and cash equivalents		-73 513	80 627
Effect of exchange rate changes on cash and cash equivalents		-49	-26
Cash and cash equivalents at 1 January	15	157 810	77 209
Cash and cash equivalents at 31 December	15	84 249	157 810

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 Innlaget 230, N-3185 Skoppum, 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 18 *Related parties*.

The consolidated financial statements of poLight ASA and its subsidiaries (collectively, poLight or the Group) for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 28 April 2023, to be approved by the annual general meeting on 24 May 2023.

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 2022 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.

- Non-recurring engineering ("NRE") 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

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 limited 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 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 the 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, 2022 and 2021 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 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 licence

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. When determining the net realisable value, the Group assesses the provision for obsolescence. Customers' demand and age are parameters that are considered when assessing this provision.

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 comprehensive 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 fair value of share options that are granted has been calculated using the Black-Scholes option pricing model. The basis for the valuation comprises several factors that affect the calculated fair value of granted share options like the share price at the date of the grant, exercise price (strike), the expected number of share options that will ultimately vest, risk-free interest rate and the volatility that is deemed based on historic volatility of the poLight share.

The cost of equity-settled transactions is recognised in employee benefits expense (Note 5.2 *Employee benefits expense*), 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 share options expense includes accrued social security expenses that are calculated based on the number of vested share options and a proportion of share options under vesting multiplied by the difference between market price and exercise price at the end for the period. The expense 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

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 of "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

The preparation of poLight's consolidated financial statements requires the use of accounting estimates. Management also needs to exercise judgment in applying poLight's accounting policies. These estimates and judgments affect the reported amounts of assets, liabilities, income and expenses, and the accompanying disclosures. Accounting estimates and assumptions, which are continuously reviewed, are based on historical experience and various other factors that are believed to be reasonable and appropriate under the circumstances. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment

to the carrying amount of assets or liabilities affected in future periods. Changes in accounting estimates and judgments in the application of accounting policies are recognized in the period in which the estimates and judgments are revised, if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current and future periods.

The following summarizes the most significant judgments and estimates used in preparing the consolidated financial statements.

Impairment of non-financial assets

Cash-generating units are reviewed for impairment when indicators exist. Judgments 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 *Research and development costs* 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 5.2 *Employee benefits expense*.

Provision for obsolescence

When estimating net realisable value of the inventory the Group assesses the provision for obsolescence. Customers' demand, expected sales prices obtainable in the market and age are parameters that are considered when assessing this provision. Customers' demand for each product and each variant of the products are determined based on feedback from customers using the TLens® in released products as well as completed and ongoing PoC's. Specifically, poLight has made provision on most of the first generation of the TLenses as it most likely is not addressable to the smart phone market or other mass market products as was intended originally when the wafers were produced. A provision has also been made for low volume units with high purchase price and lenses that are yet to be tested are partly written down as it is expected that some items will not pass the pre-test and final quality control. In addition, a general provision has been made for aging of wafers. As there have been limited sales volumes to date, the provisions made are subject to significant estimation uncertainty.

The provision is disclosed in Note 12 *Inventories*.

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 and Sustainability 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 5.2 *Employee benefits expense*, Share option plans

Note 12 *Inventories*

4 Segment information

The Group has only one operating segment – the TLens® technology platform, 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	
	2022	2021
America	2 198	2 618
Asia	6 222	6 026
Europe	4 943	1 388
Total	13 363	10 032

Geographical distribution (in NOK 000)	Right-of-use assets		Machinery & equipment		Development costs	
	2022	2021	2022	2021	2022	2021
Norway	3 871	4 778	2 689	2 097	24 855	33 377
France	0	0	21	16	0	0
Finland	0	0	50	26	0	0
Taiwan	0	0	1 490	184	0	0
The Philippines	0	0	6 461	0	0	0
China	0	0	36	34	0	0
Total	3 871	4 778	10 748	2 356	24 855	33 377

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	2022	2021
Employee benefits expense ¹⁾	5.2	45 614	46 866
Depreciation and amortisation		10 400	11 923
Other operating expenses ²⁾		21 663	1 726
Total operating expenses		77 676	60 514

1) Including consultants engaged on long-term contracts

- 2) The positive outcome of the VAT appeal resulted in approximately NOK 12 million being recognised as a cost reduction in 2021

5.2 Employee benefits expense

<i>(in NOK 000)</i>	2022	2021
<i>Included in Research and development expenses:</i>		
Wages and salaries	10 533	10 495
Consultants engaged on long-term contracts	8 540	3 979
Social security costs	1 935	2 190
Pension costs	554	374
Other benefits and social costs	422	511
Share based compensation costs (share options)	893	1 951
Grants	-802	-2 162
<i>Included in Sales and marketing expenses:</i>		
Wages and salaries	3 354	2 929
Consultants engaged on long-term contracts	3 292	1 509
Social security costs	616	611
Pension costs	176	104
Other benefits and social costs	135	143
Share based compensation costs (share options)	1 883	880
<i>Included in Operational / supply chain expenses:</i>		
Wages and salaries	1 679	1 940
Consultants engaged on long-term contracts	3 574	2 342
Social security costs	308	405
Pension costs	88	69
Other benefits and social costs	67	95
Share based compensation costs (share options)	466	1 530
<i>Included in Administrative expenses:</i>		
Wages and salaries	8 770	7 808
Consultants engaged on long-term contracts	80	0
Social security costs	1 611	1 630
Pension costs	461	278
Other benefits and social costs	352	380
Share based compensation costs (share options)	-3 375	6 875
Total employee benefits expense	45 614	46 866
Average number of full-time equivalents, employees	23	21
Average number of full-time equivalents, total including long-term contractors	35	27

All employees are included in a cash bonus programme, with identical bonus criteria for all employees except the CEO. 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.

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 2022 7% of the salary between 0G (1G=NOK 111,477) and 7.1G, and 15% of the salary between 7.1G and 12G was

calculated. In 2021 5.55% of the salary between 1G (1G=NOK 106,399) 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>	2022	2021
Defined contribution plan	1 195	734
Social security tax	168	104
Total pension cost	1 363	838

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 company have two programs.

Program 1: The share options in each agreement are vested over 3 years, and exercisable with 1/36 each month over 3 years, at the expiry of each calendar month, starting at the date of grant. The company is liable for corporate taxes including National Insurance up to 20%.

Program 2: The share options in each agreement are vested over 3 years, and exercisable when fully vested. The employee covers all corporate taxes including National Insurance.

Both programs are 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. Exercisable share options may as a general rule, be exercised and shares issued once per quarter each following the release of poLight ASA's quarterly reports.

Share option expense <i>(in NOK 000)</i>	2022	2021
Share based compensation costs	4 821	4 385
Accrued social security	-4 953	6 852
Recognised as employee benefits expense	-133	11 236

The share options expense includes accrued social security expenses that are calculated based on the number of vested share options and a proportion of share options under vesting multiplied by the difference between market price and exercise price at the end for the period.

The board is authorised to issue additional shares - in share option scheme - up to total par value of NOK 207 717 (5,192,925 shares at par value of NOK 0.04).

Outstanding share options at December 31, 2022

Year issued	Exercise price (NOK)	Outstanding no. of share options	Exercisable no. of share options	Remaining contractual life (years)	Total expensed (in NOK 000)	Remaining estimated expense (in NOK 000)
2018	10.00	1 617 296	1 617 296	0,80	6 320	0
2019	3.78	202 210	202 210	1,47	375	0
2019	5.40	248 875	248 875	1,47	303	0
2019	6.75	331 930	331 930	1,47	262	0
2020	14.98	948 335	755 835	2,67	6 333	149
2021	22.80	670 000	107 083	3,45	4 844	3 773
2022	21.00	220 000	12 083	4,83	364	1 443
Total		4 238 646	3 275 312		18 801	5 365

Reconciliation of outstanding share options

	2022		2021	
	Number of share options	WAEP	Number of share options	WAEP
Outstanding at 1 January	4 045 865	12.4	3 820 660	10.1
Granted during the year	220 000	21.0	670 000	22.8
Forfeited during the year	0		-27 220	8.3
Exercised during the year	-27 221	9.4	-417 575	8.1
Expired during the year	0		0	
Outstanding at 31 December	4 238 646	12.9	4 045 865	12.4
In % of outstanding shares	8.16 %		7.79 %	
Exercisable at 31 December	3 275 312	10.6	2 734 115	9.8

The weighted average exercise price (WAEP) for the share options exercised during 2022 was NOK 9.4 (2021: NOK 8.1), and the average market price at the exercise dates was NOK 25.1 (2021: NOK 26.42).

The weighted average exercise price for the share options outstanding as at 31 December 2022, was NOK 12.9 (2021: NOK 12.4) with a range from NOK 3.78 to NOK 22.80. The weighted average remaining contractual life for the share options outstanding as at 31 December 2022 was 2.01 years (2021: 2.85 years).

At the end of the year, the weighted average exercise price was NOK 10.6 (2021: NOK 9.8) on exercisable options.

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

Share option valuation

The fair value of the options granted in 2022 has been calculated to NOK 1.8 million excluding social security expenses (2021: NOK 5.8 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:

	2022		2021
	<i>Program 1</i>	<i>Program 2</i>	
Price at grant date	NOK 20.05	NOK 20.05	NOK 22.88
Exercise price	NOK 21	NOK 21	NOK 22.80
Maximum ¹⁾ option life	5 years	5 years	5 years
Assumed option life ²⁾	2.5 years	4 years	4 years
Risk-free interest rate	3.26%	3.26%	1.15%
Volatility	60 %	60 %	80 %
Fair value per share option	NOK 7.5	NOK 9.5	NOK 13.42

- 1) 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.
- 2) The option life reflects the vesting time plus one year.

Expected vesting is estimated based on employee turnover, and volatility is deemed based on historic volatility.

Sensitivity analysis

The fair value of the share options granted in 2022 of NOK 1.8 million was determined based on an assumption of a volatility of 60%. At a volatility of 80%, holding other assumptions constants, would have increased the fair value with NOK 0.5 million over the three-year vesting period. A decrease in the assumed lifetime of the share options with 1 year, would have decreased the fair value with NOK 0.4 million over the vesting period.

5.3 Research and development expenses

<i>(in NOK 000)</i>	2022	2021
Employee benefits expense (incl. consultants)	22 878	19 500
Other operating expenses	14 922	17 747
Less government grants	-4 892	-11 886
Capitalized	0	0
Total Research and development expenses	32 907	25 360

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. None of the development projects were eligible for capitalisation during 2022 and 2021.

R&D costs that are expensed, includes R&D management, patents, improvements of the TLens (see Note 14 *Government grants*), feasibility study of new concepts, software applications and costs related to integration of TLens in new customer applications/products.

5.4 Sales and marketing expenses

<i>(in NOK 000)</i>	2022	2021
Employee benefits expense (incl. consultants)	9 457	6 176
Other operating expenses	3 666	1 048
Total Sales and marketing expenses	13 122	7 224

5.5 Operational/supply chain expenses

<i>(in NOK 000)</i>	2022	2021
Employee benefits expense (incl. consultants)	6 182	6 381
Other operating expenses	2 997	2 758
Total Operational / supply chain expenses	9 179	9 139

5.6 Administrative expenses

<i>(in NOK 000)</i>	2022	2021
Employee benefits expense	7 900	16 971
Refund of VAT claim	0	-11 624
Other operating expenses	4 168	1 521
Total Administrative expenses	12 068	6 868

On 16 December 2021, the Tax Appeals Board issued a final decision and upheld the appeal, giving polight full refund of the VAT claim. NOK 12.4 million was recognised in the fourth quarter 2021, whereof NOK 11.6 million as a reduction of administrative expenses and NOK 0.8 as financial income (see Note 17 *Provisions*).

5.7 Auditor's remuneration

<i>(in NOK 000)</i>	2022	2021
Statutory audit fee	798	689
Audit related fee	34	55
Tax related fee	30	30
Other service fee	68	41
Total Auditor's remuneration (excluding VAT)	930	814

5.8 Financial items

<i>(in NOK 000)</i>	2022	2021
Foreign exchange gain	1 391	465
Interest income	2 249	585
Interest income VAT appeal case	0	780
Finance income	3 640	1 830
Foreign exchange losses	1 776	599
Interest expense on lease liabilities	330	203
Finance expenses	38	84
Finance cost	2 145	887

6 Income tax

The significant components of income tax expense are:

<i>(in NOK 000)</i>	2022	2021
Consolidated statement of profit or loss		
Current income tax expense	242	93
<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	242	93

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>	2022	2021
Calculated income tax at statutory rate of 22%	-14 882	-11 746
Government grants exempt from tax	-1 015	-1 045
Tax effect of permanent differences	-41	2 117
Transaction costs share issues	0	-1 657
Change in unrecognised deferred tax assets	16 280	12 374
Change in tax rate	0	398
Effect of different tax rates compared with Norwegian tax rate	-71	-65
Foreign currency effects	-28	132
Adjustments previous year	0	-415
Income tax expense	242	93
Effective tax rate	0.4 %	0.2 %

Movements in deferred tax balances

2022 (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	427	-423	0	4	4	0
Intangible assets	5 301	-135	0	5 166	5 166	0
Inventories	2 903	74	0	2 978	2 978	0
Group loan	-1 070	0	-318	-1 387	0	-1 387
Provisions	110	110	0	220	220	0
Tax losses carried forward	145 452	17 070	0	162 522	162 522	0
Tax assets (liabilities) before set-off	153 123	16 696	-318	169 502	170 889	-1 387
Set-off of tax				0	-1 387	1 387
Unrecognised deferred tax assets				-169 502	-169 502	
Net tax assets (liabilities)				0	0	0

2021 (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	501	-74	0	427	427	0
Intangible assets	5 436	-135	0	5 301	5 301	0
Inventories	2 788	116	0	2 903	2 903	0
Group loan	-1 361	0	291	-1 070	0	-1 070
Provisions	102	8	0	110	110	0
Tax losses carried forward	133 283	12 168	0	145 452	145 452	0
Tax assets (liabilities) before set-off	140 749	12 083	291	153 123	154 193	-1 070
Set-off of tax				0	-1 070	1 070
Unrecognised deferred tax assets				-153 123	-153 123	
Net tax assets (liabilities)				0	0	0

Total unrecognised deferred tax assets net, relate to

(in NOK 000)	2022	2021
Norway (no expiry date)	162 193	146 746
France (no expiry date)	7 309	7 038
Total unrecognised deferred tax assets	169 502	153 784

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:

	2022	2021 ¹⁾
Weighted average number of ordinary shares for basic EPS	51 939 025	47 341 744
<i>Effect of dilution:</i>		
Share options in-the-money (average)	3 073 867	2 507 374
Anti-dilutive for the periods presented	-3 073 867	-2 507 374
Weighted average number of shares adjusted for the effect of dilution	51 939 025	47 341 744

1) Restated following a share split of 1:5 resolution on 31 May 2022

Fully vested and Exercisable 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>	2022	2021
Profit / loss (-) attributable to ordinary equity holders of the parent	-67 886	-53 481
Earnings per share for income attributable to equity holders of polight:		
Basic	-1.31	-1.13
Diluted	-1.31	-1.13

8 Property, plant and equipment

<i>(in NOK 000)</i>	Building	Equipment	Total
Cost at 1 January 2021	287	12 268	12 554
Additions	1 126	1 016	2 142
Disposals at cost	-287	-313	-599
Foreign currency translation effect	0	-110	-110
Cost at 31 December 2021	1 126	12 861	13 987
Accumulated depreciation and impairment losses at 1 January 2021	-287	-11 428	-11 715
Depreciation	-113	-512	-625
Accumulated depreciation and impairment losses disposals	287	313	599
Effect of changes in foreign exchange	0	110	110
Accumulated depreciation and impairment losses at 31 December 2021	-113	-11 518	-11 631
Net book value at 31 December 2021	1 013	1 343	2 356
<i>(in NOK 000)</i>	Building	Equipment	Total
Cost at 1 January 2022	1 126	12 861	13 987
Additions	106	9 096	9 202
Foreign currency translation effect	0	124	124
Cost at 31 December 2022	1 232	22 081	23 313
Accumulated depreciation and impairment losses at 1 January 2022	-113	-11 518	-11 631
Depreciation	-236	-482	-717
Impairment losses	0	-94	-94
Effect of changes in foreign exchange	0	-122	-122
Accumulated depreciation and impairment losses at 31 December 2022	-348	-12 217	-12 565
Net book value at 31 December 2022	884	9 864	10 748
Estimated useful lives (years)	1)	3-5	

1) Modifications and upgrades in leased premises are depreciated over the leasing period that is estimated to 5 years (including an option to extend the lease with 2 years).

9 Intangible assets

<i>(in NOK 000)</i>	Development costs and TLens patents	Software license	Total
Cost at 1 January 2021	78 184	242	78 427
Disposals	0	-61	-61
Cost at 31 December 2021	78 184	181	78 365
Accumulated amortisation and impairment losses at 1 January 2021	-34 539	-242	-34 780
Amortisation	-10 269	0	-10 269
Disposals	0	61	61
Accumulated amortisation and impairment losses at 31 December 2021	-44 807	-181	-44 988
Net book value at 31 December 2021	33 377	0	33 377

<i>(in NOK 000)</i>	Development costs and TLens patents	Software license	Total
Cost at 1 January 2022	78 184	181	78 365
Cost at 31 December 2022	78 184	181	78 365
Accumulated amortisation and impairment losses at 1 January 2022	-44 807	-181	-44 988
Amortisation	-8 522	0	-8 522
Accumulated amortisation and impairment losses at 31 December 2022	-53 329	-181	-53 511
Net book value at 31 December 2022	24 855	0	24 855

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 costs 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 which correlates with the remaining number of years of the first patent.

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 net of government grants received.

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, augmented reality and various medical equipment, 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 loss
CGU: TLens® technology platform			
At 31 December 2021	51 657	33 377	18 280
At 31 December 2022	43 135	24 855	18 280

The TLens® technology platform is poLight's major asset. In January 2020, the first product using TLens Silver was launched within the consumer market segment. A smartwatch phone for children, with a main camera with an advanced autofocus (AF) function delivered by poLight. Since then, additional 9 design-wins have been achieved. Additional three in consumer products, one web cam a second smartwatch and in January 2023 the first design-win in smartphone. poLight has also achieve several design wins in industrial products like barcode, augmented reality (AR) and medical.

The company has one major asset, the TLens® technology platform and the management has evaluated that the group as a whole is one CGU for impairment testing. The remaining carrying value of development costs are NOK 24.9 million and are related to TLens® technology platform, that includes the ASIC driver. Indicators of impairment of the TLens® technology platform have been reviewed, and none identified.

TLens® Platinum, that is a larger version of the TLens® is still under development. Engineering samples have been produced and have already been tested by some potential customers. However, activity to prepare TLens® 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 addition, management has evaluated that the equity value of the company 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 Lease agreements

poLight 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, Finland and China. The premises in Norway comprises 852 square meters. The contract expires in July 2024 with an option to extend the lease agreement with additional 2 years. The option is assumed to be utilised determining the lease period, increasing the lease assets and liabilities.

The office lease terms in 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		
<i>(in NOK 000)</i>	2022	2021
At 1 January	4 778	964
Additions	158	5 309
Termination of contract	0	-465
Depreciation expense	-1 066	-1 029
At 31 December	3 871	4 778

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

<i>(in NOK 000)</i>	2022	2021
At 1 January	4 876	1 048
Additions	159	5 309
Termination of contract	0	-522
Interest expense	330	243
Payments	-1 295	-1 202
At 31 December	4 070	4 876
Current, < 1 year	1 100	942
Non-current	2 970	3 934

The maturity analysis of lease liabilities are disclosed in Note 13.2 *Financial liabilities*.

The following are the amounts recognised in profit or loss:

<i>(in NOK 000)</i>	2022	2021
Depreciation expense of right-of-use assets	1 066	1 029
Interest expense on lease liabilities	330	243
Expense relating to short-term leases (included in research and development expenses)	407	389
Expense relating to short-term leases (included in sales and marketing expenses)	769	202
Expense relating to leases of low-value assets (included in administrative expenses)	46	40
Total amount recognised in profit or loss	2 617	1 904

The Group had total cash outflows for leases of NOK 2 516 in 2022 (2021: NOK 1 833). The Group also had non-cash additions to right-of-use assets and lease liabilities of NOK 159 in 2022 (2021: NOK 5 309). The addition is attributable to the yearly adjustment in lease payment for the company's headquarters in Horten.

12 Inventories

<i>(in NOK 000)</i>	2022	2021
Components; mainly wafers (at cost)	50 143	25 304
Finished goods; lenses and driver ASICs (at cost)	8 968	4 730
Obsolescence provision (expensed as cost of sales)	-13 534	-13 198
Total inventories at the lower of cost and net realisable value	45 577	16 836

During 2022, NOK 0.3 million (2021: NOK 0.5 million) was recognised as an obsolescence expense for inventories carried at net realisable value. This is recognised in cost of sales.

13 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 receivables, trade payables 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 2022.

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)
2022	+5%	-796	-428
	-5%	796	428
2021	+5%	-800	-576
	-5%	800	576

	Change in USD rate	Effect on profit before tax	Effect on equity
2022	+5%	-1 151	-2 605
	-5%	1 151	2 605
2021	+5%	-893	-893
	-5%	893	893

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 most 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 2022, most of the receivables consisted of government grants with low credit risk.

Credit risk from balances with banks are mitigated using 5 different Norwegian banks with a deposit limit of NOK 40 million each. Credit quality is assessed and regularly monitored.

Liquidity risk

At year-end, poLight had cash deposits of NOK 84 million. In April 2023 the company launched an underwritten preferential rights issue. The rights issue is fully underwritten and will, when it completed at the beginning of May, raise NOK 135 million in gross proceeds. All the conditions for the obligations of the underwriters have been met.

13.1 Financial assets

<i>(in NOK 000)</i>	2022	2021
Financial assets at amortised cost:		
Trade receivables	3 026	2 506
Grants recognised, not received	4 614	7 280
VAT receivables, VAT claim (note 17)	0	11 215
Other receivables	747	1 078
Total financial assets	8 386	22 078
Total current	8 386	22 078
Total non-current	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
2022	8 386	6 512	1 874	0	0	0	0
2021	22 078	21 721	322	35	0	0	0

13.2 Financial liabilities

<i>(in NOK 000)</i>	2022	2021
Financial liabilities at amortised cost, other than interest-bearing loans and borrowings:		
Trade payables	10 612	4 518
Other payables	7 923	6 490
Accrued employer's NICs on share option plan (note 5.2)	3 945	8 898
Provisions	1 000	500
Total	23 480	20 406
Total current	23 480	20 406
Total non-current	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 2.6 months
- Accrued employer's NICs on exercisable share options with remaining contractual life of 2.01 years as at 31 December 2022. See Note 5.2 *Employee benefits expense* for additional information.

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 2022					
Lease liabilities	346	1 015	3 232	0	4 593
Trade and other payables	20 679	1 801	0	0	22 480
Total	21 025	2 816	3 232	0	27 073

<i>(in NOK 000)</i>	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
As at 31. December 2021					
Lease liabilities	317	952	4 445	0	5 715
Trade and payables	18 256	1 650	0	0	19 906
Total	18 574	2 603	4 445	0	25 621

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, the Group may issue new shares and/or debt.

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

<i>(in NOK 000)</i>	2022	2021
Trade and other payables	23 480	20 406
Less: cash and short-term deposits	-84 249	-157 810
Net debt	-60 769	-137 403

The Group's capital structure is primarily based on deposits.

14 Government grants

<i>(in NOK 000)</i>	2022	2021
Receivable at 1 January	7 280	5 014
Received during the year	-7 558	-9 621
Grants recognised as reduction of research and development expenses in the consolidated statement of income	4 892	11 886
Receivable at 31 December	4 614	7 280

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 application reference design enabled by poLight technology, autofocus lens and ASIC projects.

<i>(in NOK 000)</i>	2022	2021
Current	4 614	7 280
Non-current	0	0
Total	4 614	7 280

15 Cash and short-term deposits

<i>(in NOK 000)</i>	2022	2021
Cash at banks	82 936	156 365
Restricted cash, taxes withheld	1 313	1 263
Restricted cash, deposits	0	181
Cash and short-term deposits	84 249	157 810

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

16 Issued capital and reserves

	2022	2021
Ordinary shares	51 952 700	51 925 480 ¹

2) Restated following a share split of 1:5 resolution on 31 May 2022

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 (in NOK 000)
At 1 January 2021 of NOK 0.20 each	9 048 822	1 810
Exercise of share options on 3 March 2021 each with a par value of NOK 0.20	79 378	16
Private placement on 13 September 2021 each with a par value of NOK 0.20	1 136 363	227
Exercise of share options on 29 September 2021 each with a par value of NOK 0.20	4 137	1
Subsequent offering on 21 October 2021 each with a par value of NOK 0.20	116 396	23
At 31 December 2021 of NOK 0.20 each	10 385 096	2 077
Exercise of share options on 1 March 2022 each with a par value of NOK 0.20	777	0
Exercise of share options on 25 May 2022 each with a par value of NOK 0.20	4 667	1
Share split of 1:5 on 31 May 2022, par value of NOK 0.04	41 562 160	
At 31 December 2022 of NOK 0.04 each	51 952 700	2 078

<i>(in NOK 000)</i>	Share premium
At 1 January 2021	125 753
Exercise of share options on 3 March 2021 average of NOK 40.36 (NOK 8.07 after split)	3 188
Private placement on 13 September 2021 of NOK 110 each (NOK 22 after split)	124 773
Exercise of share options on 29 September 2021 average of NOK 46.57 (NOK 9.31 after split)	192
Subsequent offering on 21 October 2021 of NOK 110 each (NOK 22 after split)	12 780
Decrease due to transaction costs for issued share capital	-7 530
Allocated to retain earnings	-49 836
At 31 December 2021	209 320
Exercise of share options on 1 March 2022 average of NOK 8.41 after split	33
Exercise of share options on 25 May 2022 average of NOK 9.54 after split	221
Allocated to retain earnings	-63 788
At 31 December 2022	145 785

To improve the consistency between the presented equity components in the Group and the parent company's statement of financial position, historical accumulated losses have been offset against share premium also in the consolidated statement of financial position. Comparative figures have been restated for 2021.

The board is authorised to increase the share capital issuing new shares up to a total nominal value of NOK 415 434 (10 385 850 shares at par value of NOK 0.04) that is approximately 20 per cent of shares 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 207 717 (5 192 925 shares at par value of NOK 0.04), that is approximately 10 per cent of shares outstanding. The company's share option schemes, with the opportunity to subscribe for shares in poLight, have been offered all employees (Note 5.2 *Employee benefits expense*).

17 Provisions

<i>(in NOK 000)</i>	Warranty provision	Claims	Total
At 1 January 2021	0	1 189	1 189
New or increased provisions	500	0	500
Unused reversed as administrative expenses	0	-1 189	-1 189
At 31 December 2021	500	0	500
New or increased provisions	500	0	500
At 31 December 2022	1 000	0	1 000

Expected timing of cash flow

<i>(in NOK 000)</i>	Warranty provision	Claims	Total
Current, < 1 year	1 000	0	1 000
Non-current	0	0	0
At 31 December 2022	1 000	0	1 000

Warranty provision

A general provision to meet potential claims under the warranty clause.

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 to the Tax Appeals Board (Skatteklagenemda). The entire claim was paid in 2018, except the additional associated taxes of NOK 1.2 million, that was accrued for as a provision.

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.

On 16 December 2021, Norway's Tax Appeals Board issued a final decision and upheld the appeal filed by poLight giving full refund of the VAT claim. NOK 12.4 million was recognised in the fourth quarter 2021, whereof NOK 11.6 million as a reduction of administrative expenses and NOK 0.8 as financial income. The outstanding amount was received in January 2022.

18 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	2022	2021
poLight ASA	R&D, Sales and management	Norway	100 %	100 %
poLight France SAS	R&D	France	100 %	100 %
poLight Finland Oy	R&D	Finland	100 %	100 %
poLight Hong Kong Limited	Holding company	HK, China	100 %	100 %
poLight (Shenzhen) Technical Service Company Limited	Sales	China	100 %	100 %

poLight ASA is the ultimate parent. None of the shareholders of poLight ASA has control of the company. As of 31 December 2022, the largest shareholder was Investinor Direkte AS, with an ownership of 17.13%.

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>	2022	2021
Purchases from subsidiaries	14 248	11 532

Outstanding balances	Currency	2022	2021
Subordinated loan agreement	EUR 000	2 750	2 750
Trade and other payables	NOK 000	1 217	511

A subordinated loan agreement was concluded on 29 December 2016, between poLight ASA and poLight 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 2022, 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 poLight France SAS, the currency translation effect is recognised in OCI. In the parent company an impairment loss of NOK 27 112 950 related to the subordinated loan have been recognised, whereof NOK 643 750 recognised in 2022.

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

A separate remuneration report will be published on poLight's website as a part of the notification of the Annual General Meeting.

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 2022 will be submitted for approval in the annual general meeting 24 May 2023 and will be available on poLight 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 employments 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 2022	2021
Øyvind Isaksen - CEO	3 274	791	160	377	415	5 016	5 653
Pierre Craen - CTO ²⁾	2 075	474	0	0	111	2 660	2 747
Alf Henning Bekkevik - CFO	1 363	35	152	18	0	1 569	1 661
Marianne Sandal - COO	1 714	387	178	47	111	2 438	2 354
Total management team	8 427	1 688	489	442	638	11 683	12 416

- 1) Fair value of the share options vested in 2022 are calculated using the Black-Scholes option pricing model at the date of the grant. No share options were exercised in 2022.

- 2) Pierre Craen has for the period 1.1.2022-31.12.2022 invoiced NOK 2,549 (2021: NOK 2,172) thousand of the remuneration through Tilia-Blue SRL as a consultant, included in the above figure.

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	1 683 746	0	0	0	1 683 746	1 605 968
Pierre Craen - CTO	310 615	0	0	0	310 615	289 712
Alf Henning Bekkevik - CFO	251 115	0	0	0	251 115	251 115
Marianne Sandal - COO	358 615	0	0	0	358 615	337 712
Total management team	2 604 091	0	0	0	2 604 091	2 484 507

The exercise price on exercisable share options for the management's balance at 31 December 2022 was NOK 9.88 per share in average. No share options were exercised in 2022.

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 and exercisable.

Remuneration members of the board

<i>(in NOK 000)</i>	2022	2021
Grethe Viksaas - chair of the board ¹⁾	338	213
Ann-Tove Kongsnes ²⁾	325	288
Svenn Tore Larsen	250	213
Juha Alakarhu	250	213
Thomas Görling ³⁾	250	125
Total Board of Directors	1 413	1 050

1) Chair of the board from May 25, 2022

2) Chair of the board to May 25, 2022

3) Member from May 26, 2021

There are no loans from polLight to the management or members of the board.

Remuneration of the nomination committee

<i>(in NOK 000)</i>	2022	2021
Thomas S. Wrede-Holm - chair	40	20
Jan-Erik Hæreid	35	20
Anne E. H. Worsøe	35	20
Total Nomination Committee	100	60

19 Events after the end of the reporting period

No events have occurred after the end of the reporting period that requires disclosure except that in April 2023 the company launched an underwritten preferential rights issue. The rights issue is fully underwritten and will, when it completed at the beginning of May, raise NOK 135 million in gross proceeds. All the conditions for the obligations of the underwriters have been met.

20 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 – for the year ended 31 December

<i>(in NOK 000)</i>	Note	2022	2021
Sale of goods	2	10 034	8 683
Rendering of services	2	3 328	1 350
Revenue		13 363	10 032
Cost of sales	13	4 826	3 851
Gross profit		8 536	6 182
Research and development expenses		-34 547	-26 142
Sales and marketing expenses		-13 433	-7 866
Operational / supply chain expenses		-9 179	-9 139
Administrative expenses		-13 361	-8 127
Depreciation, amortisation and net impairment losses	10,11	-9 286	-10 855
Operating profit / loss (-)		-71 269	-55 948
Net financial items	8	2 660	1 728
Profit / loss (-) before tax		-68 609	-54 220
Income tax expense	9	0	0
Profit / loss (-) for the year		-68 609	-54 220
Allocated to/from:			
Share premium	17	-63 788	-49 836
Retained earnings	17	-4 821	-4 385
Profit / loss (-) for the year		-68 609	-54 220

Balance sheet poLight ASA – as at 31 December

<i>(in NOK 000)</i>	Note	2022	2021
ASSETS			
Property, plant and equipment	10	10 641	2 280
Intangible assets	11	24 855	33 377
Investments in subsidiaries	12	320	320
Subordinated loan to subsidiaries	14,20	1 800	1 000
Total non-current assets		37 615	36 977
Inventories	13	45 577	16 836
Trade receivables	14	3 026	2 506
Other receivables	14	5 608	20 325
Cash and cash equivalents	15	78 808	154 660
Total current assets		133 019	194 326
Total assets		170 634	231 303
EQUITY AND LIABILITIES			
Share capital	16,17	2 078	2 077
Share premium	17	145 785	209 320
Total equity		147 863	211 397
Trade payables	14	11 311	4 932
Public duties payable		6 021	10 894
Other payables	14	5 440	4 080
Total current liabilities		22 771	19 906
Total liabilities		22 771	19 906
Total equity and liabilities		170 634	231 303

Horten, 28 April 2023

THE BOARD OF DIRECTORS OF POLIGHT ASA

Grethe Viksaas (sign)
Chair, Independent

Ann-Tove Kongsnes (sign)
Deputy chair

Thomas Görling (sign)
Board member

Svenn-Tore Larsen (sign)
Board member, Independent

Dr Juha Alakarhu (sign)
Board member, Independent

Dr Øyvind Isaksen (sign)
Chief Executive Officer

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

<i>(in NOK 000)</i>	Note	2022	2021
Operating activities			
Profit before tax		-68 609	-54 220
Depreciation, amortisation and net impairment losses	10,11	9 286	10 855
Changes in inventories, accounts receivables and accounts payable		-22 883	-7 483
Changes in other balance sheet items		15 224	-1 029
Net cash flows from / (used in) operating activities		-66 982	-51 877
Investing activities			
Purchase of property, plant and equipment	10	-9 124	-2 099
Dividend from subsidiaries	8	0	504
Net cash flows from / (used in) investing activities		-9 124	-1 595
Financing activities			
Proceeds from Issue of ordinary shares	17	0	137 803
Proceeds from exercise of share options	17	254	3 397
Transaction costs on issue of shares	17	0	-7 530
Net cash flows from / (used in) financing activities		254	133 670
Net increase in cash and cash equivalents		-75 852	80 198
Cash and cash equivalents at 1 January	15	154 660	74 462
Cash and cash equivalents at 31 December	15	78 808	154 660

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. The consolidated financial statements of the Group have been prepared in accordance with IFRS. The Company's accounting principles are similar to the accounting principles for the Group unless otherwise noted. Financial statement disclosures for the Company that are substantially different from the disclosures from the disclosures for the Group are shown below. See notes to the consolidated financial statements.

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 the risk and control has been transferred.

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.

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.

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

(in NOK 000)

	2022	2021
By business area		
TLens®	13 363	10 032
Total	13 363	10 032
Geographical distribution		
America	2 198	2 618
Asia	6 222	6 026
Europe	4 943	1 388
Total	13 363	10 032

3 Specification of operating expenses by nature

(in NOK 000)	Note	2022	2021
Employee benefits expense ¹⁾	5,6	36 635	30 594
Depreciation, amortisation and net impairment losses	10,11	9 286	10 855
Other operating expenses ²⁾	7,18	33 885	20 680
Total operating expenses		79 805	62 130

1) Including consultants engaged on long-term contract

2) The positive outcome of the VAT appeal resulted in approximately NOK 12 million being recognised as a cost reduction in 2021

4 Government grants

(in NOK 000)	2022	2021
At 1 January	7 280	5 014
Received during the year	-7 558	-9 621
Released to the statement of comprehensive income	4 892	11 886
At 31 December	4 614	7 280

poLight ASA has received grants for reimbursement of expenses related to technology and product development and customer product design.

5 Employee benefits expense

(in NOK 000)	2022	2021
Wages and salaries	17 127	16 512
Consultants engaged on long-term contract	15 486	7 830
Social security costs	2 732	3 245
Pension costs (note 6)	1 280	825
Other benefits and social costs	945	938
Share based compensation costs	-133	11 236
Grants	-802	-2 162
Total employee benefits expense	36 635	38 424

Average number of full-time equivalents, employees

14 14

Average number of full-time equivalents, total including long-term contracts

26 19

All employees are included in a bonus programme, with identical bonus criteria for all, except the CEO. 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 5.2 *Employee benefits expense*, in the consolidated financial statement.

Management and board member's remuneration are presented in Note 18 *Related parties*, in the consolidated financial statement.

6 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. In 2022 7% of the salary between 0G (1G=NOK 111,477) and 7.1G, and 15% of the salary between 7.1G and 12G was calculated. In 2021 5.55% of the salary between 1G (1G=NOK 106,399) and 7.1G, and 8% of the salary between 7.1G and 12G was calculated. At 31 December 2022, 18 members were covered by the plan.

<i>(in NOK 000)</i>	2022	2021
Defined contribution plan	1 195	734
Social security	168	104
Total pension cost	1 363	838

7 Auditor's remuneration

<i>(in NOK 000)</i>	2022	2021
Statutory audit fee	748	640
Audit related fee	34	55
Tax related fee	30	30
Other service fee	68	41
Total (excluding VAT)	880	765

8 Financial items

Finance income		
<i>(in NOK 000)</i>	2022	2021
Interest income from group companies *)	0	0
Other interest income	2 247	1 365
Currency gain on loan to group companies	1 444	0
Reversal of impairment on group loan	0	1 324
Dividend subsidiaries	0	504
Other financial income (currency gain)	1 391	465
Total finance income	5 082	3 659

*) According to the subordinated loan (see Note 14 *Intercompany balances with group companies*) 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 expenses		
<i>(in NOK 000)</i>	2022	2021
Other interest expenses	2	1
Currency loss on loan to group companies	0	1 324
Impairment of group loan	644	0
Other financial expenses (currency loss)	1 776	606
Total finance expenses	2 422	1 931

9 Income tax

Income tax expense

(in NOK 000)

2022 2021

Current income tax expense	0	0
Changes in deferred tax	0	0
Total income tax expense	0	0

Tax base calculation

(in NOK 000)

2022 2021

Profit before income	-68 609	-54 220
Permanent differences	-188	9 603
Transaction costs on issue of shares	0	-7 530
Government grants exempt from tax	-4 614	-4 750
Temporary differences	-2 499	-390
Adjustments previous year	0	-1 888
Tax base	-75 910	-59 175

Temporary differences:

(in NOK 000)

2022 2021

Inventories	13 534	13 198
Fixed assets	18	1 940
Intangible assets	23 481	24 095
Group loan	20 806	21 606
Provisions	1 000	500
Tax losses carry forward	705 065	629 155
Net deferred tax assets/(liabilities)	763 903	690 493
22 % deferred tax asset/(liability)	168 059	151 908
Unrecognised deferred tax assets	-168 059	-151 908
Recognised net deferred tax assets	0	0

Reconciliation of nominal tax rate to effective tax rate:

(in NOK 000)

2022

Calculated income tax at statutory rate of 22%	-15 094
Tax effect of permanent differences	-41
Government grants exempt from tax	-1 015
Change in unrecognised deferred tax assets	16 150
Income tax expense	0
Effective tax rate	0,0 %

10 Property, plant and equipment

(in NOK 000)

	Building	Equipment	Total
Cost at 1 January 2022	1 126	10 882	12 008
Additions	106	9 018	9 124
Cost at 31 December 2022	1 232	19 901	21 133
Accumulated depreciation	-348	-9 821	-10 169
Accumulated impairment losses	0	-323	-323
Accumulated depreciation and impairment losses at 31 December 2022	-348	-10 144	-10 492
Net book value at 31 December 2022	884	9 757	10 641
Depreciation for the year	236	434	670
Impairment losses for the year	0	94	94
Estimated useful lives (years)	1)	3-7	
Amortisation plan	Linear	Linear	

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

11 Intangible assets

(in NOK 000)	Development costs and TLens patents	Software license	Total
Cost at 1 January 2022	78 184	110	78 294
Disposals	0	0	0
Additions	0	0	0
Cost at 31 December 2022	78 184	110	78 294
Accumulated amortisation	-35 049	-110	-35 159
Accumulated impairment losses	-18 280	0	-18 280
Accumulated amortisation and impairment losses at 31 December 2022	-53 329	-110	-53 439
Net book value at 31 December 2022	24 855	0	24 855
Amortisation for the year	8 522	0	8 522
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 which correlates with the remaining number of years of the first patent.

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.

12 Investment in subsidiaries

Company	Date of foundation	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 2022
	NOK 000		NOK 000	NOK 000	NOK 000
poLight France SAS	80	10 000	0	-23 137	372
poLight Finland Oy	23	100	23	1 687	959
poLight Hong Kong Limited	202	200 000	202	202	0
poLight (Shenzhen) Technical Service Company Limited	246	200 000	94	1 816	295

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.

13 Inventories

(in NOK 000)	2022	2021
Work in progress (at cost)	50 143	25 304
Finished goods (at cost)	8 968	4 730
Obsolescence provision (expensed as cost of sales)	-13 534	-13 198
Total inventories at the lower of cost and net realisable value	45 577	16 836

During 2022, NOK 0.3 million (2021: NOK 0.5 million) was recognised as an obsolescence expense for inventories carried at net realisable value. This is recognised in cost of sales.

14 Intercompany balances with group companies

Receivables	2022	2021
(in NOK 000)		
Trade receivable	0	0
Other receivables	0	0
Total	0	0

Subordinated loan

(in NOK 000)

	2022	2021
Non-current receivables	28 913	27 469
Impairment	-27 113	-26 469
Total	1 800	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)

	2022	2021
Trade payables	1 217	511
Other payables	0	0
Total	1 217	511

15 Cash and short-term deposits

(in NOK 000)

	2022	2021
Cash at banks and on hand	77 496	153 216
Restricted cash, taxes withheld	1 313	1 263
Restricted cash, deposits	0	181
Cash and short-term deposits	78 808	154 660

16 Share capital and shareholder information

	Number of shares	Par value NOK	Book value NOK 000
Ordinary shares	51 952 700	0.04	2 078
Shareholders of polLight ASA at December 31, 2022			
	Ordinary shares	Share- holding %	Voting rights %
Investinor Direkte AS	8 899 290	17.1 %	17.1 %
Stiftelsen Industrifonden	5 244 125	10.1 %	10.1 %
Nordnet Bank AB (nominee)	2 408 642	4.6 %	4.6 %
Nordnet Livsforsikring AS	2 156 769	4.2 %	4.2 %
Deutsche Bank Aktiengesellschaft (nominee)	1 950 930	3.8 %	3.8 %
VPF Nordea Avkastning	778 075	1.5 %	1.5 %
VPF Pareto Investment	628 000	1.2 %	1.2 %
VPF Nordea Kapital	506 222	1.0 %	1.0 %
Danske Bank A/S (nominee)	392 754	0.8 %	0.8 %
VPF Nordea Norge Plus	362 535	0.7 %	0.7 %
Stefan Sveen	338 000	0.7 %	0.7 %
Saxo Bank A/S (nominee)	325 465	0.6 %	0.6 %
LHH AS	310 000	0.6 %	0.6 %
Kjell Mossefin	307 500	0.6 %	0.6 %
Asbjørn John Buanes	307 465	0.6 %	0.6 %
Erik Schellhorn	305 497	0.6 %	0.6 %
Trond Andersen	297 315	0.6 %	0.6 %

Fjellstuens Eftf. AS	296 285	0.6 %	0.6 %
Li Zhang	255 884	0.5 %	0.5 %
Åge Sverre Heggheim	222 000	0.4 %	0.4 %
Total number of shares owned by top 20 shareholders	26 292 753	50.6 %	50.6 %
Number of shares owned by other shareholders	25 659 947	49.4 %	49.4 %
Total number of shares	51 952 700	100.0 %	100.0 %

At 31 December 2022, Øyvind Isaksen, CEO, owned 124,280 shares (0.24%), through his company Oimacon AS.

17 Equity

<i>(in NOK 000)</i>	Share capital	Share premium	Retained earnings	Total
Equity at 31 December 2022	2 077	209 320	0	211 397
Profit for the period			-68 609	-68 609
Share options exercised	1	253	0	254
Equity-settled share-based payment			4 821	4 821
Allocation to retained earnings		-63 788	63 788	0
Equity at 31 December 2022	2 078	145 785	0	147 863

18 Operating lease agreements

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>	2022	2021
Within one year	1 365	1 273
After one year but not more than five years	3 232	4 445
More than five years	0	0
Total	4 597	5 718

19 Provisions

<i>(in NOK 000)</i>	Warranty provision	Total
At 1 January 2022	500	500
New or increased provisions	500	500
At 31 December 2022	1 000	1 000

Expected timing of cash flow

<i>(in NOK 000)</i>	Warranty provision	Total
Current, < 1 year	1 000	1 000
Non-current	0	0
At 31 December 2022	1 000	1 000

Warranty provision

A general provision to meet potential claims under the warranty clause.

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 to the Tax Appeals Board (Skatteklagenemda). The entire claim was paid in 2018, except the additional associated taxes of NOK 1.2 million, that was accrued for as a provision.

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.

On 16 December 2021, Norway's Tax Appeals Board issued a final decision and upheld the appeal filed by poLight giving full refund of the VAT claim. NOK 12.4 million was recognised in the fourth quarter 2021, whereof NOK 11.6 million as a reduction of administrative expenses and NOK 0.8 as financial income. The outstanding amount was received in January 2022.

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 2022, the largest shareholder is Investinor Direkte AS, with an ownership of 17.1%.

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 31.12.2022: EUR 2,750,000) was concluded on 29 December 2016, 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 2022, 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 end of the reporting period that requires disclosure except that in April 2023 the company launched an underwritten preferential rights issue. The rights issue is fully underwritten and will, when it completed at the beginning of May, raise NOK 135 million in gross proceeds. All the conditions for the obligations of the underwriters have been met.



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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 2022, 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 consolidated statement of financial position as at 31 December 2022, consolidated statement of comprehensive income, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, 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.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with 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 relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical

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Statsautoriserte revisorer • medlemmer av Den norske Revisorsforening

Offices in:

Oslo	Elverum	Mo i Rana	Tromsø
Alta	Finnes	Molde	Trondheim
Arendal	Hamar	Sandefjord	Tynset
Bergen	Haugesund	Stavanger	Ullsteinvik
Bodø	Kragerø	Stord	Ålesund
Drammen	Kristiansund	Struma	



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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 3 years from the election by the general meeting of the shareholders on 28 May 2020 for the accounting year 2020.

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.

Valuation of inventories

Refer to section "Financial position" in the Board of Director's report, the notes to the Consolidated Financial statements in Note 2.3 Summary of significant accounting policies under section "Inventories", Note 3.2 Key sources of estimation uncertainty – significant accounting estimates under section Provision for obsolescence and Note 12 Inventories in the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
<p>The inventories have a total carrying value of NOK 45.6 million after deducting an obsolescence provision of NOK 13.5 million. Inventories is considered to be a risk area due to the size of the balances and the inherent uncertainties related to future sales prices and volumes.</p> <p>Inventory is measured at the lower of cost and net realizable value. Different product categories are assessed individually and are subject to specific provisions for obsolescence based on information of historical and budgeted future sales as well as technical conditions of components and semi-finished products per 31 December 2022.</p> <p>The determination of net realizable values is based on significant estimates that involve subjective judgments and uncertainties that are difficult to corroborate with observable evidence. This has led us to define this as a key audit matter for the audit.</p>	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none"> - We have obtained an understanding of relevant processes and controls relating to inventory management and the preparation and approval of the inventory obsolescence provision and whether the provisioning complies with the accounting requirements." - We have assessed the validity, accuracy and completeness of the information used by management in calculating the provision. - We have assessed the technical accuracy and logic of the models used to calculate the provision. - We have reviewed the documentation prepared by management, including budgeted future sales, and challenged management's assessment and considered whether the estimates of net realisable value are based on the most recent information available at the time the estimates are made. - We have considered whether management's assessment of net realizable value is appropriately disclosed in the notes of the financial statements in compliance with the requirements.

Impairment of intangible assets (Research and development costs)

Refer to section "Financial position" in the Board of Director's report, the notes to the Consolidated Financial statements in Note 2.3 under section "Impairment of non-financial assets", Note 3.2 Key sources of estimation uncertainty – significant accounting estimates under subsection "Impairment of non-financial assets", Note 9 Intangible assets, and Note 10 Research and development costs.



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 24,9 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 2022. Management considers that 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 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 in this area included:</p> <ul style="list-style-type: none"> - We have obtained an understanding of management's process and controls, and assessed results for identification and classification of cash generating units (CGUs) to ensure that they are appropriate and in accordance with the requirements. - We 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. - We 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. - We considered the appropriateness of the disclosures in light of the requirements.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the Corporate Governance report and Environment, Social and Governance report (ESG).

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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 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 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 and 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's 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 Audit Committee 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.

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of poLight ASA we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name "2138007ZPDNUHX6Z659-2022-12-31-en", have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in compliance with ESEF. We conduct our work in compliance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in compliance with the ESEF Regulation.

As part of our work, we have performed procedures to obtain an understanding of the Company's processes for preparing the financial statements in compliance with the ESEF Regulation. We examine whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 28 April 2023

KPMG AS



John Thomas Sørhaug
State Authorised Public Accountant

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