poLight ASA
Annual Report

SHAPING THE TUNABLE OPTICS FUTURE

2023

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THIS IS POLIGHT

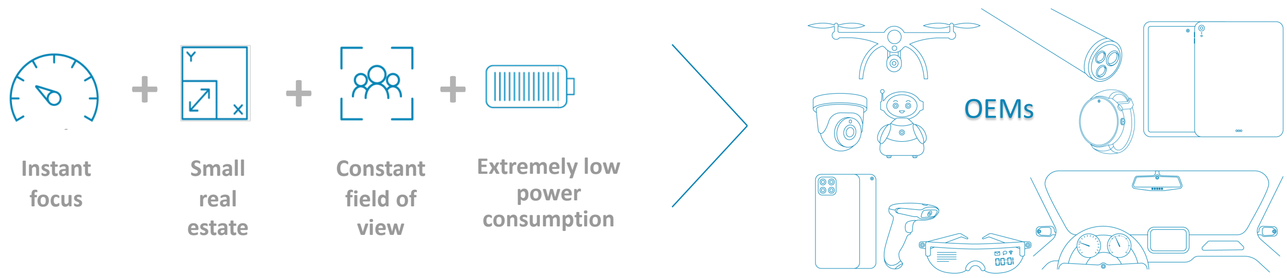
poLight ASA is a Norwegian company, headquartered in Horten, which has introduced a unique optical lens to the market for both consumer devices and professional applications. The lens replicates the lens of the human eye, enabling new user experiences and easing the implementation of autofocus functions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

Organisation

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.

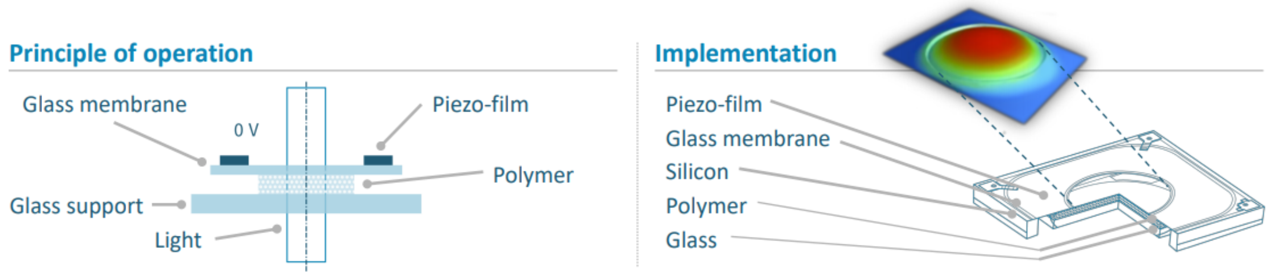
Technology & Products

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. 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.



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.



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 already mass-producing 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. In future, both larger and smaller TLens® may be developed. From an application perspective, the main difference between the various TLens® products are 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.

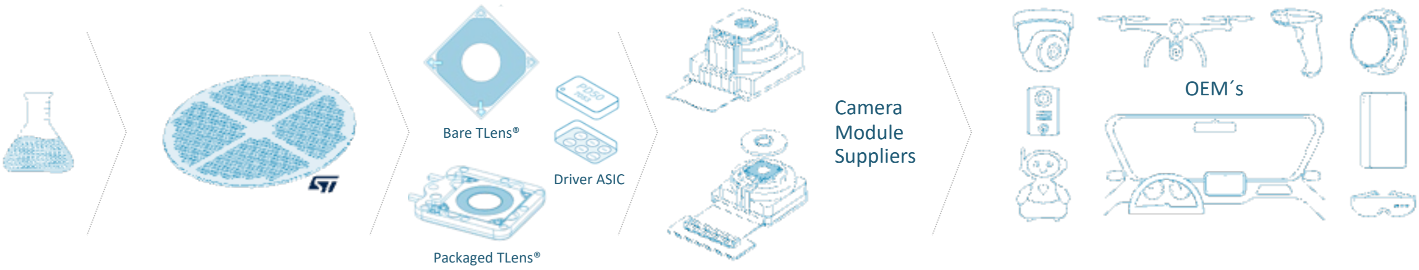
The TLens® Silver Premium is considered suitable for both consumer and industrial products, whereas the TLens® Silver is best suited for industrial applications where optical range is important.

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. ST Microelectronics 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 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, constant field of view and low power consumption. The main focus area so far has been the consumer market (*e.g.* smartphone, smartwatch, webcam, AR/MR etc), industrial/barcode/machine vision and AR/MR. Furthermore, the company has started to engage with some customer within the healthcare and automotive sectors. However, it remains to be seen if these markets need autofocus and whether poLight´s technology is a good fit.

Smartphones, Wearables, Accessories

- Smartphone represent a large addressable market each year with billions of cameras
- 1.2 billion phones per year with 1 front camera and an average of 3 rear cameras
- Camera function remains a key killer app
- Wearables, accessories like webcams offer consumer volume opportunities
- Potential addressable market for TLens®/poLight technology estimated at 2.5 billion units per year

Industrial Barcode/Machine Vision

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

Augmented/Mixed Reality (AR/MR)

- AR/MR is expected to to grow significantly as the technology is rapidly advancing
- Initial AR/MR HMD/smartglasses deployments are in *enterprise* (industrial, commercial, educational, etc.) but soon expanding to *consumer* (entertainment, gaming, productivity, etc.) markets.

Others

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

MESSAGE FROM THE CEO

"2023 became the year we captured our first design-win in the smartphone area. Even though further design-wins have yet to materialise, this proves that we can make it in this market segment, we can deliver, and our quality and performance have been confirmed. This is a very important reference for our continued exploration of this market segment going forward. An important milestone has been achieved in 2023! To prepare for future design-wins, we have launched several initiatives to facilitate integration of TLens® in compact camera modules and be applicable within the back-camera structure as well.

The AR/MR market is entering a very important phase and poLight expects to see several companies releasing new products in the coming years. Our technology is being used in three AR/MR enterprise products already on the market. These are Magic Leap 2, LEION Pro from LLVision, and a high-end, mixed-reality head-mounted device. Furthermore, TLens® is being considered/tested by several important AR/MR market players. We believe that AR/MR will be a key market for poLight going forward.

The industrial market is slowly moving forward. TLens® is now used in eleven barcode/machine vision products, and there are several ongoing Proof of Concept (PoC) projects which will probably result in new design-wins going forward – both with existing and new customers.

We have recently seen interesting developments in more scientific/research-related use cases, such as the Mini2P[1]. Although this will always represent a niche market, it is a potentially significant one, not only from a brand-building perspective, but also as an attractive business opportunity.

The automotive and healthcare markets will, as mentioned before, take time to develop. Identifying use cases where autofocus offers clear advantages, as well as defining needed product specifications, is ongoing through PoCs and market dialogue in general. Both these markets have lower priority than our key market segments.

We are continuing to strengthen our organisation to enable us to better explore the opportunities ahead, handle challenges more effectively and evolve our offering. I would like to take this opportunity to thank our dedicated team and, not at least, all the shareholders who are showing such an interest in poLight."

Dr Øyvind Isaksen
CEO, poLight ASA

[1] *An open-source miniature 2-photon microscope brain explorer for fast high-resolution calcium imaging in freely-moving mice.*

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 Norkart AS, 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.

Thomas Görling
Board member, Independent
Thomas Görling is a former Senior Investment Director at Stiftelsen Industrifonden (Sweden) and was closely involved in building successful technology companies. Representing Industrifonden, he 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.

Svenn-Tore Larsen
Board member, Independent
Svenn-Tore Larsen is the former CEO of Nordic Semiconductor, a position he has held from February 2002 until December 2023. 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. Mr Larsen has a degree in Electrical Engineering from the University of Strathclyde, UK.

Jean-Christophe Eloy
Board member, Independent
Jean-Christophe Eloy is the founder and CEO of Yole Group, which specialises in the semiconductor industry and provides marketing, technology and strategy consulting, reverse engineering and reverse costing, in addition to corporate finance services. Mr Eloy has spent his entire career in the semiconductor industry, starting at the French applied R&D organisation CEA/LETI as marketing manager and then creating the semiconductor practice at Ernst & Young. He is also a member of the board of the French companies Riber SA and Silmach. Mr Eloy is a graduate from EM Lyon Business School and from the INPG-ENSERG school of engineering.

Marianne Bøe
Board member, Independent
Marianne Bøe has served as Head of Investor Relations at IDEX Biometrics since January 2020. Prior to this, Ms Bøe held various senior asset management positions, and has been a portfolio manager for more than 20 years. She has broad and extensive experience from investing in globally listed companies, with a special focus on the technology sector. Ms Bøe holds a Master of Science degree in Economics and Business Administration from Norwegian School of Economics (NHH) and has completed the Advanced Portfolio Management Program arranged by NFF (Norsk Finansanalytiker-forening).

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 Liège.

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.

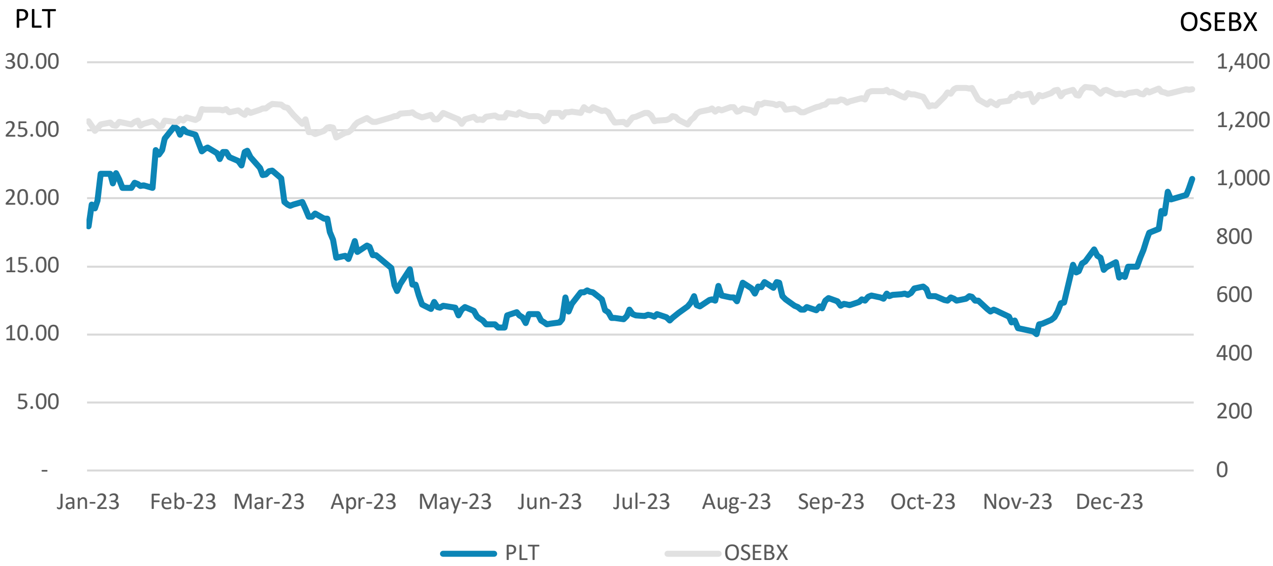
Marianne Sandal
Chief Operating Officer
Marianne Sandal has more than 15 years' experience heading worldwide operations in Nera ASA (telecommunications) and Q-Free ASA (intelligent transportation systems). Ms Sandal holds a BSc in Mechanical Engineering, in addition to courses in economics and management 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. 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, at which point the share's value stood at NOK 10. The company had 66,211,548 shares outstanding at the close of 2023, each with a nominal value of NOK 0.04.

In 2023, the Group's share price rose from NOK 17.10 per share at the beginning of the year to NOK 21.45 at the close. During the year, the share price varied between NOK 10.02 and NOK 25.27 per share. In total, 50,897,476 shares were traded in 2023, equivalent to 77 per cent of the shares outstanding.



Major shareholders and voting rights

poLight had 6,529 shareholders registered in the Norwegian Central Securities Depository (VPS) as at 31 December 2023. 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 2023

	Ordinary shares	Share-holding %	Voting rights %
Investinor Direkte AS	8 899 290	13.4 %	13.4 %
Stiftelsen Industrifonden	5 244 125	7.9 %	7.9 %
Nordnet Livsforsikring AS	3 188 641	4.8 %	4.8 %
Nordnet Bank AB (nominee)	2 880 449	4.4 %	4.4 %
BNP Paribas (nominee)	1 984 988	3.0 %	3.0 %
VPF Nordea Avkastning	866 232	1.3 %	1.3 %
J.P. Morgan SE (nominee)	549 689	0.8 %	0.8 %
VPF Nordea Kapital	547 223	0.8 %	0.8 %
Erik Schellhorn	432 639	0.7 %	0.7 %
Trond Andersen	428 300	0.6 %	0.6 %
Danske Bank A/S (nominee)	408 843	0.6 %	0.6 %
VPF Nordea Norge Plus	407 537	0.6 %	0.6 %
Asbjørn John Buanes	386 425	0.6 %	0.6 %
Kjell Mossefin	383 963	0.6 %	0.6 %
Fjellstuens Eftf. AS	376 721	0.6 %	0.6 %
Stefan Sveen	375 500	0.6 %	0.6 %
Henrik Grytbak Hermansen	340 000	0.5 %	0.5 %
CB Helse AS	340 000	0.5 %	0.5 %
Saxo Bank A/S (nominee)	326 350	0.5 %	0.5 %
Wiseth Holding AS	326 000	0.5 %	0.5 %
Total number of shares owned by top 20 shareholders	28 692 915	43.3 %	43.3 %
Number of shares owned by other shareholders	37 518 633	56.7 %	56.7 %
Total number of shares	66 211 548	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 264,653, equal to 6,616,322 shares. In 2023, 48,330 shares were issued in order to fulfil the obligation to provide shares following the exercise of share options. As at 31 December, 5,579,066 share options (equal to 8.4 per cent of shares outstanding) were outstanding, all at a weighted average strike price of NOK 11.30 per share.

Corporate actions/events	Date
PhenoSys now offers Turnkey Mini2P Systems with poLight ASA Tunable Optics	21.02.2024
Action Prowave Technology Co. Ltd. confirms release of two new barcode scanner products using TLens®	02.02.2024
Extraordinary General Meeting – Board Election	15.02.2024
Follow-on purchase order received for an Augmented Reality (AR) case	19.12.2023
purchase order received related to Mini2p application	07.12.2023
New Design-Win and Initial Mass Production Purchase Order Received for High End Mixed Reality Head-Mounted Device	27.11.2023
Follow-on mass production order from an Augmented Reality customer	22.11.2023
poLight has been awarded a follow-on order from a Machine Vision/code scanner customer in China	27.09.2023
Purchase order received related to Mini2p application	25.09.2023

Extraordinary General Meeting – Guidelines remuneration leading personnel	14.09.2023
Meizu today announced availability dates of their new flagship smartphone Meizu 20 Infinity using TLens®	26.05.2023
Share capital increase registered - raising gross proceeds of NOK 135 million in a Rights Issue	10.05.2023
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

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 2024

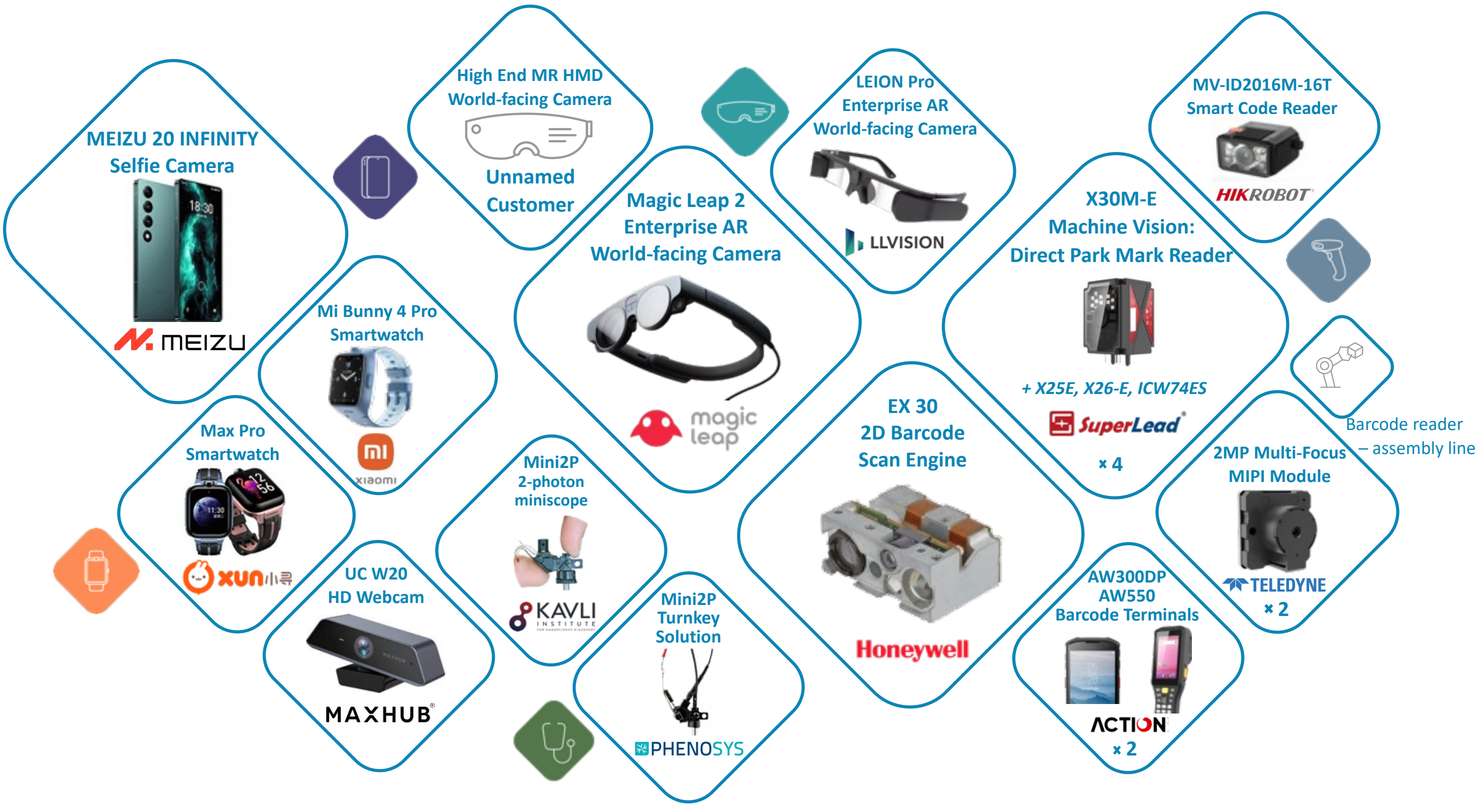
Date	Event
22 May 2024	Annual General Meeting
4 June 2024	Quarterly Report – Q1 2024
15 August 2024	Half-yearly Report 2024
31 October 2024	Quarterly Report – Q3 2024
18 February 2025	Quarterly Report – Q4 2024

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 2023 has been encouraging. poLight´s TLens® was at the date of reporting Q4-2023 being used in 18 products, representing both consumer and professional applications, and confirming the versatility and market potential of poLight's unique technology. There was a high level of customer engagement in various segments throughout the year, which has led to design-wins in strategically important market segments.

Customer-wins status per April 2024



Corporate events in 2023

On 11 April 2023, an extraordinary general meeting approved a fully underwritten rights issue to raise gross proceeds of NOK 135 million.

At the company's AGM on 24 May 2023, Grethe Viksaas was re-elected as Chair of the Board for a further two years. At the same time Svenn-Tore Larsen and Thomas Görling were re-elected as members of the Board for another two-year period. The AGM also appointed Thomas S. Wrede-Holm as chair and member of the company's Nomination Committee for a further two years.

On 14 September 2023, an extraordinary general meeting approved updated guidelines for salaries and other remuneration for the company's senior officers.

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 2023 has been on relocating all activity to the Philippines, yield-improvement, improved final test setup and securing supplies for existing and new customer projects.

Product development

Important improvement projects relating to the performance and reliability of existing products (TLens®) continued during the year. With regard to new products/functionality, the main emphasis has been on TWedge®, a potential new product that enables wobulation, a method for improving resolution in AR projection display solutions. Technical samples have been delivered to selected customers. Customer interactions so far indicate that this may become an important product. The final decision to start a product development project is still pending. At the end of the year, poLight initiated new development projects to enable more cost-effective implementation of TLens® in compact camera modules, as well as solutions for use in the back camera structure in the smartphone market.

Market

poLight is actively engaged in several market areas. This includes consumer applications, such as smartphones, augmented/mixed reality (AR/MR), laptops and accessories, as well as a broad range of professional applications, such as enterprise AR/MR and barcode/machine vision. In addition, the automotive and scientific/healthcare markets are being explored, although this is not being given a high priority at present.

Market sentiment is currently challenging. Despite this, however, interest in poLight´s solutions has been confirmed through engagement with customers on various applications, which are expected to gradually develop into a diversified revenue base for poLight.

Consumer market

During the year, the focus was on augmented/mixed reality (AR/MR) and smartphone applications. Other applications, such as laptops, webcams, smart-home devices, wearables, etc., are also being explored.

The consumer market in general, and the smartphone market in particular, remains challenging. This, combined with the fact that poLight´s current solution is best suited for selfie cameras, which have a lower priority and budget compared to the main camera, is currently impacting our ability to achieve new smartphone design-wins. Nevertheless, poLight continues to be persistent and has embarked on several development projects to broaden the company's offering to cover broader application areas.

In the consumer market, poLight has at reporting Q4-2023 achieved four design-wins and was involved in two ongoing PoC projects, with three PoCs in the planning stage. In addition, the company had achieved one design-in and was engaged in seven ongoing PoCs (three for TWedge®) related to consumer-related AR/MR products.

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

The AR market segment continued to develop positively for poLight during the year. TLens® is used/planned for use in both world-facing cameras and displays. At the date of reporting Q4-2023 the company's technology was being used in three AR/MR enterprise products already on the market. These are the Magic Leap 2, LEION Pro from LLVision, and a high-end, mixed-reality head-mounted device. In addition, five design-ins had been confirmed. One related to a consumer AR application, one was MR related, and three concerned enterprise AR. One of the three enterprise AR cases will most likely not be launched in the market due to soft demand, and is currently only used for sampling to selected customers. Eight PoCs were ongoing, seven of which target consumer applications, while 17 PoCs are in the planning stage (11 for consumer applications). A potential TWedge® product is included in the numbers given above for ongoing PoCs (4 of 8) and planned PoCs (7 of 17).

The AR/MR market is entering a very important phase and poLight expects to see several companies releasing new products in the coming years. All but one of the current design-in cases relate to the low volume enterprise market. The consumer-related design-in case will take some years before it is ready for potential market release. Volumes in the next few years are therefore expected to be relatively low. However, building a position through these cases, and maturing consumer-related PoC activities, will bring the company into AR/MR high volume applications as the markets mature. In the longer term, therefore, the AR/MR segment has the potential to become a key market for the company.

Barcode/Machine Vision/Industrial
It will take time to develop this market and will require entry into some broader application areas.

At the date of reporting Q4-2023, the company had achieved seven design-wins (11 barcode/machine vision products from six different companies, and one design-win from Thorlab) and one design-in (barcode) and was also involved in 13 ongoing PoCs, 11 of which are for barcode/machine vision applications.

Healthcare
The company is continuing to support selected opportunities in the healthcare market segment. The cooperation poLight has developed with the Kavli Institute at the Norwegian University of Science and Technology (NTNU), and the contribution the company has made to the development of the Mini2P microscope[2] have led to several similar projects. In addition to engaging directly with research labs, the company is supplying lenses to three commercial companies that plan to sell microscopes to research labs around the world. See press releases dated 25 September and 7 December 2023, as well as 21 February 2024.

In addition to this, poLight is engaged in commercial endoscope cases. However, for the short/medium term, the company does not foresee any commercial breakthrough for this application, as the trend is still to use low-resolution sensors, with no clear need for autofocus in currently available platforms, while for some cases very high optical power is needed.

[2] An open-source miniature 2-photon microscope brain explorer for fast high-resolution calcium imaging in freely-moving mice

At the date of reporting Q4-2023, the company was engaged in one design-win (Kavli, Mini2P), three design-ins (all Mini2P related), and 14 ongoing PoCs, of which 10 relate to Mini2P.

Automotive
At the date of reporting the Q4-2023, the company was engaged in three PoCs, while five others are in the planning stage. Going forward, this market segment may have need for autofocus technology, and TLens® is one of the solutions being explored. The market is potentially significant but will most likely require a new revision of TLens®, which will take some years to develop and qualify.

Promising pipeline as of Q4-2023

	Design-win	Design-in	Completed PoC	Ongoing PoC	Planning PoC
Consumer	4 (4)	0 (0)	38 (37)	2 (3)	3 (9)
Augmented/Mixed Reality	3 (2)	5 (5)	16 (13)	8 (11)	17 (14)
Industrial	7 (5)	1 (1)	32 (30)	13 (12)	8 (7)
Other (medical, automotive)	1 (1)	3 (2)	9 (5)	17 (20)	12 (11)
Number in ( ) represents last quarter	***15 (12)***	***9 (8)***	***95 (85)***	***40 (46)***	***40 (41)***

Sustainability
poLight complies with the Norwegian Transparency Act and aims to comply the EU's Corporate Sustainability Reporting Directive (CSRD) within 2027 for the 2026 report. For further details, please see the chapter on ESG (Environment, Social and Governance) later this annual report.

Organisation
poLight ASA and its subsidiaries had 22 full-time employees at the close of 2023, compared to 23 full-time and one part-time employee in 2022. In addition, 17 consultants were engaged on long-term contracts, compared with 12 in 2022. The employees and consultants were located in nine different countries and represented 13 different nationalities. Women made up 26 per cent of the workforce in 2023, compared with 25 per cent in 2022. 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 0.9 per cent in 2023, compared with 1.1 per cent in 2022. Sickness absence remains well below the Norwegian national average of approximately 6.8 per cent (2022: 6.8 per cent). No work-related accidents caused personal injuries or material damage in 2023.

Liability insurance

Members of poLight ASA's board and management are covered by Directors and Officers (D&O) liability 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 2023 totalled NOK 22.5 million, compared with NOK 13.4 million in 2022. NOK 20.1 million (2022: NOK 10.0 million) reflects sales of TLens® and ASICs for commercial use and sample deliveries, and NOK 2.4 million (2022: 3.3 million) reflects revenue from non-recurring engineering (NRE) relating to customer development projects. Geographically, NOK 11.8 million of the revenue relates to customers in Asia, NOK 6.0 million to customers in America and NOK 4.7 million to those in Europe.

Cost of sales totalled NOK 10.3 million in 2022, compared with NOK 4.8 million in 2022, mainly due to increased sales and increased obsolescence provision of NOK 1.4 million (NOK 0.3 million).

R&D expenses, net of government grants, amounted to NOK 34.6 million, up from NOK 32.9 million in 2022. 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 17.7 million, up from NOK 13.1 million in 2022, mainly due to increased sales activities. Operational/supply chain expenses totalled NOK 16.7 million, up from NOK 9.2 million in 2022, due in part to increased internal resource usage relating to the development of production management system.

Administrative expenses totalled NOK 22.0 million, up from NOK 12.1 million in 2022. Increased share option expenses contributed to the increased administrative expenses compared with 2022 (see Note 5.3 *Employee benefits expense* for details).

Depreciation and amortisation amounted to NOK 9.7 million, down from NOK 10.4 million in 2022.

The Group made an operating loss of NOK 88.5 million in 2023, compared with an operating loss of NOK 69.1 million in 2022.

Net financial items in 2023 totalled NOK 3.2 million, up from NOK 1.5 million in 2022. This is attributable primarily to interest on bank deposits. The tax expense in 2023 came to NOK 0.2 million, the same as the year before.

The Group made a net loss of NOK 85.5 million in 2023, compared with a net loss of NOK 67.9 million in 2022. This represents a loss in 2023 of NOK 1.40 per share on a fully-diluted basis, compared with a loss of NOK 1.31 per share in 2022.

Financial position

As at 31 December 2023, total assets came to NOK 223.4 million, compared with NOK 178.2 million at year-end 2022. Total equity came to NOK 199.5 million, compared with NOK 150.7 million at year-end 2022.

Intangible assets amounted to NOK 17.6 million as at 31 December 2023, compared with NOK 24.9 million at the close of 2022, reflecting amortisation over the year.

During the year, inventories increased by NOK 24.5 million to NOK 70.1 million at the close of 2023, compared with NOK 45.6 at year-end 2022. The increase in inventories mainly relates to wafers from ST Microelectronics. Increased stocks of components with long lead-times (*e.g.* wafers) will improve readiness for potential volume customers.

Trade and other receivables totalled NOK 8.2 million, compared with NOK 8.4 million in 2022, of which recognised government grants accounted for NOK 2.1 million (NOK 4.6 million in 2022).

As at 31 December 2023, the company had cash and cash equivalents of NOK 114.8 million, compared with NOK 84.2 million at the close of 2022. The rights issue in the second quarter 2023 generated NOK 125.8 million in net proceeds.

Long-term liabilities totalled NOK 2.0 million at year-end 2023, compared with NOK 3.0 million in 2022. 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 2023 came to NOK 21.9 million (NOK 24.6 million in 2022).

Cash flow

Net cash flow used in operating activities totalled NOK 94.6 million in 2023, compared with NOK 63.6 million in 2022. The main differences between net cash flow from operations and net loss is due to the inventory build-up of NOK 24.5 million and the share option expense of NOK 8.1 million.

Net cash flow used in investing activities totalled NOK 0 million in 2023, compared with NOK 9.2 million used in 2022.

Net cash flow used in financing activities totalled NOK 125.0 million in 2023. The positive cash flow from financing activities reflects the net proceeds of NOK 125.8 million raised in connection with the rights issues undertaken.

Financial performance, parent company

In 2023, the parent company generated NOK 22.5 million in revenue, compared with NOK 13.4 million the year before. Gross profit came to NOK 8.5 million (2022: 6.2 million). It made an operating loss of NOK 91.2 million in 2023, after total operating expenses of NOK 103.3 million. In 2022, the parent company made a loss of NOK 71.3 million, after total operating expenses of NOK 79.8 million.

Operating expenses in 2023 include employee expenses (including consultants engaged on long-term contracts) of NOK 58.2 million, compared with NOK 36.6 million in the preceding year. The parent company had on average of 31 employees and consultants in 2023, compared with 26 in 2022. In 2023, other operating expenses amounted to NOK 36.6 million, compared with NOK 33.9 million in 2022. (See Note 3 *Specification of operating expenses by nature*).

poLight ASA made a net loss of NOK 84.9 million in 2023, compared with a net loss of NOK 68.6 million in 2022.

The Board proposes that NOK 76.8 million be transferred from the share premium and NOK 8.1 million from retained earnings. The Board does not propose payment of a dividend for 2023.

Share capital

As at 31 December 2023, poLight ASA had a share capital of NOK 2.6 million, consisting of 66,211,548 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 264,653 (6,616,322 shares at a nominal value of NOK 0.04). As at 31 December 2023, 5,579,066 share options (equal to 8.4 per cent of shares outstanding) have been granted, all at a weighted average strike price of NOK 11.30 per share with a range from NOK 3.78 to NOK 22.80. 2,270,000 share options were granted during the year at a weighted average strike price of NOK 12.5 per share. Of these 800,000 share options were cancelled and replaced, that had a weighted average strike price of NOK 22.4 per share. 3,498,122 share options where 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 (*e.g.* aperture size, optical power, size, non-lead content etc.), 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. 18th April 2024 the company held an extraordinary general meeting that approved to carry out an underwritten rights issue with gross proceeds of up to NOK 160 million, of which subscription of shares for NOK 130 million will be underwritten. The underwriting agreements of NOK 130 million are unconditional and irrevocable. 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

The risk related to current tensions between China and Taiwan mentioned in previous quarterly reports has been resolved by relocating all assembly and test activity from Taiwan to the Philippines.

poLight does not have any operations, customers or direct suppliers in Russia or Ukraine. The war in Ukraine has therefore 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 management is dependent on raising additional financing in order to be able to finance their planned operations and R&D activities over the next 12 months from the release of this report. 18th April 2024 the company held an extraordinary general meeting that approved to carry out an underwritten rights issue with gross proceeds of up to NOK 160 million, of which subscription of shares for NOK 130 million will be underwritten. The underwriting agreements of NOK 130 million are unconditional and irrevocable. 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

Design-wins in all defined key market segment, including smartphone and AR/MR, form an excellent platform for future company success.

To prepare for future design-wins in the smartphone market, the company has launched several initiatives to facilitate integration of TLens® in compact camera modules and to enable use cases also within the back-camera structure.

AR/MR will be a key market for poLight going forward. There seems to be a good match between market need and the properties of the TLens®, and potentially also the TWedge® at a later stage. Volumes for the AR/MR design-win cases the company is involved in are still low, since they are focused for the enterprise market. poLight has several consumer-related activities ongoing with various market players, there is therefore a good potential to grow the business within this area over time.

Looking forward, another potential high-volume market is the automotive sector. poLight is currently engaging with key players in this market to better understand the opportunities and challenges involved. It has not yet been decided whether this is a market poLight will actively address. What seems clear is that both potential demand and the availability of relevant products that meet specifications are several years ahead of us. The same applies to the healthcare market. Automotive and healthcare are still markets under observation and are not high on poLight's list of priorities.

poLight continues to strengthen its organisation to enable it to address all the above-mentioned opportunities and challenges in a professional and robust manner.

According to current plans, the Group's cash deposits will fund activities through the fourth quarter of 2024. Thereafter, additional capital will be required to continue poLight's planned commercialisation of its TLens® technology. The company has planned accordingly. 18th April 2024 the company held an extraordinary general meeting that approved to carry out an underwritten rights issue with gross proceeds of up to NOK 160 million, of which subscription of shares for NOK 130 million will be underwritten. The underwriting agreements of NOK 130 million are unconditional and irrevocable. All the conditions for the obligations of the underwriters have been met.

poLight ASA
Horten, 24 April 2024

Grethe Viksaas (sign)
Chair, Independent

Thomas Görling (sign)
Board member, Independent

Svenn-Tore Larsen (sign)
Board member, Independent

Jean-Christophe Eloy (sign)
Board member, Independent

Marianne Bøe (sign)
Board member, Independent

Dr Øyvind Isaksen (sign)
Chief Executive Officer

Statement by the Board of Directors and the CEO

We confirm that, to the best of our knowledge, the consolidated financial statements for 2023 have been prepared in accordance with IFRS® Accounting Standards, 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 2023 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.

poLight ASA
Horten, 24 April 2024

Grethe Viksaas (sign) **Chair, Independent**	**Thomas Görling (sign)** **Board member, Independent**	**Svenn-Tore Larsen (sign)** **Board member, Independent**
Jean-Christophe Eloy (sign) **Board member, Independent**	**Marianne Bøe (sign)** **Board member, Independent**	**Dr Øyvind Isaksen (sign)** **Chief Executive Officer**

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) REPORT

1. Introduction

poLight ASA was founded in 2005 and is publicly traded on the Oslo Stock Exchange (OSE: PLT). The company 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, USA, 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. 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 inclusive 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

In recent years, management has carried out an annual ESG (environmental, social and governance) assessment, which has been subjected to evaluation by poLight ASA's Board of Directors. A risk assessment tool developed by Investinor (poLight's largest shareholder) has been used for this purpose. Investinor has significantly improved the tool, with support from external ESG competence, for the 2023 assessment. In mid-2023 poLight embarked on a project to use this tool to carry out a double materiality assessment, at the prompting and with the assistance of Investinor. Several meetings were held with Investinor and external ESG competence, while several internal working sessions were conducted on this topic.

An ESG double materiality assessment has been carried out. This identified the following strategic and compliance focus areas:

1. More environmentally friendly components
   ESG and environmental considerations have been implemented in the procedures for selecting suppliers, components and process solutions. For example, poLight aims to adopt lead-free piezo when this becomes available in the future.
2. 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.
3. Supplier working conditions and labour rights
   Since the company is fabless and relies on several subcontractors around the world, poLight must monitor these companies and ensure they provide decent working conditions to their employees.

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 in our production processes and have conducted projects to study the use of more environmentally friendly materials in the TLens® .

With wafers manufactured in Europe and assembly and final test operations in the Philippines, some transport-related environmental impact is unavoidable. 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 importance of the code of conduct and ESG in general.

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

Organisation
poLight ASA and its subsidiaries had 22 full-time employees at the close of 2023, compared to 23 full-time and one part-time employees in 2022. In addition, 17 consultants were engaged on long-term contracts, compared with 12 in 2022. The employees and consultants were located in nine different countries and represented 13 different nationalities. Women made up 26 per cent of the workforce, compared with 25 per cent in 2022. 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 0.9 per cent in 2023, compared with 1.1 per cent in 2022. Sickness absence remains well below the Norwegian national average of approximately 6.8 per cent. No work-related accidents caused personal injuries or material damage in 2023.

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.

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 no later than 30 June 2024. The report will be available on poLight's web site at: www.poLight.com/investors/corporate-governance/Transparency.

8. ESG reporting

The company is aware of the increasing demanding for sustainability-related information from stakeholders and regulators. The company's focus and effort on this area have therefore increased during 2023. ESG competence has been provided by Investinor, with support from external ESG competence, and a double materiality assessment has been carried out. Frequent working sessions with key personnel across the organisation have been conducted. Efforts have got underway to formalise the structure of carbon reporting in order to demonstrate the commitments made.

In February 2023, the previous Audit Charter was updated to also include sustainability reporting. ESG reporting has therefore become a subject for discussion at Audit and Sustainability Committee meetings.

CORPORATE GOVERNANCE REPORT

1. Governance principles and objectives

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

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

The company observes the Norwegian Code of Practice for Corporate Governance, issued by the Norwegian Corporate Governance Board (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 15 June 2023.

2. Business

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

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

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

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

3. Equity and dividends

Capital adequacy

As at 31 December 2023, poLight's consolidated equity totalled NOK 199.5 million, which is equivalent to 89% 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 24 May 2023, 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 264,653, is valid until the date of the 2024 AGM, or 30 June 2024 at the latest. As at 31 December 2023, shares equal to a share capital of NOK 1,933 have been issued under this authorisation.

The AGM on 24 May 2023 granted the Board a general authorisation to issue shares and to increase the share capital by a maximum of NOK 529,306. The authorisation is valid until the 2024 AGM, or 30 June 2024 at the latest. As at 31 December 2023, 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 264,653. The authorisation is valid until the 2024 AGM, or 30 June 2024 at the latest. The authorisation had not been utilised as at 31 December 2023.

4. 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 2023. For further details see Note 18 *Related parties* to the financial statements in the Annual Report.

5. Shares and negotiability

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

6. General meetings

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

Notification

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

Registration and proxies

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

Agenda and execution

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

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

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

In 2023, poLight held its AGM on 24 May.

7. Nomination Committee

Composition

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

As at 31 December 2023, 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 2025,
- 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.

In an extraordinary general meeting held 15 January 2024 the following members were elected:
- Jan-Erik Hæreid, chair and member with an election period up to the ordinary general meeting in 2025,
- Anne E. H. Worsøe, member with an election period up to the ordinary general meeting in 2025, and
- Egil Garberg (Investinor), member with an election period up to the ordinary general meeting in 2025.

None of the Nomination Committee's members are members of the Board or executive management all the 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 poLight ASA. Nominations are submitted by sending an e-mail to the Nomination Committee's chair at the following address: je@alliance.vc. Nominations must be received well in advance to be considered for election at poLight's AGM. All proposals should include information about the candidate, grounds for consideration and contact details for the person nominating the candidate concerned.

8. The Board of Directors – composition and independence

According to the company's Articles of Association, the Board of Directors shall consist of up to five members. At 31 December 2023, the Board consisted of the following five members: Grethe Viksaas (Chair), Ann-Tove Kongsnes (Deputy chair), Thomas Görling and Svenn-Tore Larsen. In an extraordinary general meeting held 15 January 2024 Jean-Christophe Eloy and Marianne Bøe were elected as new members of the Board, both with election periods until the ordinary general meeting in 2025. Deputy Chair Ann-Tove Kongsnes resigned from the Board.

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

All members of the Board are considered independent of executive management and material business associates. Further, all members of the new board are independent of the company's major shareholder(s). The Board of Directors does not include executive personnel.

Name	Role	Considered independent	Served since	Served to/ Term expires	Participation at Board Meetings 2023	Shares in poLight 31 December (direct/ indirect)
Grethe Viksaas	Chair	Yes	June 2018	AGM 2023	86%	
Ann-Tove Kongsnes	Deputy chair	No	December 2011	Served to January 2024	100%	8,899,290 (1)
Thomas Görling	Board member	No	May 2021	AGM 2023	100%	
Juha Alakarhu	Board member	Yes	May 2019	Served to May 2023	100%	
Svenn-Tore Larsen	Board member	Yes	May 2019	AGM 2023	57%	

1) Ann-Tove Kongsnes is Investment Director and Head of International Affairs at Investinor AS. Investinor Direkte AS held 8.9 million shares in poLight ASA at 31 December 2023

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

9. The work of the Board of Directors

The Board of Directors' tasks

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

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

Instructions to the Board of Directors

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

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

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

Audit 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 six meetings in 2023 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 2023, the Audit and Sustainability Committee consisted of the following two members: Ann-Tove Kongsnes (leader) and Grethe Viksaas. In a board meeting held 16 January 2024 was Ann-Tove Kongsnes replaced by Marianne Bøe as the new leader.

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 2023, the Remuneration Committee consisted of the following members: Grethe Viksaas and Thomas Görling.

Evaluation of the Board

The Board evaluates its performance and expertise annually.

10. Risk management and internal control

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

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

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

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

11. Remuneration of the Board of Directors

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

The remuneration of the Board of Directors shall not be performance-based and shall not contain option elements. Members of board sub-committees shall be compensated separately. The company shall not provide loans to board members. Detailed information on the remuneration of board members is specified in Note 18 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.

12. 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 a 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.

13. Information and communications

The Board places great emphasis on open, honest and timely dialogue with shareholders, potential investors, analysts and other participants of the capital markets. The primary purpose of poLight's external information activities, is to provide the financial markets with sufficient information to accurately appraise the company's shares. Such information shall be presented factually and soberly, and shall be issued using methods and channels that ensure simultaneous, fair and wide distribution. All information is published in English, which is poLight's corporate language.

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

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

14. Takeovers

General

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

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

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

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

15. Auditor

The company's external auditor is KPMG. Each year, the Audit 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 income for the year ended 31 December

(in NOK 000)	**Note**	**2023**	**2022**
Sale of goods	4	20 099	10 034
Rendering of services		2 412	3 328
Revenue		**22 511**	**13 363**
Cost of sales	5.1	10 349	4 826
Gross profit		**12 162**	**8 536**
Research and development expenses	5.4	-34 616	-32 907
Sales and marketing expenses	5.5	-17 712	-13 122
Operational / supply chain expenses	5.6	-16 684	-9 179
Administrative expenses	5.7	-21 971	-12 068
Depreciation, amortisation and net impairment losses	8,9,11	-9 670	-10 400
Operating profit / loss (-)		**-88 492**	**-69 140**
Finance income	5.9	4 518	2 249
Finance costs	5.9	-1 295	-753
Net financial items		**3 223**	**1 496**
Profit / loss (-) before tax		**-85 269**	**-67 644**
Income tax expense	6	-220	-242
Profit / loss (-) for the year		**-85 489**	**-67 886**
Attributable to:			
Equity holders of the parent		-85 489	-67 886
Non-controlling interests		0	0
Earnings per share:			
Basic, attributable to ordinary equity holders of the parent (NOK)	7	-1.40	-1.31
Diluted, attributable to ordinary equity holders of the parent (NOK)	7	-1.40	-1.31

Consolidated statement of comprehensive income for the year ended 31 December

(in NOK 000)	Note	2023	2022
Profit / loss (-) for the year		**-85 489**	**-67 886**
Other comprehensive income			
Exchange differences on translation of foreign operations		151	95
Income tax effect		0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**151**	**95**
Total comprehensive income for the year, net of tax		**-85 338**	**-67 791**
Attributable to:			
Equity holders of the parent		-85 338	-67 791
Non-controlling interests		0	0

Consolidated statement of financial position as at 31 December

(in NOK 000)	Note	2023	2022
ASSETS			
Property, plant and equipment	8	9 239	10 748
Intangible assets	9	17 580	24 855
Right-of-use assets	11	2 915	3 871
Total non-current assets		**29 735**	**39 474**
Inventories	12	70 089	45 577
Trade and other receivables	13.1,14	8 194	8 386
Prepayments		626	557
Cash and cash equivalents	15	114 788	84 249
Total current assets		**193 697**	**138 769**
Total assets		**223 432**	**178 242**
EQUITY AND LIABILITIES			
Share capital	16	2 648	2 078
Share premium	16	194 503	145 785
Translation reserve		1 281	1 130
Retained earnings		1 108	1 699
Total equity		**199 541**	**150 692**
Lease liabilities	11	1 951	2 970
Total non-current liabilities		**1 951**	**2 970**
Trade and other payables	13.2	19 757	22 480
Current lease liabilities	11	1 182	1 100
Provisions	17	1 000	1 000
Total current liabilities		**21 940**	**24 581**
Total liabilities		**23 891**	**27 550**
Total equity and liabilities		**223 432**	**178 242**

Horten, 24 April 2024
THE BOARD OF DIRECTORS OF POLIGHT ASA

Grethe Viksaas (sign)
Chair, Independent

Thomas Görling (sign)
Board member, Independent

Svenn-Tore Larsen (sign)
Board member, Independent

Jean-Christophe Eloy (sign)
Board member, Independent

Marianne Bøe (sign)
Board member, Independent

Dr Øyvind Isaksen (sign)
Chief Executive Officer

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

(in NOK 000)	Note	Share capital	Share premium	Retained earnings	Translation reserve	Total
		Attributable to equity holders of the parent				
As at 1 January 2022		**2 077**	**209 320**	**977**	**1 035**	**213 409**
Profit / loss (-) for the year				-67 886		-67 886
Other comprehensive income					95	95
Total comprehensive income		0	0	-67 886	95	-67 791
Share options exercised	16	1	253			254
Equity-settled share-based payments	5.2			4 821		4 821
Allocation to retained earnings			-63 788	63 788		0
At 31 December 2022		**2 078**	**145 785**	**1 699**	**1 130**	**150 692**
Profit / loss (-) for the year				-85 489		-85 489
Other comprehensive income					151	151
Total comprehensive income		0	0	-85 489	151	-85 338
Issue of ordinary shares	16	568	147 931			148 500
Share options exercised	16	2	285			287
Transaction costs	16		-22 702			-22 702
Equity-settled share-based payments	5.2			8 101		8 101
Allocation to retained earnings			-76 796	76 796		0
At 31 December 2023		2 648	194 503	1 108	1 281	199 541

Consolidated statement of cash flows for the year ended 31 December

(in NOK 000)	Note	2023	2022
Operating activities			
Profit / loss (-) before tax		-85 269	-67 644
Adjustments for:			
Depreciation and impairment of property, plant and equipment and right-of-use assets	8	2 396	1 877
Amortisation and impairment of intangible assets	9	7 275	8 522
Net finance income	5.9	-3 223	-1 496
Equity-settled share-based payments	5.3	8 101	4 821
Gain on disposal of property, plant and equipment		-14	0
Other non-cash items		-807	-430
Changes in unrealised net foreign exchange rate differences/fluctuations		-18	143
Changes in working capital:			
Increase (-) in trade and other receivables and prepayments		-2 374	11 925
Increase (-) in inventories	12	-24 512	-28 741
Increase (+) in trade and other payables		-2 723	2 574
Changes in provisions and government grants	17,14	2 497	3 166
Interest received	5.9	4 518	2 255
Interest paid	5.9	-259	-330
Income tax paid		-220	-242
Net cash flows used in operating activities		**-94 631**	**-63 600**
Investing activities			
Proceeds from sale of property, plant and equipment		392	0
Purchase of property, plant and equipment	8, 9	-387	-9 202
Net cash flows used in investing activities		**6**	**-9 202**
Financing activities			
Proceeds from issuance of ordinary shares	16	148 500	0
Proceeds from exercise of share options	16	287	254
Transaction costs on issuance of shares	16	-22 702	0
Payment of lease liabilities	11	-1 089	-964
Net cash flows from / (used in) financing activities		**124 996**	**-710**
Net increase in cash and cash equivalents		30 371	-73 513
Effect of exchange rate changes on cash and cash equivalents		169	-49
Cash and cash equivalents at 1 January	15	84 249	157 810
Cash and cash equivalents at 31 December	15	**114 788**	**84 249**

Notes to the Consolidated Financial statements

1 Corporate information

poLight ASA is a publicly listed limited company, founded in 2005, which is incorporated and domiciled in Norway. The address of its registered office is Innlaget 5, N-3185 Skoppum, Norway.

poLight ASA (OSE: PLT) offers patented, state-of-the-art tunable optics technology, leveraging its proprietary polymer and piezo MEMS technology. Founded in 2005, its first product TLens® replicates "the human eye" experience in autofocus cameras used in applications such as AR/MR devices, smartphones, wearables, webcams and other consumer devices, industrial barcode scanners and machine vision systems, and healthcare applications. With over 160 granted patents, poLight's technology delivers extremely fast focus, small footprint, ultra-low power consumption, no magnetic interference, and constant field of view, enabling better imaging system performance and new user experiences compared to alternative technologies. poLight is based in Horten, Norway, with employees in Finland, France, UK, US, China, Taiwan, and the Philippines. For more information, please visit https://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 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 24 April 2024, to be approved by the annual general meeting on 22 May 2024.

2 Material accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS® Accounting Standards adopted by the EU.

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.

2.3 Summary of material accounting policies

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

Revenue from contracts with customers

The group has 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 reporting 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.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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, 2023 an intercompany subordinated loan to poLight France SAS of EUR 2,650,000 / NOK 29,787,325 (2022: EUR 2,750,000 / NOK 28,912,950) 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.

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.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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.

In calculating the present value of the fixed 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.

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.

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

Expenses related to the development of the TLens® technology platform were recognised as an intangible asset with effect from 2015. The development project ended in 2019 when the initial mass production line was qualified. Since then, R&D resources have been devoted primarily to improvement projects and helping customers to integrate TLens® into their products. Related costs have therefore not been recognised as an intangible asset.

The company has also engaged in research/concept studies related to potential new products. However, as they have not met the definition given above, they have not been defined as an intangible asset. This relates, for example, to the TWedge® – a potential product for the enhancement of AR/MR display solutions.

Software license

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 judgements and estimation uncertainty	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

The Group's terms and conditions agreed with the customers contains a warranty clause. A general provision to meet potential claims under the clause have been recognised (Note 17 *Provisions*).

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 likelihood of holding the share options to expiry date, 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 5.3 *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 recognised in the income statement includes accrued employer's national insurance contribution ("NICs") 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 NICs is accounted for as a cash settled element with a liability recognised in the consolidated statement of financial position. 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

The following summarizes the most significant judgements used in preparing the consolidated financial statements.

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 5.3 *Employee benefits expense*.

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.

Impairment of non-financial assets

The management has evaluated that the group as a whole is one cash generating unit (CGU) for impairment testing, see note 10. Judgements are required to determine if impairment indicators are present. During 2023, no impairment indicators have been identified, and no impairment test has been performed. As the group as a whole is one CGU, the market capitalisation based on the company's share price is both one of the impairment indicators and basis for estimating fair value less cost of sales if an impairment test should be performed. See Note 10 *Development costs* for further details. See also note 3.2. below.

3.2 Key sources of estimation uncertainty – significant accounting estimates

The preparation of poLight's consolidated financial statements requires the use of accounting estimates. These estimates 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.

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

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. 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*.

Impairment of non-financial assets

As described in note 3.1 and note 10 *Development costs*, the Group has not performed an impairment test during 2023, among other things with reference to its market capitalisation. The market capitalisation at 31 December 2023 materially exceeded the carrying amount of equity. The share price has in the first quarter of 2024 declined materially, especially following the announcement of the preferential rights issue to be carried out, but market capitalisation at the end of the first quarter 2024 was still above the carrying amount of equity at 31 December 2023. If the market capitalisation should decline below the carrying amount of equity, or other impairment indicators are present, the Group would have to perform an impairment test, which could result in an impairment charge being recognised.

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	**Revenue**	
(in NOK 000)	**2023**	**2022**
America	5 990	2 198
Asia	11 818	6 222
Europe	4 702	4 943
Total	**22 511**	**13 363**

Geographical distribution	**Right-of-use assets**		**Machinery & equipment**		**Development costs**	
(in NOK 000)	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Norway	2 915	3 871	1 947	2 689	17 580	24 855
France	0	0	9	21	0	0
Finland	0	0	61	50	0	0
Taiwan	0	0	30	1 490	0	0
The Philippines	0	0	7 176	6 461	0	0
China	0	0	16	36	0	0
Total	**2 915**	**3 871**	**9 239**	**10 748**	**17 580**	**24 855**

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 Cost of Sales

(in NOK 000)	**Note**	**2023**	**2022**
Wafer and assembly production cost, outsourced		7 556	4 490
Customer customisations, employee expense	5.3	248	0
Final testing, employee expense	5.3	871	0
Depreciation of final testing equipment	8	264	0
Change in inventory obsolescence provision	12	1 410	336
Total Cost of Sales		**10 349**	**4 826**

5.2 Specification of operating expenses by nature

(in NOK 000)	**Note**	**2023**	**2022**
Employee benefits expense[1)]	5.3	68 725	45 614
Depreciation and amortisation		9 670	10 400
Other operating expenses		22 258	21 663
Total operating expenses		**100 653**	**77 676**

1) Including consultants engaged on long-term contracts

5.3 Employee benefits expense

(in NOK 000)	**2023**	**2022**
Included in Research and development expenses:		
Wages and salaries	10 616	10 533
Consultants engaged on long-term contracts	10 108	8 540
Social security costs	2 087	1 935
Pension costs	516	554
Other benefits and social costs	363	422
Share based compensation costs	2 053	893
Grants	-495	-802
Included in Sales and marketing expenses:		
Wages and salaries	5 054	3 354
Consultants engaged on long-term contracts	6 297	3 292
Social security costs	993	616
Pension costs	246	176
Other benefits and social costs	173	135
Share based compensation costs	1 976	1 883
Included in Operational / supply chain expenses:		
Wages and salaries	2 141	1 679
Consultants engaged on long-term contracts	6 194	3 574
Social security costs	421	308
Pension costs	104	88
Other benefits and social costs	73	67
Share based compensation costs	2 188	466
Included in Administrative expenses:		
Wages and salaries	10 631	8 770
Consultants engaged on long-term contract	238	80
Social security costs	2 090	1 611
Pension costs	516	461
Other benefits and social costs	363	352
Share based compensation costs	3 779	-3 375
Total employee benefits expense	**68 725**	**45 614**
Average number of man-years, employees	23	23
Average number of man-years, total	38	35

Bonus program

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 (for the period 2022-2023) 50% for the CEO, 30% for the other members of the Executive Management Team, 20% for department managers and 10% for other employees. With effect from 2024 the maximum bonus is 80% for the CEO, 40% for the other members of the Executive Management Team, 20% for department managers and 10% for other employees. The bonus costs are included in "*Wages and salaries*" and "*Consultants engaged on long-term contracts*".

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 and 2023, 7% of the salary between 0G (1G=NOK 118,620) and 7.1G, and 15% of the salary between 7.1G and 12G was calculated. The period's contributions are recognised in the Consolidated statement of income.

(in NOK 000)	**2023**	**2022**
Defined contribution plan	1 299	1 195
Social security tax	183	168
Total pension cost	**1 483**	**1 363**

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

(in NOK 000)	**2023**	**2022**
Share based compensation costs	8 101	4 821
Employer's national insurance contribution	1 894	-4 953
Recognised as employee benefits expense	**9 996**	**-133**

The share options expense includes accrued employer's national insurance contribution 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 264,653 (6,616,322 shares at par value of NOK 0.04).

Outstanding share options at December 31, 2023

Year granted	Average 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	1 602 710	1 602 710	1.49	8 588	0
2019	3.78	185 545	185 545	0.47	375	0
2019	5.40	231 655	231 655	0.47	303	0
2019	6.75	323 460	323 460	0.47	262	0
2020	14.98	948 335	948 335	1.67	6 482	0
2021	22.80	17 361	17 361	0.33	7 332	1 402
2022	21.00	0	0	0	1 110	525
2023	21.26	1 470 000	117 500	4.70	1 667	5 879
2023	12.82	800 000	71 556	4.75	685	1 405
Total		**5 579 066**	**3 498 122**		**26 804**	**9 211**

The terms of the stock options imply that exercise windows for exercising stock options shall be opened, normally each quarter after the presentation of quarterly reports. Throughout the term of these options, the Board has on several occasions not been able to open such exercise windows. The Board therefore extended the term of previously granted options for a period equivalent to the period of exercise windows that have not been opened, or subject to lock-up arrangements. The 1.6 million share options issued in 2018 originally expired in October 2023, but was extended by board resolution in August 2023 with 9 months for all share option holders. Additional 6 months extension applied for the share options held by CTO, COO and CFO and additional 18 months extension applied for the share options held by CEO. Fair value of the extended date of exercise was measured using the Black-Scholes option pricing model. The fair value was measured to NOK 2.4 million being the difference between i) Fair value of the original scheme measured at the time of change of expiry date and ii) Fair value of updated scheme measured at time of change of expiry date. Since the share options was all vested at the date of the extension all the expense has been recognised in 2023.

The board also offered a replacement share option agreement (after cancellation) to those how got share options at strike 22.80 (2021) and 21.00 (2022). 800,000 share options were cancelled and replaced with a new share option agreement at strike 12.82. The fair value of the new share options was measured to NOK 2.1 million net after reduction of the fair value of the cancelled share options.

Reconciliation of outstanding share options

	2023		2022	
	Number of share options	WAEP	Number of share options	WAEP
Outstanding at 1 January	4 238 646	12.9	4 045 865	12.4
Granted during the year	2 270 000	12.5	220 000	21.0
Forfeited during the year	-65 556	22.1	0	
Cancelled during the year	-800 000	22.4	0	
Exercised during the year	-48 330	5.9	-27 221	9.4
Expired during the year	-15 693	14.9	0	
Outstanding at 31 December	**5 579 066**	11.3	**4 238 646**	12.9
In % of outstanding shares	**8.43 %**		**8.16 %**	
Exercisable at 31 December	3 498 122	10.6	3 275 312	10.6

The weighted average exercise price (WAEP) for the share options exercised during 2022 was NOK 5.9 (2022: NOK 9.4), and the average market price at the exercise dates was NOK 12.27 (2022: NOK 25.1).

The weighted average exercise price for the share options outstanding as at 31 December 2023, was NOK 11.3 (2022: NOK 12.9) 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 2023 was 2.69 years (2022: 2.01 years).

At the end of the year, the weighted average exercise price was NOK 10.6 (2022: NOK 10.6) 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 2023 has been calculated to NOK 7.5 million excluding social security expenses (2022: NOK 1.8 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:

	2023		2022	
	Program 1	*Program 2*	*Program 1*	*Program 2*
Price at grant date	NOK 12.15	NOK 12.15	NOK 20.05	NOK 20.05
Exercise price	NOK 12.15	NOK 12.15	NOK 21	NOK 21
Maximum[1)] option life	5 years	5 years	5 years	5 years
Assumed option life[2)]	2.5 years	4 years	2.5 years	4 years
Risk-free interest rate	4.1%	4.1%	3.26%	3.26%
Volatility	60 %	60 %	60 %	60 %
Fair value per share option	NOK 4.8	NOK 6.0	NOK 7.5	NOK 9.5

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 2023 of NOK 7.5 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 1.9 million over the vesting period. A decrease in the assumed lifetime of the share options with 1 year, would have decreased the fair value with NOK 1.4 million over the vesting period.

5.4 Research and development expenses

(in NOK 000)	**2023**	**2022**
Employee benefits expense (incl. consultants)	25 743	22 878
Other operating expenses	10 990	14 922
Government grants	-2 117	-4 892
Capitalized	0	0
Total Research and development expenses	**34 616**	**32 907**

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.

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 license and costs related to integration of TLens in new customer applications/products. None of the activities were eligible for capitalisation during 2023 and 2022 since these have so far been in an early phase from an R&D point of view.

5.5 Sales and marketing expenses

(in NOK 000)	**2023**	**2022**
Employee benefits expense (incl. consultants)	14 739	9 457
Other operating expenses	2 973	3 666
Total Sales and marketing expenses	**17 712**	**13 122**

5.6 Operational/supply chain expenses

(in NOK 000)	**2023**	**2022**
Employee benefits expense (incl. consultants)	11 121	6 182
Other operating expenses	5 563	2 997
Total Operational / supply chain expenses	**16 684**	**9 179**

5.7 Administrative expenses

(in NOK 000)	**2023**	**2022**
Employee benefits expense	17 617	7 900
Other operating expenses	4 347	4 168
Total Administrative expenses	**21 964**	**12 068**

5.8 Auditor's remuneration

(in NOK 000)		2023	2022
Audit fee		1 528	798
Audit related fee		309	34
Tax fee		66	30
Other service fee		128	68
Total Auditor's remuneration	*(excluding VAT)*	**2 031**	**930**

5.9 Financial items

(in NOK 000)	2023	2022
Interest income	4 518	2 249
Finance income	**4 518**	**2 249**

(in NOK 000)	2023	2022
Net foreign exchange losses	1 020	385
Interest expense on lease liabilities	259	330
Finance expenses	16	38
Finance cost	**1 295**	**753**

6 Income tax

The significant components of income tax expense are:

(in NOK 000)	2023	2022
Consolidated statement of profit or loss		
Current income tax expense	220	242
Deferred tax:		
Relating to origination and reversal of temporary differences	0	0
Income tax expense reported in the statement of profit or loss	**220**	**242**

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

(in NOK 000)	2023	2022
Calculated income tax at statutory rate of 22%	-18 759	-14 882
Government grants exempt from tax	-466	-1 015
Tax effect of permanent differences [1)]	2 053	-41
Change in unrecognised deferred tax assets	14 162	16 280
Change in tax rate	3 314	0
Effect of different tax rates compared with Norwegian tax rate	43	-71
Foreign currency effects	14	-28
Adjustments previous year	-142	0
Income tax expense	**220**	**242**
Effective tax rate	**0.3 %**	**0.4 %**

1) Includes tax effect of share option expense, see Note 5.3 *Employee benefits expense*.

Movements in deferred tax balances

2023 (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	4	-91	0	-87	-87	0
Intangible assets	5 166	-135	0	5 031	5 031	0
Inventories	2 978	310	0	3 288	3 288	0
Group loan	-1 387	0	-445	-1 833	0	-1 833
Provisions	220	0	0	220	220	0
Tax losses carried forward	162 522	19 580	0	182 101	182 101	0
Tax assets (liabilities) before set-off	169 502	19 664	-445	188 720	190 553	-1 833
Set-off of tax				0	-1 833	1 833
Unrecognised deferred tax assets	-169 502	-19 664	445	-188 720	-188 720	
Net tax assets (liabilities)	**0**	**0**	**0**	**0**	**0**	**0**

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	-153 123	-16 696	318	-169 502	-169 502	
Net tax assets (liabilities)	**0**	**0**	**0**	**0**	**0**	**0**

Since the Group is still in an early commercialisation phase with significant losses, no deferred tax assets have been recognized. Total unrecognised deferred tax assets net, relate to

(in NOK 000)	**2023**	**2022**
Norway (no expiry date)	184 398	162 193
France (no expiry date)	4 322	7 309
Total unrecognised deferred tax assets	**188 720**	**169 502**

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:

	2023	2022
Weighted average number of ordinary shares for basic EPS	61 045 873	51 939 025
Effect of dilution:		
Share options in-the-money (average)	2 883 370	3 073 867
Anti-dilutive for the periods presented	-2 883 370	-3 073 867
Weighted average number of shares adjusted for the effect of dilution	**61 045 873**	**51 939 025**

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.

(in NOK)	2023	2022
Profit / loss (-) attributable to ordinary equity holders of the parent	-85 489	-67 886
Earnings per share for income attributable to equity holders of poLight:		
Basic	-1.40	-1.31
Diluted	-1.40	-1.31

8 Property, plant and equipment

(in NOK 000)	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**

(in NOK 000)	Building	Equipment	Total
Cost at 1 January 2023	1 232	22 081	23 313
Additions	16	371	387
Disposals at cost	0	-472	-472
Foreign currency translation effect	0	144	144
Cost at 31 December 2023	**1 248**	**22 123**	**23 371**
Accumulated depreciation and impairment losses at 1 January 2023	-348	-12 217	-12 565
Depreciation	-249	-1 303	-1 552
Impairment losses	0	0	0
Accumulated depreciation and impairment losses disposals	0	94	94
Effect of changes in foreign exchange	0	-108	-108
Accumulated depreciation and impairment losses at 31 December 2023	**-598**	**-13 533**	**-14 131**
Net book value at 31 December 2023	**650**	**8 590**	**9 240**
Estimated useful lives (years)	**1)**	**3-7**	

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

(in NOK 000)	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**

(in NOK 000)	**Development costs and TLens patents**	**Software license**	**Total**
Cost at 1 January 2023	78 184	181	78 365
Cost at 31 December 2023	**78 184**	**181**	**78 365**
Accumulated amortisation and impairment losses at 1 January 2023	-53 329	-181	-53 511
Amortisation	-7 275	0	-7 275
Accumulated amortisation and impairment losses at 31 December 2023	**-60 604**	**-181**	**-60 785**
Net book value at 31 December 2023	**17 580**	**0**	**17 580**

Intangible assets with finite useful lives, are amortised systematically over their estimated useful 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 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.

(in NOK 000)	**Carrying amount before impairment**	**Carrying amount after impairment**	**Accumulated net impairment loss**
CGU: TLens® technology platform			
At 31 December 2022	43 135	24 855	18 280
At 31 December 2023	35 860	17 580	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 14 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 17.6 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, reducing the carrying amount to NOK 0. This variant of the TLens®, is still on the technological road map, and is planned to be continued when the product has sufficient customer commitment.

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 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

(in NOK 000)	**2023**	**2022**
At 1 January	3 871	4 778
Additions	152	159
Depreciation expense	-1 108	-1 066
At 31 December	**2 915**	**3 871**

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

(in NOK 000)	**2023**	**2022**
At 1 January	4 070	4 876
Additions	152	159
Termination of contract	0	0
Interest expense	259	330
Payments	-1 348	-1 295
At 31 December	**3 133**	**4 070**
Current, < 1 year	1 182	1 100
Non-current	1 951	2 970

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

The following are the amounts recognised in profit or loss:

(in NOK 000)	**2023**	**2022**
Depreciation expense of right-of-use assets	1 108	1 066
Interest expense on lease liabilities	259	330
Expense relating to short-term leases (included in research and development expenses)	529	407
Expense relating to short-term leases (included in sales and marketing expenses)	89	769
Expense relating to leases of low-value assets (included in administrative expenses)	42	46
Total amount recognised in profit or loss	**2 026**	**2 617**

The Group had total cash outflows for leases of NOK 2 007 in 2023 (2022: NOK 2 516). The Group also had non-cash additions to right-of-use assets and lease liabilities of NOK 152 in 2023 (2022: NOK 159). The addition is attributable to the yearly adjustment in lease payment for the company's headquarters in Horten.

12 Inventories

(in NOK 000)	**2023**	**2022**
Components; mainly wafers (at cost)	78 837	50 143
Finished goods; lenses and driver ASICs (at cost)	6 195	8 968
Obsolescence provision (expensed as cost of sales)	-14 944	-13 534
Total inventories at the lower of cost and net realisable value	**70 089**	**45 577**

During 2023, NOK 1.4 million (2022: NOK 0.3 million) was recognised as an obsolescence expense for inventories carried at net realisable value. This is recognised in cost of sales (Note 5.1 *Cost of Sales*).

13 Financial assets and financial liabilities

13.1 Financial assets

(in NOK 000)	**2023**	**2022**
Financial assets at amortised cost:		
Trade receivables	4 265	3 026
Grants recognised, not received	2 117	4 614
Other receivables	1 813	747
Total financial assets	**8 194**	**8 386**
Total current	8 194	8 386
Total non-current	0	0

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

13.2 Financial liabilities

(in NOK 000)	**2023**	**2022**
Financial liabilities at amortised cost, other than interest-bearing loans and borrowings:		
Trade payables	5 893	10 612
Other payables	8 025	7 923
Accrued employer's NICs on share option plan (note 5.3)	5 839	3 945
Provisions	1 000	1 000
Total	**20 757**	**23 480**
Total current	20 757	23 480
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 2.69 years as at 31 December 2023. See Note 5.3 *Employee benefits expense* for additional information.

13.3 Financial instruments risk management objectives and policies

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

poLight is exposed to foreign currency risk, credit risk and liquidity risk. The Executive Management oversees the management of these risks.

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 denominated 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 2023.

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 by entering into forward exchange rate contracts or other as of today.

Since the monetary assets and liabilities in foreign currency, as at 31. December mainly consists of trade payables and receivables which are naturally hedged for the most part, any change in exchange rates will not have a material impact on the profit before tax, nor the equity.

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 the trade receivables, post balance sheet date, have been paid in full, no provision has been made.

Credit quality of a customer is assessed based on D&B's credit rating scorecard and are regularly monitored. As at 31 December 2023, most of other receivables consisted of government grants with low credit risk.

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

			Past due				
(in NOK 000)	**Total**	**Not past due**	**< 30 days**	**30–60 days**	**61–90 days**	**91–120 days**	**> 120 days**
2023	8 194	7 675	479	39	0	0	0
2022	8 386	6 512	1 874	0	0	0	0

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 and Capital Management

The Group monitors its risk of a shortage of funds using 5 years forecasting model. At year-end, poLight had cash deposits of NOK 114.8 million. According to current plans, the Group's cash deposits will fund activities through the fourth quarter of 2024. Thereafter, additional capital will be required to continue poLight's planned commercialisation of its TLens® technology.

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.

(in NOK 000)	**< 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
As at 31. December 2023					
Lease liabilities	342	1 025	2 049	0	3 416
Trade and payables	17 774	1 983	0	0	19 757
	18 116	3 008	2 049	0	23 173

(in NOK 000)	**< 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

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. 18th April 2024 the company held an extraordinary general meeting that approved to carry out an underwritten rights issue with gross proceeds of up to NOK 160 million, of which subscription of shares for NOK 130 million will be underwritten. The underwriting agreements of NOK 130 million are unconditional and irrevocable. All the conditions for the obligations of the underwriters have been met.

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

(in NOK 000)	**2023**	**2022**
Trade and other payables	20 757	23 480
Less: cash and short-term deposits	-114 788	-84 249
Net debt	-94 031	-60 769

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

14 Government grants

(in NOK 000)	**2023**	**2022**
Receivable at 1 January	4 614	7 280
Received during the year	-4 614	-7 558
Grants recognised as reduction of research and development expenses in the consolidated statement of income	2 117	4 892
Receivable at 31 December	**2 117**	**4 614**

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.

(in NOK 000)	**2023**	**2022**
Current	2 117	4 614
Non-current	0	0
Total	**2 117**	**4 614**

15 Cash and short-term deposits

(in NOK 000)	**2023**	**2022**
Cash at banks	113 602	82 936
Restricted cash, taxes withheld	1 186	1 313
Cash and short-term deposits	**114 788**	**84 249**

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

16 Issued capital and reserves

	2023	2022
Ordinary shares	66 211 548	51 952 700

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 capital** *(in NOK 000)*
At 1 January 2022 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	**51 952 700**	**2 078**
Rights Issue on 10 May 2023 each with a par value of NOK 0.0.4	12 918 660	517
Underwriting commission related to the rights Issue on 10 May 2023 each with a par value of NOK 0.0.4	1 291 858	52
Exercise of share options on 18 September 2023 each with a par value of NOK 0.04	48 330	2
At 31 December 2023	**66 211 548**	**2 649**

(in NOK 000)	**Share premium**
At 1 January 2022	209 320
Exercise of share options on 1 March 2022 average of NOK 8.41	33
Exercise of share options on 25 March 2022 average of NOK 9.54	221
Allocated to retain earnings	-63 788
At 31 December 2022	**145 785**
Rights Issue on 10 May 2023 each with a par value of NOK 0.0.4	147 931
Decrease due to transaction costs for issued share capital	-22 702
Exercise of share options on 18 September 2023 each with a par value of NOK 0.04	285
Allocated to retain earnings	-76 796
At 31 December 2023	**194 503**

The board is authorised to increase the share capital issuing new shares up to a total nominal value of NOK 529,306 (13,232,644 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 264,653 (6,616,322 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 5.3 *Employee benefits expense*).

17 Provisions

(in NOK 000)	**Warranty provision**	**Total**
At 1 January 2022	500	500
New or increased provisions	500	500
At 31 December 2022	**1 000**	**1 000**
New or increased provisions	0	0
At 31 December 2023	**1 000**	**1 000**

Expected timing of cash flow

(in NOK 000)	**Warranty provision**	**Total**
Current, < 1 year	1 000	1 000
Non-current	0	0
At 31 December 2023	**1 000**	**1 000**

Warranty provision

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

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**	**2023**	**2022**
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 2023, the largest shareholder was Investinor Direkte AS, with an ownership of 13.44%.

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.

(in NOK 000)	**2023**	**2022**
Purchases from subsidiaries	15 735	14 248

Subordinated loan	2023		2022	
	EUR 000	*NOK 000*	*EUR 000*	*NOK 000*
Subordinated loan agreement	2 650	29 787	2 750	28 913

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 2023, 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 27,487,325 related to the subordinated loan have been recognised, whereof NOK 374,375 recognised in 2023.

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 2023 will be submitted for approval in the annual general meeting 22 May 2024 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.

(in NOK 000)	Salaries	Bonus	Pension costs	Other benefits	Value[1] share options	Total 2023	Total 2022
Øyvind Isaksen - CEO	3 437	1 331	170	400	1 919	7 256	5 016
Pierre Craen - CTO[2]	2 413	351	0	0	398	3 162	2 660
Alf Henning Bekkevik - CFO	1 398	185	161	19	460	2 223	1 569
Marianne Sandal - COO	1 785	236	190	83	476	2 770	2 438
Total management team	9 034	2 104	520	502	3 252	15 412	11 683

1) Fair value of the share options vested in 2023 are calculated using the Black-Scholes option pricing model at the date of the grant. No share options were exercised in 2023.

2) Pierre Craen has invoiced NOK 2,764 (2022: NOK 2,549) thousands 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 poLight 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	400 000	2 083 746	1 728 189
Pierre Craen - CTO	310 615	0	0	100 000	410 615	321 726
Alf Henning Bekkevik - CFO	251 115	0	0	100 000	351 115	262 226
Marianne Sandal - COO	358 615	0	0	100 000	458 615	369 726
Total management team	2 604 091	0	0	700 000	3 304 091	2 681 868

The exercise price on exercisable share options for the management's balance at 31 December 2023 was NOK 10.17 per share in average. No share options were exercised in 2023.

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

Remuneration members of the board

(in NOK 000)	**2023**	**2022**
Grethe Viksaas - chair of the board [1)]	500	338
Ann-Tove Kongsnes [2)]	258	325
Svenn Tore Larsen	258	250
Juha Alakarhu [3)]	125	250
Thomas Görling	258	250
Total Board of Directors	1 399	1 413

1) Chair of the board from May 25, 2022
2) Chair of the board to May 25, 2022
3) Member to May 24, 2023

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

Remuneration of the nomination committee

(in NOK 000)	**2023**	**2022**
Thomas S. Wrede-Holm - chair	40	40
Jan-Erik Hæreid	30	35
Anne E. H. Worsøe	30	35
Total	100	110

Remuneration of the audit and sustainability committee

(in NOK 000)	**2023**	**2022**
Ann-Tove Kongsnes	57	0
Grethe Viksaas	48	0
Total	105	0

Remuneration of the remuneration committee

(in NOK 000)	**2023**	**2022**
Ann-Tove Kongsnes	38	0
Grethe Viksaas	45	0
Thomas Görling	45	0
Total	128	0

19 Going Concern and events after the end of the reporting period

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 management is dependent on raising additional financing in order to be able to finance their planned operations and R&D activities over the next 12 months from the release of this report.

18th April 2024 the company held an extraordinary general meeting that approved to carry out an underwritten rights issue with gross proceeds of up to NOK 160 million, of which subscription of shares for NOK 130 million will be underwritten. The net proceeds from the rights issue will be used to strengthen the Company's liquidity into 2026, enabling significant advancements in commercializing the Company's proprietary and patented tunable optics and thus facilitating:

- the elevation of customer engagement to secure pivotal design wins and foster strategic relationships with key market players and thereby driving growth across multiple market segments;
- the broadening and enhancement of poLight's product offerings; and
- the continued improvement and maturation of poLight's supply chain to solidify its status as a reliable partner for customers.

The underwriting agreements of NOK 130 million are unconditional and irrevocable. 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.

No events have occurred after the end of the reporting period that requires disclosure except the underwritten rights issue mentioned above.

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

(in NOK 000)	Note	2023	2022
Sale of goods	2	20 099	10 034
Rendering of services	2	2 412	3 328
Revenue		**22 511**	**13 363**
Cost of sales	13	10 349	4 826
Gross profit		**12 162**	**8 536**
Research and development expenses		-36 386	-34 547
Sales and marketing expenses		-18 438	-13 433
Operational / supply chain expenses		-16 684	-9 179
Administrative expenses		-23 318	-13 361
Depreciation, amortisation and net impairment losses	10,11	-8 506	-9 286
Operating profit / loss (-)		**-91 170**	**-71 269**
Net financial items	8	6 272	2 660
Profit / loss (-) before tax		**-84 898**	**-68 609**
Income tax expense	9	0	0
Profit / loss (-) for the year		**-84 898**	**-68 609**

Allocated to/from:			
Share premium	17	-76 796	-63 788
Retained earnings	17	-8 101	-4 821
Profit / loss (-) for the year		**-84 898**	**-68 609**

Balance sheet poLight ASA – as at 31 December

(in NOK 000)	Note	2023	2022
ASSETS			
Property, plant and equipment	10	9 154	10 641
Intangible assets	11	17 580	24 855
Investments in subsidiaries	12	320	320
Subordinated loan to subsidiaries	14,20	2 300	1 800
Total non-current assets		**29 354**	**37 615**
Inventories	13	70 089	45 577
Trade receivables	14	4 265	3 026
Other receivables	14	4 200	5 608
Cash and cash equivalents	15	110 568	78 808
Total current assets		**189 121**	**133 019**
Total assets		**218 474**	**170 634**
EQUITY AND LIABILITIES			
Share capital	16,17	2 648	2 078
Share premium	17	194 503	145 785
Total equity		**197 152**	**147 863**
Trade payables	14	8 175	11 311
Public duties payable		7 907	6 021
Other payables	14	5 241	5 440
Total current liabilities		**21 323**	**22 771**
Total liabilities		**21 323**	**22 771**
Total equity and liabilities		**218 474**	**170 634**

Horten, 24 April 2024
THE BOARD OF DIRECTORS OF POLIGHT ASA

Grethe Viksaas (sign)
Chair, Independent

Thomas Görling (sign)
Board member, Independent

Svenn-Tore Larsen (sign)
Board member, Independent

Jean-Christophe Eloy (sign)
Board member, Independent

Marianne Bøe (sign)
Board member, Independent

Dr Øyvind Isaksen (sign)
Chief Executive Officer

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

(in NOK 000)	**Note**	**2023**	**2022**
Operating activities			
Profit before tax		-84 898	-68 609
Gain on disposal of property, plant and equipment		-14	0
Depreciation, amortisation and net impairment losses	10,11	8 506	9 286
Depreciation of final testing equipment recognised as Cost of Sales	10	264	0
Changes in inventories, accounts receivables and accounts payable		-28 886	-22 883
Changes in other accruals		8 422	15 224
Net cash flows from / (used in) operating activities		**-96 606**	**-66 982**
Investing activities			
Proceeds from sale of property, plant and equipment		392	0
Purchase of property, plant and equipment	10	-387	-9 124
Proceeds from group borrowings	14,20	1 150	0
Dividend from subsidiaries	8	1 125	0
Net cash flows from / (used in) investing activities		**2 281**	**-9 124**
Financing activities			
Proceeds from Issue of ordinary shares	17	148 500	0
Proceeds from exercise of share options	17	287	254
Transaction costs on issue of shares	17	-22 702	0
Net cash flows from / (used in) financing activities		**126 085**	**254**
Net increase in cash and cash equivalents		31 759	-75 852
Cash and cash equivalents at 1 January	15	78 808	154 660
Cash and cash equivalents at 31 December	15	**110 568**	**78 808**

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® Accounting Standards. The Company's accounting principles are similar to the accounting principles for the Group with the following exceptions;

- Leases (IFRS 16 in the consolidated financial statement). The company's financial statements have been prepared without recognition of the right-of use of premises and related lease liabilities.
- In the parent company the subsidiaries are valued as cost less any impairment losses and not consolidated.

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.

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)	**2023**	**2022**
By business area		
TLens®	22 511	13 363
Total	**22 511**	**13 363**
Geographical distribution		
America	5 990	2 198
Asia	11 818	6 222
Europe	4 702	4 943
Total	**22 511**	**13 363**

3 Specification of operating expenses by nature

(in NOK 000)	Note	2023	2022
Employee benefits expense[1)]	5,6	58 212	36 635
Depreciation, amortisation and net impairment losses	10,11	8 506	9 286
Other operating expenses	7,18	36 614	33 885
Total operating expenses		**103 332**	**79 805**

1) Including consultants engaged on long-term contract

4 Government grants

(in NOK 000)	2023	2022
At 1 January	4 614	7 280
Received during the year	-4 614	-7 558
Grants earned	2 117	4 892
At 31 December	**2 117**	**4 614**

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)	2023	2022
Wages and salaries	19 336	17 127
Consultants engaged on long-term contract	23 707	15 486
Social security costs	3 417	2 732
Pension costs (note 6)	1 381	1 280
Other benefits and social costs	869	945
Share based compensation costs	9 996	-133
Government grants	-495	-802
Total employee benefits expense	**58 212**	**36 635**
Average number of man-years, employees	14	14
Average number of man-years, total	29	26

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 (for the period 2022-2023) 50% for the CEO, 30% for management, 20% for department managers and 10% for other employees. With effect from 2024 the maximum bonus is 80% for the CEO, 40% for top 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 5.3 *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 and 2023, 7% of the salary between 0G (1G=NOK 118,620) and 7.1G, and 15% of the salary between 7.1G and 12G was calculated. At 31 December 2023, 14 members were covered by the plan.

(in NOK 000)	**2023**	**2022**
Defined contribution plan	1 299	1 195
Social security	183	168
Total pension cost	**1 483**	**1 363**

7 Auditor's remuneration

(in NOK 000)	**2023**	**2022**
Audit fee	1 501	748
Audit related fee	309	34
Tax fee	66	30
Other service fee	128	68
Total *(excluding VAT)*	**2 004**	**880**

8 Financial items

Finance income

(in NOK 000)	**2023**	**2022**
Interest income from group companies *)	0	0
Other interest income	4 518	2 247
Currency gain on loan to group companies	2 024	1 444
Dividend subsidiaries	1 125	0
Other financial income (currency gain)	1 195	1 391
Total finance income	**8 862**	**5 082**

*) 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

(in NOK 000)	**2023**	**2022**
Other interest expenses	0	2
Impairment of group loan	374	644
Other financial expenses (currency loss)	2 215	1 776
Total finance expenses	**2 589**	**2 422**

9 Income tax

Income tax expense

(in NOK 000)	**2023**	**2022**
Current income tax expense	0	0
Changes in deferred tax	0	0
Total income tax expense	**0**	**0**

Tax base calculation

(in NOK 000)	**2023**	**2022**
Profit before income tax	-84 898	-68 609
Permanent differences	9 333	-188
Transaction costs on issue of shares	-22 702	0
Government grants exempt from tax	-2 117	-4 614
Temporary differences	-1 265	-2 499
Adjustments previous year	-644	0
Tax base	-102 293	-75 910

Temporary differences:

(in NOK 000)	**2023**	**2022**
Inventories	14 944	13 534
Fixed assets	-394	18
Intangible assets	22 867	23 481
Group loan	19 157	20 806
Provisions	1 000	1 000
Tax losses carry forward	807 357	705 065
Net deferred tax assets/(liabilities)	864 931	763 903
22 % deferred tax asset/(liability)	190 285	168 059
Unrecognised deferred tax assets	-190 285	-168 059
Recognised net deferred tax assets	0	0

Reconciliation of nominal tax rate to effective tax rate:

(in NOK 000)	**2023**
Calculated income tax at statutory rate of 22%	-18 678
Tax effect of permanent differences	-2 941
Government grants exempt from tax	-466
Change in unrecognised deferred tax assets	22 226
Adjustments previous year	-142
Income tax expense	**0**
Effective tax rate	**0 %**

10 Property, plant and equipment

(in NOK 000)	Building	Equipment	Total
Cost at 1 January 2023	1 232	19 901	21 133
Additions	16	371	387
Disposals at cost	0	-472	-472
Cost at 31 December 2023	**1 248**	**19 799**	**21 047**
Accumulated depreciation	-598	-11 296	-11 893
Accumulated impairment losses	0	0	0
Accumulated depreciation and impairment losses at 31 December 2023	**-598**	**-11 296**	**-11 893**
Net book value at 31 December 2023	**650**	**8 504**	**9 154**
Impairment losses for the year	**0**	**0**	**0**
Depreciation of equipment recognised as Cost of Sales for the year	**0**	**264**	**264**
Depreciation for the year	**249**	**982**	**1 231**
Estimated useful lives (years)	Note 1)	3-7	

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 2023	78 184	110	78 294
Disposals	0	0	0
Additions	0	0	0
Cost at 31 December 2023	**78 184**	**110**	**78 294**
Accumulated amortisation	-42 324	-110	-42 434
Accumulated impairment losses	-18 280	0	-18 280
Accumulated amortisation and impairment losses at 31 December 2023	**-60 604**	**-110**	**-60 714**
Net book value at 31 December 2023	**17 580**	**0**	**17 580**
Amortisation for the year	**7 275**	**0**	**7 275**
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 2023**
	NOK 000		NOK 000	NOK 000	NOK 000
poLight France SAS	80	10 000	0	-22 357	700
poLight Finland Oy	23	100	23	1 450	817
poLight Hong Kong Limited	202	200 000	202	202	0
poLight (Shenzhen) Technical Service Company Limited	246	200 000	94	1 745	-71

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)	**2023**	**2022**
Work in progress (at cost)	78 837	50 143
Finished goods (at cost)	6 195	8 968
Obsolescence provision (expensed as cost of sales)	-14 944	-13 534
Total inventories at the lower of cost and net realisable value	**70 089**	**45 577**

During 2023, NOK 1.4 million (2022: NOK 0.3 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

(in NOK 000)	**2023**	**2022**
Trade receivable	0	0
Other receivables	0	0
Total	**0**	**0**

Subordinated loan

(in NOK 000)	**2023**	**2022**
Non-current receivables	29 787	28 913
Impairment	-27 487	-27 113
Total	**2 300**	**1 800**

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)	**2023**	**2022**
Trade payables	2 564	1 217
Other payables	0	0
Total	**2 564**	**1 217**

15 Cash and short-term deposits

(in NOK 000)	**2023**	**2022**
Cash at banks and on hand	109 382	77 496
Restricted cash, taxes withheld	1 186	1 313
Restricted cash, deposits	0	0
Cash and short-term deposits	**110 568**	**78 808**

16 Share capital and shareholder information

	Number of shares	Par value	Book value
		NOK	NOK 000
Ordinary shares	66 211 548	0.04	2 648

Shareholders of poLight ASA at December 31, 2023	Ordinary shares	Share-holding	Voting rights
		%	%
Investinor Direkte AS	8 899 290	13.4 %	13.4 %
Stiftelsen Industrifonden	5 244 125	7.9 %	7.9 %
Nordnet Livsforsikring AS	3 188 641	4.8 %	4.8 %
Nordnet Bank AB (nominee)	2 880 449	4.4 %	4.4 %
BNP Paribas (nominee)	1 984 988	3.0 %	3.0 %
VPF Nordea Avkastning	866 232	1.3 %	1.3 %
J.P. Morgan SE (nominee)	549 689	0.8 %	0.8 %
VPF Nordea Kapital	547 223	0.8 %	0.8 %
Erik Schellhorn	432 639	0.7 %	0.7 %
Trond Andersen	428 300	0.6 %	0.6 %
Danske Bank A/S (nominee)	408 843	0.6 %	0.6 %
VPF Nordea Norge Plus	407 537	0.6 %	0.6 %
Asbjørn John Buanes	386 425	0.6 %	0.6 %
Kjell Mossefin	383 963	0.6 %	0.6 %
Fjellstuens Eftf. AS	376 721	0.6 %	0.6 %
Stefan Sveen	375 500	0.6 %	0.6 %
Henrik Grytbak Hermansen	340 000	0.5 %	0.5 %
CB Helse AS	340 000	0.5 %	0.5 %
Saxo Bank A/S (nominee)	326 350	0.5 %	0.5 %
Wiseth Holding AS	326 000	0.5 %	0.5 %
Total number of shares owned by top 20 shareholders	28 692 915	43.3 %	43.3 %
Number of shares owned by other shareholders	37 518 633	56.7 %	56.7 %
Total number of shares	66 211 548	100.0 %	100.0 %

At 31 December 2023, Øyvind Isaksen, CEO, owned 124,280 shares (0.23%), through his company Oimacon AS.

17 Equity

(in NOK 000)	Share capital	Share premium	Retained earnings	Total
Equity at 31 December 2022	2 078	145 785	0	147 863
Loss for the period			-84 898	-84 898
Issue of ordinary shares	568	147 931	0	148 500
Share options exercised	2	285	0	287
Transaction costs		-22 702	0	-22 702
Equity-settled share-based payment			8 101	8 101
Allocation to retained earnings		-76 796	76 796	0
Equity at 31 December 2023	**2 648**	**194 503**	**0**	**197 151**

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:

(in NOK 000)	**2023**	**2022**
Within one year	1 370	1 365
After one year but not more than five years	2 049	3 232
More than five years	0	0
Total	3 419	4 597

19 Provisions

(in NOK 000)	**Warranty provision**	**Total**
At 1 January 2023	1 000	1 000
New or increased provisions	0	0
At 31 December 2023	**1 000**	**1 000**

Expected timing of cash flow

(in NOK 000)	**Warranty provision**	**Total**
Current, < 1 year	1 000	1 000
Non-current	0	0
At 31 December 2023	**1 000**	**1 000**

Warranty provision

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

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 2023, the largest shareholder is Investinor Direkte AS, with an ownership of 13.4%.

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 31.12.2023: EUR 2,650,000) 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 2023, 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.

19 Going Concern and events after the end of the reporting period

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 management is dependent on raising additional financing in order to be able to finance their planned operations and R&D activities over the next 12 months from the release of this report.

18th April 2024 the company held an extraordinary general meeting that approved to carry out an underwritten rights issue with gross proceeds of up to NOK 160 million, of which subscription of shares for NOK 130 million will be underwritten. The net proceeds from the rights issue will be used to strengthen the Company's liquidity into 2026, enabling significant advancements in commercializing the Company's proprietary and patented tunable optics and thus facilitating:

- the elevation of customer engagement to secure pivotal design wins and foster strategic relationships with key market players and thereby driving growth across multiple market segments;
- the broadening and enhancement of poLight's product offerings; and
- the continued improvement and maturation of poLight's supply chain to solidify its status as a reliable partner for customers.

The underwriting agreements of NOK 130 million are unconditional and irrevocable. All the conditions for the obligations of the underwriters have been met.

Accordingly, these financial statements have been prepared under the assumption of going concern.

No events have occurred after the end of the reporting period that requires disclosure except the underwritten rights issue mentioned above.

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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 2023, 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 2023, the consolidated statement of income, consolidated statement of 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 material 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 2023, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and

- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting 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 responsibilities in accordance with these requirements. We believe that the audit evidence we have

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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 4 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 material 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*
The inventories have a total carrying value of NOK 70 million after deducting an obsolescence provision of NOK 14,9 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. 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 finished products per 31 December 2023. 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.	Our audit procedures in this area included: - We have obtained an understanding of relevant processes 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 section Impairment of non-financial assets", Note 9 Intangible assets, and note 10 Development costs.

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The Key Audit Matter	*How the matter was addressed in our audit*
The assessment of possible impairment of intangible assets with a total carrying value of NOK 17,6 million is considered to be a risk area due to the size of the balances and the inherent uncertainties related to successful commercialization of the TLens technology platform ("TLens"). 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 2023. 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. Significant judgment is required when evaluating whether management's assessment is reasonable and supportable. No impairment charges have been recognised during the year.	Our audit procedures in this area included: - We have obtained an understanding of management's process, and assessed results for identification 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 appears 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 statements on Corporate Governance and environment, social and governance (esg).

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements of the Company 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 of the consolidated financial statements of the Group that give a true and fair view in accordance with IFRS Accounting Standards

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as adopted by the EU. Management is responsible 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.

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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 2138007ZPDNUIHX6Z659-2023-12-31-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, 24 April 2024

KPMG AS

Thomas Sørhaug

John Thomas Sørhaug
State Authorised Public Accountant

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