



## poLight ASA Quarterly Report



2018

## KEY EVENTS

- Smart-phone activity driven by requirements for **autofocus (AF)** in front-facing camera and interest for high-frame-rate video cameras to support expected 5G driven applications
- Current Chinese OEM screen-size focus poses challenges for implementing AF solutions in front camera
- Increased interest from barcode and AR segments
- Growing interest from new market segments requiring small high-quality cameras

### Øyvind Isaksen, CEO of poLight ASA:

“Our pipeline of potential customers represents a wide range of sectors relying on high-quality cameras with autofocus. It strengthened further in the fourth quarter and provided additional opportunities for securing our first design win and commercial proof-of-concept.”

## Summarised consolidated statement of income

<i>(in NOK million)</i>	<b>Q4 2018</b>	<b>Q4 2017</b>	<b>FY 2018</b>	<b>FY 2017</b>
Revenue	0.5	0.5	1.0	0,6
<b>EBIT</b>	<b>-15.7</b>	<b>-20.0</b>	<b>-77.1</b>	<b>-52.1</b>
Research and development expenses	-6.0	-12.5	-28.9	-21.1
Capitalised intangible assets	-2.2	0.4	-8.4	-24.9

## MANUFACTURING, PRODUCT DEVELOPMENT AND MARKET

### Manufacturing

poLight works primarily with two sub-contractors – STMicroelectronics (ST) and Tong Hsing Electronic Industries, Ltd. (THEIL). ST produces the actuator, and THEIL assembles the complete product.

ST continued to process wafers for TLens Silver Premium and optimizing yield. ST delivered wafers used for customer proof-of-concept (PoC) projects and to buffer stock to prepare for a first order. At Theil, the qualification process for the improved Silver Premium assembly process continued with completion planned for end of second quarter of 2019. TLens Platinum assembly has progressed slowly due to priority given to Silver Premium.

poLight has started an internal project to establish redundancy and to minimise risk in supply chain with focus on assembly processes.

### Product Development

poLight continued to prioritise development of TLens Silver Premium in the fourth quarter. The target is to have the improved manufacturing process ready for mass production by the end of the second quarter this year. Development projects related to TLens Platinum also progressed, but at a slower pace. Target to start of product qualification in the second quarter and market release towards end of the second half of 2019. Timing will however depend on the Silver Premium project, which has priority.

The driver, PDA 50, was mass production ready at year-end after completing qualification in the third quarter. The driver offers several advantages compared to competing products, enabling higher focusing range and other advanced functions. The main activities during the quarter were related to documentation, system integration solutions with respect to minimizing electrostatic discharge (ESD) and electromagnetic interference (EMI), and finalising the supply agreement with the manufacturing partner.

A significant part of poLight's technical resources were allocated to various internal and external qualification programs as well as continuous improvement processes for existing products.

### Market

Marketing in the mobile phone segment is focused on camera module makers and mobile phone manufacturers in China and Taiwan, but poLight has dialogues at various stages of maturity with other smartphone market participants in other regions. Engagements with potential customers in the barcode, AR markets and other segments increased in number and scope through the fourth quarter.

poLight experienced increased interest for its TLens technology through 2018 on the back of positive test results and an industry trend towards autofocus (AF) in the front-facing mobile phone camera used to capture selfies. Recently, smartphone vendors have started evaluating AF solutions for dedicated high-frame-rate video cameras, for which TLens may be the preferred actuator due to speed and power consumption. The latter are in an early phase and reflect the need for improved image quality and AF functionality in smart phones as the introduction of high-speed 5G networks are expected to trigger increased sharing of videos captured by mobile devices.

With regards to AF in front-facing cameras, the incumbent VCM players are developing a compact nose camera solution, which seems to require a smaller hole in the screen than the current TLens integration. VCM also represents a known technology and it is therefore likely the first AF for front camera chosen by a Chinese OEM will be VCM based. While this may affect timing of a design win for poLight in the Chinese smartphone market, it confirms the shift towards AF in front-facing cameras. poLight's technology offers several performance advantages compared to VCM which positions TLens as viable solution for AF front application over time.

As per end of December, poLight supported two PoC projects with well recognised mobile phone makers through four different camera module vendors. In addition;

- One PoC was technically finalised and is awaiting a potential real project
- One smartphone vendor began planning of a potential PoC in the quarter
- One smartphone vendor is evaluating the use of TLens, and has commenced performance and design assessments based on experience established by one camera module maker through several PoCs

All ongoing PoCs have reported overall positive performance results. However, xyz-constraints pose challenges for implementing AF solutions in front camera due to the current large-screen focus. The number of camera module vendors evaluating TLens technology is increasing on the back of inquiries from mobile phone vendors.

The earliest potential release-date for a mobile phone with TLens will likely be late 2019 or first half 2020, which could imply design-win in mid-2019. Timing is difficult to predict as it depends on several factors, including results of ongoing PoCs and the technical features prioritized by the mobile phone companies at any point in time. Visibility related to the OEM's release plans is limited.

More than ten mobile phone vendors have so far shown interest in TLens at different stages and six camera module vendors are currently supporting the interest from mobile phone vendors, some more mature than others.

In the fourth quarter, poLight shipped an evaluation kit to a company considering TLens technology for a microscope used for biomedical research. This represents firm interest from yet another market segment and a confirmation that the benefits of TLens are increasingly recognised by businesses relying on small high-quality cameras. poLight's activities towards these market segments which include augmented reality market, barcode, wearables, machine vision and medical equipment accelerated in the second half of 2018 and into 2019.

At year-end, poLight supported four PoC studies with four makers of barcode readers based on TLens Silver. The reported technical results from the PoCs have been positive. Planning related to specific applications and products continued with two of the PoCs. Another Tier 1 barcode reader maker is evaluating to start a PoC and has purchased an evaluation kit. A barcode product may last for 5-10 years with a potential annual volume ranging from some 10k units and up to 3 million units per account. For poLight, the financial potential from this market segment has become more promising, compared with earlier assessments. Revenue and cash flow generated from a successful entry to this market could cover a significant part of the company's cost base. Two of the ongoing PoC may lead to design-win during 2019.

poLight continues to collaborate with augmented reality (AR) vendors considering using TLens for their AR-glasses. At year-end, four AR companies had acquired evaluation kits and progressed to starting POCs/technical assessment. Two other players are evaluating starting POCs. Additionally, the dialogue with the maker of smart watches that commenced in the third quarter has progressed to the POC stage, supported by two different camera module vendors. These processes confirm that poLight may be positioned for several high-volume consumer electronics segments.

### Corporate events

On September 14, poLight was notified by the Norwegian Tax Administration (Skatt Sør) that the authorities will claim repayment of refunded VAT, with additional associated taxes, for the period since 2013 following a ruling made by the tax administration. Additionally, Skatt Sør decided to strike poLight from the Norwegian VAT Register. As per 31 December 2018, the monetary impact of the ruling amounted to NOK 16.9 million which was recognised in the third (NOK 15.8 million) and fourth quarter (NOK 1.1 million). poLight has appealed the ruling to the Skatteklagenemda (The Tax Appeals Board).



## FINANCIAL REVIEW

### Summarised consolidated statement of income

<i>(in NOK million)</i>	<b>Q4 2018</b>	<b>Q4 2017</b>	<b>FY 2018</b>	<b>FY 2017</b>
Revenue	0.5	0.5	1.0	0.6
<b>EBIT</b>	<b>-15.7</b>	<b>-20.0</b>	<b>-77.1</b>	<b>-52.1</b>
Research and development expenses	-6.0	-12.5	-28.9	-21.1
Capitalised intangible assets	-2.2	0.4	-8.4	-24.9

### Profit and loss

Revenue of NOK 0.5 million in the fourth quarter was related to delivery of TLens samples and Evaluation Kits to potential customers.

R&D expenses amounted to NOK 8.2 million (including NOK 2.2 million of capitalised development expenses), compared with NOK 12.1 million in the fourth quarter of 2017 (including net NOK 0.4 million in governmental grants capitalised). The decline in R&D expenses was due to internal R&D resources allocated to customer support projects and supply chain related tasks, in addition to lower external development compared with the same period of 2017.

Sales and marketing expenses were NOK 2.1 million in the fourth quarter, compared to NOK 1.7 million in the same period of 2017. Operational / supply chain related expenses were NOK 1.5 million (NOK 0.8 million). The development reflected increased sales and supply chain activities compared with fourth quarter 2017.

Administration expenses were NOK 6.3 million in the quarter compared to NOK 2.9 million fourth quarter 2017. The main contributing factors were employee bonuses of NOK 1.2 million, VAT cost of NOK 0.8 million as a consequence of not being registered in the VAT register and expenses related to being listed on the Oslo Stock Exchange.

The group operating loss was NOK 15.7 million, compared with an operating loss of NOK 20.0 million in the fourth quarter of 2017. The main explanation for reduced operating loss was lower external R&D expenses. Additionally, an inventory provision of NOK 2.4 million was booked in the fourth quarter of 2017.

### Profit and loss 2018

Full-year revenue was NOK 1.0 million compared to NOK 0.6 million in 2017. The group operating loss was NOK 77.1 million (loss of NOK 52.1 million). The operating loss for 2018 included the VAT claim and related costs of NOK 16.5 million and IPO expenses of NOK 3.9 million.

### Summarised consolidated statement of financial position

<i>(in NOK million)</i>	<b>FY 2018</b>	<b>FY 2017</b>
Intangible assets	75.8	67.4
Cash and cash equivalents	127.4	93.6
Total equity	201.5	150.0
Total current liabilities	18.1	20.5
Total non-current liabilities	0.0	0.6
Total equity and liabilities	219.5	171.1

Total assets at 31 December 2018 were NOK 219.5 million, compared with NOK 171.1 million at 31 December 2017.

Intangible assets amounted to NOK 75.8 million at 31 December (NOK 67.4 million), reflecting capitalised R&D expenses. The cash position was NOK 127.4 million, compared with NOK 93.6 million at the end of December 2017.

## Summarised consolidated statement of cash flow

<i>(in NOK million)</i>	<b>Q4 2018</b>	<b>Q4 2017</b>	<b>FY 2018</b>	<b>FY 2017</b>
Net cash flow from/(used in) operating activities	-42.1	-17.0	-79.9	-46.9
Net cash flow from/(used in) investing activities	-2.4	0.3	-9.2	-25.2
Net cash flow from/(used in) financing activities	4.1	-0.6	122.8	-1.2
<b>Net increase in cash and cash equivalents</b>	<b>-40.4</b>	<b>-17.3</b>	<b>33.7</b>	<b>-73.3</b>

## Cash flow

Net cash flow used in operating activities was NOK 42.1 million in the fourth quarter of 2018, compared with NOK 17.0 million in the same period of 2017. The increase was explained by payment of NOK 12.3 million of the VAT claim and IPO related expenses of NOK 12.9 million in the quarter.

The net cash flow used in investing activities was NOK 2.4 million, compared with NOK 0.3 million received in the same period of 2017. Net cash flow from financing activities was NOK 4.1 million and reflected proceeds from the issuance of new shares under over-allotment option of NOK 4.7 million. The net decrease in cash was NOK 40.4 million for the quarter, compared with a net decrease of NOK 17.3 million in the same period of 2017.

## Cash flow 2018

Net cash flow used in operating activities was NOK 79.9 million in 2018, compared with NOK 46.9 million in 2017. The net cash flow used in investing activities was NOK 9.2 (NOK 25.2 million). Net cash flows from financing activities was NOK 122.8 million and reflected proceeds from the issuance of new shares in the IPO. The net increase in cash was NOK 33.7 million for the year, compared with a net decrease of NOK 73.3 million in 2017.

## OUTLOOK

poLight's TLens technology is subject to increased attention from a wide range of industries representing multiple applications. In the fourth quarter the company delivered five evaluation kits, and as of year-end poLight had delivered 3,765 units of TLens in 2018, compared to 1,700 in 2017. The increased market activity and interest for TLens products support increased confidence in commercialisation of poLight's technology.

Demand for auto focus (AF) in the front-facing camera remains a key driver for interest from the smartphone market. Additionally, poLight is experiencing interest for using TLens in dedicated high-frame-rate video cameras for smartphones targeting new applications driven by high-capacity 5G networks. The number of ongoing dialogues and PoCs with potential customers increased through 2018. Per end of December, poLight has carried out/is engaged in five PoCs, with one additional project in the planning phase. Further, one new OEM is considering use of TLens based on evaluations carried out by a leading camera module vendor which has worked with poLight for several years and supported several PoCs. The technical feedback for the PoCs, which is driven by Chinese OEMs, has been overall good. However, the screen-size focus is challenging for TLens and other AF solutions with regards to xyz-dimensions. A compact VCM-solution will most likely be first out for AF front in a Chinese smartphone, but the advantages enabled by TLens will open opportunities for poLight in second generation AF for front facing camera. The earliest potential release-date for a smartphone with TLens will likely be late 2019 or first half 2020, which could imply design-win in mid-2019.

Current estimate for first potential design-win in the barcode market is second half of 2019 with product release in 2020. Barcode readers offer more steady and predictable volumes than the mobile phone segment and a design win in this segment may finance a significant part of the of the company's fixed cost. Interest from companies in mass-market segments such as AR and smart-watches confirm that poLight may be positioned for new industrial and high-volume applications. The number of businesses that evaluates TLens for various use-cases continues to increase and represents a significant long-term growth potential for the company.

## CONDENSED INTERIM FINANCIAL STATEMENTS

### Interim consolidated statement of income (unaudited)

NOK 000	Note	Q4 2018	Q4 2017	FY 2018	FY 2017
<b>Revenue</b>		<b>533</b>	<b>538</b>	<b>1 038</b>	<b>613</b>
Cost of sales		-79	-2 400	-1 488	-7 400
Research and development expenses	7	-5 988	-12 488	-28 918	-21 051
Sales and marketing expenses		-2 119	-1 680	-7 586	-7 610
Administrative expenses	10	-6 302	-2 892	-35 770	-12 174
Operational / supply chain expenses		-1 496	-848	-3 384	-3 322
Depreciation, amortisation and net impairment losses		-235	-262	-1 025	-1 163
<b>Operating profit</b>		<b>-15 685</b>	<b>-20 033</b>	<b>-77 133</b>	<b>-52 107</b>
Net financial items	6	276	119	211	1 541
<b>Profit before tax</b>		<b>-15 409</b>	<b>-19 914</b>	<b>-76 922</b>	<b>-50 566</b>
Income tax expense		-88	-71	-243	-91
<b>Profit for the period</b>		<b>-15 497</b>	<b>-19 984</b>	<b>-77 165</b>	<b>-50 657</b>
<b>Attributable to:</b>					
Equity holders of the parent		-15 497	-19 984	-77 165	-50 657
Non-controlling interests		0	0	0	0
<b>Earnings per share:</b>					
Basic, attributable to ordinary equity holders of the parent (NOK)		-2	-4	-13	-9
Diluted, attributable to ordinary equity holders of the parent (NOK)		-2	-4	-13	-9

## Interim consolidated statement of other comprehensive income (unaudited)

NOK 000	Note	Q4 2018	Q4 2017	FY 2018	FY 2017
<b>Profit for the period</b>		<b>-15 497</b>	<b>-19 984</b>	<b>-77 165</b>	<b>-50 657</b>
<b>Other comprehensive income</b>					
Exchange differences on translation of foreign operations		101	447	-74	592
Income tax effect		0	0	0	0
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>101</b>	<b>447</b>	<b>-74</b>	<b>592</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>-15 396</b>	<b>-19 537</b>	<b>-77 239</b>	<b>-50 065</b>
<b>Attributable to:</b>					
Equity holders of the parent		-15 396	-19 537	-77 239	-50 065
Non-controlling interests		0	0	0	0



## Interim consolidated statement of financial position (unaudited)

NOK 000	Note	Q4 2018	Q4 2017
<b>ASSETS</b>			
Property, plant and equipment		1 605	1 874
Intangible assets	8	75 829	67 444
<b>Total non-current assets</b>		<b>77 434</b>	<b>69 318</b>
Inventories		7 372	1 781
Trade and other receivables		6 399	5 260
Other current assets		901	1 127
Cash and cash equivalents		127 424	93 647
<b>Total current assets</b>		<b>142 095</b>	<b>101 816</b>
<b>Total assets</b>		<b>219 529</b>	<b>171 134</b>
<b>EQUITY AND LIABILITIES</b>			
Issued capital		1 623	542
Share premium		270 935	148 036
Other equity		-71 103	1 417
<b>Equity attributable to equity holders of the parent</b>		<b>201 456</b>	<b>149 996</b>
Non-controlling interests		0	0
<b>Total equity</b>		<b>201 456</b>	<b>149 996</b>
Interest-bearing loans and borrowings		0	600
<b>Total non-current liabilities</b>		<b>0</b>	<b>600</b>
Trade and other payables		15 172	13 690
Interest-bearing loans and borrowings		600	1 200
Income tax payable		225	135
Provisions		2 076	5 513
<b>Total current liabilities</b>		<b>18 073</b>	<b>20 538</b>
<b>Total liabilities</b>		<b>18 073</b>	<b>21 138</b>
<b>Total equity and liabilities</b>		<b>219 529</b>	<b>171 134</b>

## Interim consolidated statement of changes in equity (unaudited)

	Note	Attributable to equity holders of the parent				Non-controlling interest	Total equity
		Issued capital	Share premium	Retained earnings	Foreign currency translation reserve		
<i>NOK 000</i>							
<b>As at 1 January 2017</b>		<b>542</b>	<b>193 312</b>	<b>782</b>	<b>401</b>	<b>0</b>	<b>195 037</b>
Profit for the period				-50 657		0	-50 657
Other comprehensive income					592	0	592
Total comprehensive income		0	0	-50 657	592	0	-50 065
Value of share option plan				5 024		0	5 024
Allocation to retained earnings			-45 276	45 276		0	0
<b>At 31 December 2017</b>		<b>542</b>	<b>148 036</b>	<b>425</b>	<b>993</b>	<b>0</b>	<b>149 996</b>
<b>As at 1 January 2018</b>		<b>542</b>	<b>148 036</b>	<b>425</b>	<b>993</b>	<b>0</b>	<b>149 996</b>
Profit for the period				-77 165		0	-77 165
Other comprehensive income					-74	0	-74
Total comprehensive income		0	0	-77 165	-74	0	-77 239
Value of share option plan				4 719		0	4 719
Increase of share capital		542	-542			0	0
Issue of share capital		539	134 150			0	134 689
Transaction costs			-10 709			0	-10 709
<b>At 31 December 2018</b>		<b>1 623</b>	<b>270 935</b>	<b>-72 021</b>	<b>919</b>	<b>0</b>	<b>201 456</b>

## Interim Consolidated statement of cash flows (unaudited)

NOK 000	Note	Q4 2018	Q4 2017	FY 2018	FY 2017
<b>Operating activities</b>					
Profit before tax		-15 409	-19 914	-76 922	-50 566
Non-cash adjustment to reconcile profit before tax to net cash flows:					
Depreciation and impairment of property, plant and equipment		226	255	989	1 124
Amortisation and impairment of intangible assets		9	11	36	38
Share option plan expense		1 520	981	4 719	5 024
Other items related to operating activities		-158	2 067	-392	-1 744
Net foreign exchange differences		-87	171	-183	555
Movements in provisions and government grants		-928	810	-3 266	6 524
Working capital adjustments:					
Increase in trade and other receivables and prepayments		505	2 460	-1 083	-30
Increase in inventories		123	3 382	-5 591	-1 781
Decrease in trade and other payables		-27 948	-8 968	1 572	-7 683
Interest received	6	786	1 752	1 057	1 752
Interest paid	6	-697	-24	-740	-152
Income tax paid		-27	0	-118	0
<b>Net cash flows from operating activities</b>		<b>-42 084</b>	<b>-17 016</b>	<b>-79 921</b>	<b>-46 939</b>
<b>Investing activities</b>					
Purchase of property, plant and equipment		-207	-82	-749	-305
Development capital expenditures	7	-4 160	-705	-10 433	-26 021
Receipt of government grants		1 989	1 123	1 989	1 123
<b>Net cash flows used in investing activities</b>		<b>-2 378</b>	<b>336</b>	<b>-9 193</b>	<b>-25 203</b>
<b>Financing activities</b>					
Issue of share capital		4 689	0	134 689	0
Transaction costs on issue of shares		0	0	-10 709	0
Repayment of borrowings		-600	-600	-1 200	-1 200
<b>Net cash flows from/(used in) financing activities</b>		<b>4 089</b>	<b>-600</b>	<b>122 780</b>	<b>-1 200</b>
Net increase in cash and cash equivalents		-40 373	-17 280	33 666	-73 341
Effect of exchange rate changes on cash and cash equivalents		187	15	110	36
Cash and cash equivalents at the start of the period		167 610	110 913	93 648	166 953
<b>Cash and cash equivalents at the end of the period</b>		<b>127 424</b>	<b>93 648</b>	<b>127 424</b>	<b>93 648</b>

## Notes to the condensed interim consolidated financial statements

### 1 General

poLight ASA is a limited company founded in 2005 and is incorporated and domiciled in Norway. The address of its registered office is Kongeveien 77, N-3188 Horten, Norway.

poLight has developed a new autofocus lens which "replicates" the human eye for use in mobile devices and other applications with integrated cameras. poLight's TLens is ready for introduction in the smartphone camera module market, offering considerable benefits such as extremely fast focus, compact xy-dimension (i.e. small footprint), no electromagnetic interference, low power consumption and constant field of view. For more information, visit [www.polight.com](http://www.polight.com).

### 2 Basis of preparation

The consolidated interim financial statements of the Group for the fourth quarter ended 31.12.2018 (unaudited) have been prepared in accordance with IAS 34. The financial statements do not include all the information required for the full annual financial statements of the Group and should be read in conjunction with the consolidated financial statements for 2017.

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 to the nearest thousand (NOK 000), except when otherwise indicated.

### 3 Accounting policies

The accounting policies adopted in the preparation of the interim Consolidated Financial Statements are consistent with the Consolidated Financial Statements for the year ended 31 December 2017. None of the IFRS standards adopted since 1 January 2018 have significant effect on the Financial Statements.

### 4 Significant accounting judgements, estimates and assumptions

The management makes accounting judgements on i) impairment of intangible assets ii) share option plans and iii) development costs, described in the Consolidated Financial Statements for the year ended 31 December 2017.

### 5 Specification of operating expenses by nature

<i>(in NOK 000)</i>	<b>Q4 2018</b>	<b>Q4 2017</b>	<b>FY 2018</b>	<b>FY 2017</b>
Cost of sales	79	2 400	1 488	7 400
Capitalised intangible assets in progress	-2 171	418	-8 444	-24 898
Employee benefits expense	10 437	9 819	37 538	35 435
Depreciation, amortisation and net impairment losses	235	262	1 025	1 163
Other operating expenses	7 639	7 671	46 564	33 620
<b>Total operating expenses</b>	<b>16 218</b>	<b>20 570</b>	<b>78 171</b>	<b>52 720</b>

### 6 Financial items

<i>(in NOK 000)</i>	<b>Q4 2018</b>	<b>Q4 2017</b>	<b>FY 2018</b>	<b>FY 2017</b>
Net foreign exchange gain (losses)	-228	-254	-292	-59
Interest income	424	434	1 057	1 752
Finance income	255	0	255	0
Interest expense on debts and borrowings	-159	-50	-202	-120
Interest expense on repaid VAT	0	0	-539	0
Finance expenses	-17	-11	-69	-32
<b>Net financial items</b>	<b>276</b>	<b>119</b>	<b>211</b>	<b>1 541</b>

## 7 Research and development expense

(in NOK 000)	Q4 2018	Q4 2017	FY 2018	FY 2017
Employee benefits expense	5 004	5 183	21 070	20 483
Other operating expenses	6 185	9 571	24 113	33 347
Grants	-3 030	-2 683	-7 821	-7 880
Capitalized	-2 171	418	-8 444	-24 898
<b>Total</b>	<b>5 988</b>	<b>12 488</b>	<b>28 918</b>	<b>21 052</b>

## 8 Intangible assets

(in NOK 000)	Q4 2018	Q4 2017	FY 2018	FY 2017
At period beginning	73 670	67 803	67 444	42 514
Additions — internal development	-962	-681	2 706	7 946
Additions	3 130	333	5 715	17 022
Amortisation	-9	-11	-36	-38
Impairment losses	0	0	0	0
<b>At period end</b>	<b>75 829</b>	<b>67 444</b>	<b>75 829</b>	<b>67 444</b>

## 9 Related party transactions

poLight ASA is the ultimate parent. None of the shareholders of poLight ASA has control of the company. As of 31 December 2018, the largest shareholder was Investinor AS, with an ownership of 19.8%.

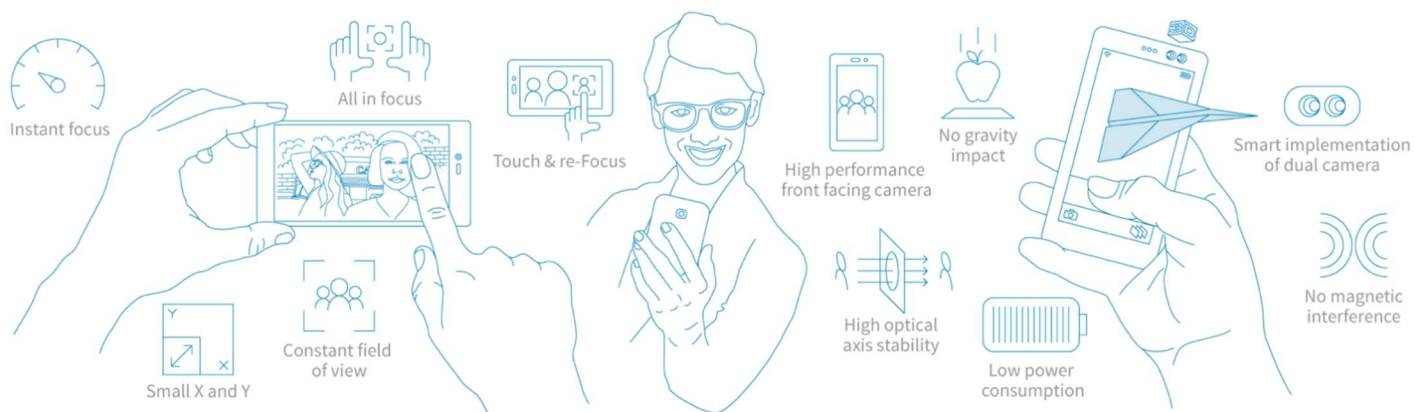
Intercompany agreements are entered into with all the group subsidiaries. All sales in the subsidiaries are made with parent company. All transactions are considered to be on an arm's length basis. No transactions have been made with other related parties for the relevant financial period.

## 10 Claims

On 14 September 2018, poLight ASA received notification from the Norwegian Tax Administration (Skatt Sør) that the authorities will claim repayment of refunded VAT, with additional associated taxes, for the period since 1 January 2013 following a ruling made by the tax administration. Additionally, Skatt Sør decided to strike poLight from the Norwegian VAT Register.

The tax administration argues that the Company should not have been registered in the VAT Register and has therefore not been eligible to receive VAT refunds on the grounds that the Company's business is not capable of being profitable, and does therefore not qualify as a "business" pursuant to the Norwegian laws and regulation regarding VAT. poLight strongly disagrees with the assessment made by the tax administration, especially since significant milestones have been passed to commercialize the TLens technology. The Company has appealed the ruling made by Skatt Sør.

As per 31 December 2018, the monetary impact of the ruling amounted to NOK 16.9 million which was recognised in the third (NOK 15.8 million) and fourth quarter (NOK 1.1 million), whereof NOK 1.2 million unpaid. The additional associated taxes of NOK 1.2 million will not be payable until a final decision is made.



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