



## poLight ASA Quarterly Report

# 1Q



2019

## KEY EVENTS

- Involved in three projects which may lead to design-win in 2019 related to smartphone, wearable and barcode
- Camera module vendor has placed sizeable TLens and ASIC driver batch orders for Engineering Verification Tests (EVT) on behalf of a smartphone vendor
- Continued growth in businesses evaluating TLens for various use-cases

### Øyvind Isaksen, CEO of poLight ASA:

“We register a steady inbound interest from businesses representing a wide range of use-cases for our TLens technology and we continue to position for a breakthrough in the smartphone market, initially for front-facing auto focus (AF) and long-term for other applications. The Chinese OEMs’ current big-screen focus creates challenges for AF in front, but that focus may change over time and there are other smartphone vendors that think differently. Step-by-step progress in customer validation of our technology and the diversification of companies and markets evaluating TLens increase our confidence that we are moving towards commercial proof-of-concept and our first design-win.”

## Summarised consolidated statement of income

<i>(in NOK million)</i>	<b>Q1 2019</b>	<b>Q1 2018</b>	<b>FY 2018</b>
Revenue	0.0	0.2	1.0
Cost of sales	0.0	0.0	-1.5
Research and development expenses	-5.6	-8.7	-28.9
Sales and marketing expenses	-2.4	-2.0	-7.6
Administrative expenses	-5.1	-3.3	-35.8
Operational / supply chain expenses	-1.3	-0.8	-3.4
<b>EBITDA</b>	<b>-14.3</b>	<b>-14.6</b>	<b>-76.1</b>

## MANUFACTURING, PRODUCT DEVELOPMENT AND MARKET

### Manufacturing and operations

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 deliver wafers to customer proof-of-concept (PoC) projects and for buffer stock in preparation for a first order. Theil continued the qualification process for the improved Silver Premium assembly process. Completion is planned for end of second quarter of 2019.

In 2018, poLight started a project to establish redundancy and to minimise risk in supply chain with focus on assembly processes. The request for quotation (RFQ) process has progressed well and several high qualified partners submitted quotes. One of the bidders has been chosen as preferred, and a project to establish the assembly processes has started. Polight aims to be operational with the new assembly partner within 2019.

### Product Development

TLens Platinum development projects progressed at a slower pace with the target of starting product qualification in the second or third quarter this year and market release towards year-end or beginning of next year. Timing remains uncertain since Silver Premium ramp-up has priority.

The company has started to develop a lens design concept to optimize the camera module solution with respect to compactness and increase the usability of the existing TLens portfolio with respect to the required aperture size.

A significant part of poLight's technical resources continued to be allocated to various internal and external qualification programs as well as continuous improvement processes for existing products both on product and system level.

### Market

Marketing activities continued at a high level in the first quarter of 2019. In February, the company attended the Mobile World Congress (MWC) in Barcelona, Spain. A team headed by Øyvind Isaksen, CEO, demonstrated poLight's technology, presented results from product development and qualification, and discussed the TLens use-cases for different camera module systems.

Engagements with potential customers in the barcode, AR and smartwatch markets and other segments continued to increase in number and scope through the first quarter. Inbound interest from new potential customers in other market segments have continued and represents a confirmation that the benefits of TLens are increasingly recognised.

### Smartphone

Marketing in the mobile phone segment is focused on camera module makers and mobile phone manufacturers in China, but poLight has dialogues at various stages of maturity with other smartphone market participants in other regions.

In the first quarter, poLight continued to support smartphone vendors and camera module makers undertaking performance and design assessments. The company received an order for 2,400 TLens and 4,900 ASIC drivers in early April which will be used for Engineering Verification Test (EVT) related to a potential smartphone project. The units were shipped in April. An additional order for a similar volume of TLens and drivers was received in early May from the same camera module maker.

At the end of the first quarter, 5 PoC's were either ongoing (2) or completed (3). In addition, one new OEM was planning a PoC. All ongoing and completed PoCs has reported overall positive performance results. However, as previously communicated, xyz-constraints pose challenges for most OEM's implementing AF solutions in front camera due to the current large-screen focus. poLight is addressing this challenge by optimising TLens design as mentioned above.

Initial feedback from parts of smartphone the eco-system indicates that 5G may be a positive driver for several TLens enabled applications.

The earliest potential release-date for a mobile phone with TLens is likely to be late 2019 or first half 2020, which could imply a design-win sometime in the second half of 2019. Timing is difficult to predict as it depends on several factors, including results of ongoing EVT 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 eight camera module vendors are currently supporting the interest from OEM's, some more mature than others.

### Barcode

At the end of March 2019, poLight supported four PoC studies with four makers of barcode readers based on TLens Silver. Reported technical results from the PoCs remain positive and two of the barcode makers continued planning of specific applications and products. Another Tier 1 barcode reader maker is evaluating to start a PoC and has purchased two evaluation kits.

A barcode product may last for 5-10 years with a potential annual volume ranging from some 10,000 units and up to 3 million units per account. 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.

### Augmented reality (AR) / wearable

poLight's products continue to be evaluated by augmented reality (AR) vendors considering using TLens for their next generation AR-glasses with smaller form factor. As per first quarter, four AR companies had acquired evaluation kits and progressed to starting POCs/technical assessment. Two additional AR businesses considered starting PoCs. In addition, poLight was engaged with two makers of smartwatches with PoCs progressing at various stages. These processes target potential use of TLens in high-volume consumer electronics segments and may represent a significant long-term potential for poLight.

### Other segments

As per end of the first quarter, four medical use-cases were under development, of which two has acquired evaluation kits and two were planning to start PoCs.

## FINANCIAL REVIEW

### Summarised consolidated statement of income

<i>(in NOK million)</i>	Q1 2019	Q1 2018	FY 2018
Revenue	0.0	0.2	1.0
Cost of sales	0.0	0.0	-1.5
Research and development expenses	-5.6	-8.7	-28.9
Sales and marketing expenses	-2.4	-2.0	-7.6
Administrative expenses	-5.1	-3.3	-35.8
Operational / supply chain expenses	-1.3	-0.8	-3.4
<b>EBITDA</b>	<b>-14.3</b>	<b>-14.6</b>	<b>-76.1</b>

### Profit and loss

R&D expenses amounted to NOK 6.9 million (including NOK 1.3 million of capitalised development expenses), compared with NOK 10.7 million in the first quarter of 2018 (including NOK 2.0 million capitalised). The decline was due to internal

R&D resources allocated to customer support projects and supply chain related tasks, in addition to lower external development activity compared with the same period of 2018.

Sales and marketing expenses were NOK 2.4 million in the first quarter, compared to NOK 2.0 million in the same period of 2018. Operational / supply chain related expenses were NOK 1.3 million (NOK 0.8 million). The development reflected increased sales and supply chain activities.

Administration expenses were NOK 5.1 million in the quarter compared to NOK 3.3 million first quarter 2018. The increase was due to among others increased share option plan expenses and expenses related to being listed on the Oslo Stock Exchange.

The EBITDA was NOK -14.3 million, compared with EBITDA of NOK -14.6 million in the first quarter of 2018.

### Summarised consolidated statement of financial position

<i>(in NOK million)</i>	<b>Q1 2019</b>	<b>Q1 2018</b>	<b>FY 2018</b>
Intangible assets	77.1	69.5	75.8
Cash and cash equivalents	107.5	75.2	127.4
<b>Total equity</b>	<b>188.1</b>	<b>136.7</b>	<b>201.5</b>
Total current liabilities	16.5	17.2	18.1
Total non-current liabilities	0.4	0.6	0.0
<b>Total equity and liabilities</b>	<b>205.1</b>	<b>154.5</b>	<b>219.5</b>

Total assets at 31 March 2019 were NOK 205.1 million, compared with NOK 219.5 million at 31 December 2018.

Intangible assets amounted to NOK 77.1 million at 31 March, an increase from NOK 75.8 million at year end due to capitalised R&D expenses. The cash position was NOK 107.5 million, compared with NOK 127.4 million at 31 December 2018.

### Summarised consolidated statement of cash flow

<i>(in NOK million)</i>	<b>Q1 2019</b>	<b>Q1 2018</b>	<b>FY 2018</b>
Net cash flow from/(used in) operating activities	-18.3	-16.4	-79.9
Net cash flow from/(used in) investing activities	-1.3	-2.0	-9.2
Net cash flow from/(used in) financing activities	-0.3	0.0	122.8
<b>Net increase in cash and cash equivalents</b>	<b>-19.9</b>	<b>-18.4</b>	<b>33.7</b>

### Cash flow

Net cash flow used in operating activities was NOK 18.3 million in the first quarter compared with NOK 16.4 million in the same period of 2018. The net cash flow used in investing activities was NOK 1.3 million, compared with NOK 2.0 million received in the same period of 2018. Net cash flow from financing activities was NOK 0.3 million (NOK 0.0 million). The net decrease in cash was NOK 19.9 million for the quarter, compared with a net decrease of NOK 18.4 million in the same period of 2018.

## OUTLOOK

poLight's TLens technology is subject to increased attention from a wide range of industries representing multiple applications. In the first quarter the company delivered only a small number of TLens. An order for all time high number of units, 2 400 units TLens and 4 900 PDA50 drivers, was delivered in April and followed by another similar order received in early May.

The high market activity and interest for TLens products support increased confidence in commercialisation of poLight's technology. An increasing number of businesses evaluates TLens for various use-cases and represent a significant long-term growth potential for the company.

poLight positioning within the smartphone market remains focused on front facing cameras. For many of the smartphone OEM's, the current screen-size focus challenges the use AF in front. However, the smartphone vendors see the need for AF in front and will likely start to implement relevant technology as market focus change and/or more compact of AF solutions are developed. The company is currently involved in one project for front-facing application, which could potentially imply design-win within 2019. Increasingly, poLight's products are being considered as a part of the back-camera solution. Deployment of 5G networks may imply additional traction for TLens type actuators for several use-cases.

Dialogues related to inclusion in wearable products firmed-up during the first quarter and confirms that poLight is positioned for additional potential high-volume applications. Based on year-to-date progress within the smartwatch segment, poLight may be positioned for a design win in 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.



## CONDENSED INTERIM FINANCIAL STATEMENTS

### Interim consolidated statement of income (unaudited)

NOK 000	Note	Q1 2019	Q1 2018	FY 2018
<b>Revenue</b>		<b>30</b>	<b>184</b>	<b>1 038</b>
Cost of sales		-4	-37	-1 488
Research and development expenses	7	-5 600	-8 652	-28 918
Sales and marketing expenses		-2 388	-2 045	-7 586
Administrative expenses		-5 114	-3 265	-35 770
Operational / supply chain expenses		-1 267	-754	-3 384
Depreciation, amortisation and net impairment losses		-629	-256	-1 025
<b>Operating profit</b>		<b>-14 972</b>	<b>-14 827</b>	<b>-77 133</b>
Net financial items	6	254	417	211
<b>Profit before tax</b>		<b>-14 718</b>	<b>-14 410</b>	<b>-76 922</b>
Income tax expense		-2	-7	-243
<b>Profit for the period</b>		<b>-14 720</b>	<b>-14 417</b>	<b>-77 165</b>
<b>Attributable to:</b>				
Equity holders of the parent		-14 720	-14 417	-77 165
Non-controlling interests		0	0	0
<b>Earnings per share:</b>				
Basic, attributable to ordinary equity holders of the parent (NOK)		-1,81	-2,66	-12,66
Diluted, attributable to ordinary equity holders of the parent (NOK)		-1,81	-2,66	-12,66

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

NOK 000	Note	Q1 2019	Q1 2018	FY 2018
<b>Profit for the period</b>		<b>-14 720</b>	<b>-14 417</b>	<b>-77 165</b>
<b>Other comprehensive income</b>				
Exchange differences on translation of foreign operations		-105	35	-74
Income tax effect		0	0	0
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>-105</b>	<b>35</b>	<b>-74</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>-14 825</b>	<b>-14 382</b>	<b>-77 239</b>
<b>Attributable to:</b>				
Equity holders of the parent		-14 825	-14 382	-77 239
Non-controlling interests		0	0	0



## Interim consolidated statement of financial position (unaudited)

NOK 000	Note	Q1 2019	Q1 2018	FY 2018
<b>ASSETS</b>				
Property, plant and equipment		1 297	1 620	1 605
Right-of-use assets	3	1 618	0	0
Intangible assets	8	77 123	69 454	75 829
<b>Total non-current assets</b>		<b>80 038</b>	<b>71 074</b>	<b>77 434</b>
Inventories		9 500	1 889	7 372
Trade and other receivables		7 515	5 377	6 399
Other current assets		585	896	901
Cash and cash equivalents		107 470	75 244	127 424
<b>Total current assets</b>		<b>125 070</b>	<b>83 407</b>	<b>142 095</b>
<b>Total assets</b>		<b>205 108</b>	<b>154 481</b>	<b>219 529</b>
<b>EQUITY AND LIABILITIES</b>				
Issued capital		1 623	542	1 623
Share premium		198 748	148 036	198 748
Other equity		-12 238	-11 855	1 085
<b>Equity attributable to equity holders of the parent</b>		<b>188 133</b>	<b>136 724</b>	<b>201 456</b>
Non-controlling interests		0	0	0
<b>Total equity</b>		<b>188 133</b>	<b>136 724</b>	<b>201 456</b>
Interest-bearing loans and borrowings		0	600	0
Lease liabilities	3	432	0	0
<b>Total non-current liabilities</b>		<b>432</b>	<b>600</b>	<b>0</b>
Trade and other payables		13 543	10 444	15 172
Interest-bearing loans and borrowings		600	1 200	600
Current lease liabilities	3	1 211	0	0
Income tax payable		0	0	225
Provisions		1 189	5 513	2 076
<b>Total current liabilities</b>		<b>16 543</b>	<b>17 157</b>	<b>18 073</b>
<b>Total liabilities</b>		<b>16 975</b>	<b>17 757</b>	<b>18 073</b>
<b>Total equity and liabilities</b>		<b>205 108</b>	<b>154 481</b>	<b>219 529</b>

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

NOK 000	Note	Attributable to equity holders of the parent				Non-controlling interest	Total equity
		Issued capital	Share premium	Retained earnings	Foreign currency translation reserve		
<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				-14 417		0	-14 417
Other comprehensive income					35	0	35
Total comprehensive income		0	0	-14 417	35	0	-14 382
Value of share option plan				1 109		0	1 109
<b>At 31 March 2018</b>		<b>542</b>	<b>148 036</b>	<b>-12 882</b>	<b>1 028</b>	<b>0</b>	<b>136 724</b>
<b>As at 1 January 2019</b>		<b>1 623</b>	<b>198 748</b>	<b>166</b>	<b>919</b>	<b>0</b>	<b>201 456</b>
Profit for the period				-14 720		0	-14 720
Other comprehensive income					-105	0	-105
Total comprehensive income		0	0	-14 720	-105	0	-14 825
Value of share option plan				1 501		0	1 501
<b>At 31 March 2019</b>		<b>1 623</b>	<b>198 748</b>	<b>-13 053</b>	<b>814</b>	<b>0</b>	<b>188 133</b>

## Interim Consolidated statement of cash flows (unaudited)

NOK 000	Note	Q1 2019	Q1 2018	FY 2018
<b>Operating activities</b>				
Profit before tax		-14 718	-14 410	-76 922
Non-cash adjustment to reconcile profit before tax to net cash flows:				
Depreciation and impairment of property, plant and equipment		619	247	966
Amortisation and impairment of intangible assets		10	9	59
Share option plan expense		1 501	1 109	4 719
Other items related to operating activities		229	98	-300
Net foreign exchange differences		-60	58	-183
Movements in provisions and government grants		-3 150	-418	3 456
Working capital adjustments:				
Increase in trade and other receivables and prepayments		37	533	532
Increase in inventories		-2 128	-108	-5 591
Decrease in trade and other payables		-429	-3 381	57
Interest received	6	0	0	1 057
Interest paid	6	0	0	-740
Income tax paid		-227	-91	-118
<b>Net cash flows from operating activities</b>		<b>-18 314</b>	<b>-16 354</b>	<b>-79 919</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment		-10	0	-749
Development capital expenditures	7	-1 304	-2 026	-10 433
Receipt of government grants		0	0	1 989
<b>Net cash flows used in investing activities</b>		<b>-1 315</b>	<b>-2 026</b>	<b>-9 193</b>
<b>Financing activities</b>				
Issue of share capital		0	0	134 689
Transaction costs on issue of shares		0	0	-10 709
Repayment of lease liabilities	3	-279	0	0
Repayment of borrowings		0	0	-1 200
<b>Net cash flows from/(used in) financing activities</b>		<b>-279</b>	<b>0</b>	<b>122 780</b>
Net increase in cash and cash equivalents		-19 908	-18 380	33 667
Effect of exchange rate changes on cash and cash equivalents		-45	-23	110
Cash and cash equivalents at the start of the period		127 424	93 648	93 648
<b>Cash and cash equivalents at the end of the period</b>		<b>107 470</b>	<b>75 245</b>	<b>127 424</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 first quarter ended 31.03.2019 (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 2018.

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 2018, with the following exception;

IFRS 16 *Leases* was adopted from 1 January 2019. poLight has entered into commercial leases with regards to premises and office equipment. poLight used the modified retrospective approach and the 'low-value' and short-term leases exemptions. For the first time adoption of this standard the group determined the value of the right-to-use assets equal to the liabilities of the leases at 1.1.2019. The effect on the consolidated financial statement at January 1, 2019 was increased assets and liabilities of NOK 1.9 million. The right-to-use assets are depreciated over the leasing period of 19 months.

### 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 2018.

### 5 Specification of operating expenses by nature

<i>(in NOK 000)</i>	Q1 2019	Q1 2018	FY 2018
Cost of sales	4	37	1 488
Capitalised intangible assets in progress	-1 304	-2 026	-8 444
Employee benefits expense	9 897	9 163	37 538
Depreciation, amortisation and net impairment losses	629	256	1 025
Other operating expenses	5 777	7 580	46 564
<b>Total operating expenses</b>	<b>15 002</b>	<b>15 011</b>	<b>78 171</b>

## 6 Financial items

<i>(in NOK 000)</i>	Q1 2019	Q1 2018	FY 2018
Net foreign exchange gain (losses)	-116	291	-292
Interest income	406	179	1 057
Finance income	0	0	255
Interest expense on debts and borrowings	-1	-1	-202
Interest expense on repaid VAT	0	0	-539
Finance expenses	-35	-52	-69
<b>Net financial items</b>	<b>254</b>	<b>417</b>	<b>211</b>

## 7 Research and development expense

<i>(in NOK 000)</i>	Q1 2019	Q1 2018	FY 2018
Employee benefits expense	4 330	5 818	21 070
Other operating expenses	3 915	5 770	24 113
Grants	-1 341	-909	-7 821
Capitalized	-1 304	-2 026	-8 444
<b>Total</b>	<b>5 600</b>	<b>8 652</b>	<b>28 918</b>

## 8 Intangible assets

<i>(in NOK 000)</i>	Q1 2019	Q1 2018	FY 2018
At period beginning	75 829	67 444	67 444
Additions — internal development	515	1 113	2 706
Additions	790	929	5 738
Amortisation	-10	-32	-59
Impairment losses	0	0	0
<b>At period end</b>	<b>77 123</b>	<b>69 454</b>	<b>75 829</b>

## 9 Related party transactions

polLight ASA is the ultimate parent. None of the shareholders of polLight ASA has control of the company. As of 31 March 2019, 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.

