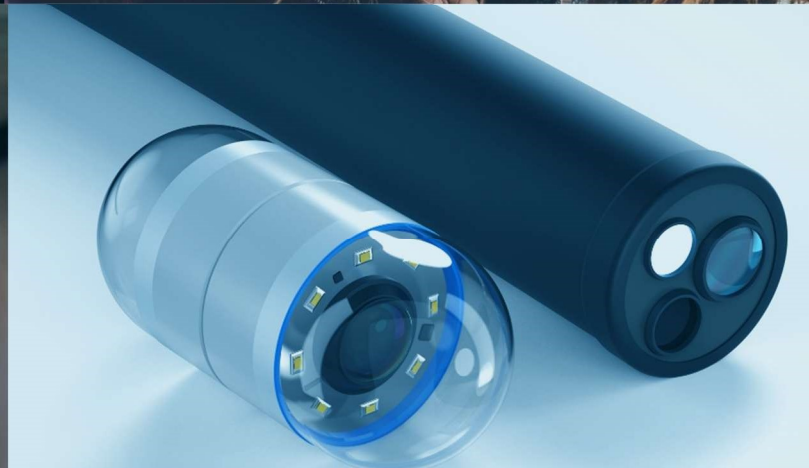
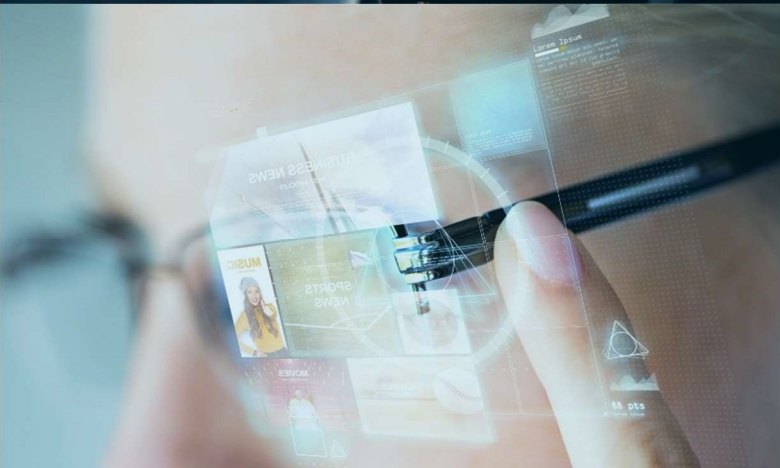




## poLight ASA Quarterly Report

# 4Q



2020

## KEY EVENTS IN THE QUARTER

- poLight received a follow-up purchase order related to the Honeywell EX30 barcode scan engine.
- Feedback from Honeywell EX30 users has so far been positive.
- Generally good progress on customer cases – both in consumer and professional markets.
- The visibility for smartphone market breakthrough has increased.

### Øyvind Isaksen, CEO of poLight ASA:

“poLight continues to make headway in several consumer and professional market segments. It is impressive to see how our small and distributed organisation is handling and maturing the various cases. Customer feedback has been positive, and we are working very closely with several key market players. Priority is currently being given to customer integration projects for existing products. We are also working to develop new product concepts based on our established technology platform/IP. These efforts will progress more slowly due to diversion of resources to ongoing customer integration projects. We are planning to strengthen the organisation in certain areas, as well as establish more capacity to cater for increasing activity. The Covid pandemic is making it more difficult to follow-up partners and customers, but our already established local organisation is an advantage and will be strengthened further going forward. Interesting times!”

### Key figures

(in NOK million)	Q4 2020	Q4 2019	FY 2020	FY 2019
Revenue	1.2	2.0	3.0	3.0
Gross profit	0.9	0.7	2.3	0.9
EBITDA	-10.0	-13.7	-39.2	-53.0
Net cash flows used in operating activities	-1.7	-5.9	-42.6	-49.5
Net increase (decrease) in cash and cash equivalents	-2.0	-6.4	3.8	-54.0

## MANUFACTURING, PRODUCT DEVELOPMENT AND MARKETS

### Manufacturing and operations

poLight works primarily with two categories of sub-contractor – the MEMS/wafer supplier (STMicroelectronics (ST)) and assembly partners. While ST produces the wafers/actuator, the assembly partners assemble the complete product. The polymer (*i.e.* lens material) is produced at poLight HQ.

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

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

### Product Development

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

### Markets

Customer-related activities continued at a high level in the fourth quarter. poLight is actively engaged in several segments. This includes consumer market devices, such as smartphones, wearables and augmented reality, as well as a wide range of professional applications, such as barcode readers and medical devices. Interest in our solutions remains high, and the company continues to make progress on several projects with potential customers in these segments. TLens technology is increasingly being recognised by a broad range of potential customers. Over time, it is expected that this will develop into a diversified revenue base for poLight.

#### Consumer market

During the quarter, poLight made progress in positioning TLens, and its technology platform more generally, in new consumer markets, such as augmented reality, smartphones and accessories.

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

poLight's interaction with the smartphone ecosystem has been intense during the quarter. Tuneable optics, such as TLens, are attracting more and more attention. Most of the activity has concerned a new camera module, based on add-in TLens design, that a key camera module supplier has developed to realise a compact, front-facing camera with autofocus (AF). This camera module concept has the potential to become the mainstream solution for selfie cameras. Extensive testing has been carried out during the quarter and is still ongoing. So far, the results are promising. Improvement areas have been identified and solutions worked on in conjunction with the customer – both on the

component level (TLens) and system level (camera module). Market release discussions are ongoing. Furthermore, efforts are underway to realise new products for improved back-camera solutions, based on the poLight technology platform, such as making a TLens with a bigger aperture and using the poLight technology platform for other applications.

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

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

### **Industrial**

The announced barcode scan engine design-win is for the Honeywell EX30 product. According to Honeywell's website: "The Extended FlexRange™ EX30 2D Scan Engine for warehouse and distribution centre operations seamlessly reads barcodes from a distance of 10 cm to 20 m using the latest technology for a fast auto-focus mechanism." During the quarter, poLight received a follow-up order to establish buffer stock. The market response has apparently been positive.

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

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

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

### **Other applications**

The TLens technology continues to be of interest for a range of other applications, such as medical (4 PoCs, of which 1 has been completed). One completed PoC case seems to have progressed to a customer project during the quarter.

## FINANCIAL REVIEW

### Profit and loss

(in NOK million)	Q4 2020	Q4 2019	FY 2020	FY 2019
Revenue	1.2	2.0	3.0	3.0
Cost of sales	-0.4	-1.3	-0.7	-2.1
Research and development expenses <sup>1)</sup>	-5.3	-3.7	-20.4	-19.9
Sales and marketing expenses	-1.1	-2.5	-5.4	-8.7
Administrative expenses	-3.0	-5.5	-7.7	-17.1
Operational / supply chain expenses	-1.3	-2.7	-8.0	-8.2
<b>EBITDA</b>	<b>-10.0</b>	<b>-13.7</b>	<b>-39.2</b>	<b>-53.0</b>
Share option plan expense	1.4	0.8	5.7	4.9
<b>EBITDA ex share options</b>	<b>-8.6</b>	<b>-12.8</b>	<b>-33.5</b>	<b>-48.1</b>
Depreciation, amortisation and net impairment losses	-3.0	-21.3	-12.1	-26.2
<b>EBIT ex share options</b>	<b>-11.6</b>	<b>-34.1</b>	<b>-45.7</b>	<b>-74.3</b>

1) R&D expenses, net of government grants (see details of grants in Note 8)

Revenue of NOK 1.2 million in the fourth quarter reflects sales of TLens and ASICs for commercial use and sample deliveries of TLens and ASICs for customer development projects.

R&D expenditures, net of government grants, amounted to NOK 5.3 million, compared with NOK 3.7 million in the fourth quarter of 2019. The rise is attributable to increased use of internal and external resources on R&D projects, including customer development projects.

Sales and marketing expenses came to NOK 1.1 million in the fourth quarter (NOK 2.5 million). The decrease is due to the diversion of resources to customer development projects, classified as R&D. Operational/supply chain expenses totalled NOK 1.3 million (NOK 2.7 million).

Administration expenses totalled NOK 3.0 million in the quarter (NOK 5.5 million). In the fourth quarter of 2019 a provision of NOK 1.5 million was recognised related to severance packages.

EBITDA totalled NOK -10.0 million (NOK -13.7 million). The decrease is attributable to reduced salary expenses of NOK 1.5 million due to severance packages last year and a NOK 2.0 million reduction in operating expenses.

Share option plan expenses amounted to NOK 1.4 million in the fourth quarter (NOK 0.8 million), whereof NOK 0.1 million in national insurance contributions (NOK 0.1 million), while depreciation and amortisation amounted to NOK 3.0 million in the quarter (NOK 21.3 million, including impairment losses of NOK 18.3 million).



## Balance sheet

(in NOK million)	FY 2020	FY 2019
Intangible assets	43.6	53.9
Inventories	9.2	7.7
Cash and cash equivalents	77.2	73.5
<b>Total equity</b>	<b>128.8</b>	<b>128.4</b>
Total current liabilities	12.9	15.9
Total non-current liabilities	0.0	0.8
<b>Total equity and liabilities</b>	<b>141.8</b>	<b>145.0</b>

As at 31 December 2020, total assets came to NOK 141.8 million, compared with NOK 145.0 million as at 31 December 2019. Share issues carried out in the second quarter 2020 raised NOK 47.8 million in net proceeds.

Intangible assets amounted to NOK 43.6 million as at 31 December 2020, compared with NOK 53.9 million as at 31 December 2019, reflecting amortisation during the year. As at year-end, poLight had cash and cash equivalents totalling NOK 77.2 million, compared with NOK 73.5 million as at 31 December 2019.

## Cash flow

(in NOK million)	Q4 2020	Q4 2019	FY 2020	FY 2019
Net cash flow used in operating activities	-1.7	-5.9	-42.6	-49.5
Net cash flow used in investing activities	0.0	-0.3	-0.2	-2.7
Net cash flow from/(used in) financing activities	-0.2	-0.3	46.6	-1.7
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-2.0</b>	<b>-6.4</b>	<b>3.8</b>	<b>-54.0</b>

Net cash flow used in operating activities totalled NOK 1.7 million in the fourth quarter, compared with NOK 5.9 million used in in the same period of 2019. VAT settlements backdated to 1 July 2017 of NOK 8.2 million were received in the quarter (see note 11 for additional information).

No new capital- or development expenditure were capitalised in the quarter (NOK 0.3 million). Net cash flow from financing activities totalled NOK -0.2 million (NOK -0.3 million).

The net decrease in cash and cash equivalents came to NOK 2.0 million for the quarter, compared with a decrease of NOK 6.4 million in the same period of 2019.

## RISK FACTORS AND COVID-19

poLight is a technology company with limited revenue because it is in an early commercialisation phase. This is reflected in current operating losses. Commercial success is linked to the technology and its commercialisation, as well as related intellectual property rights. There is a risk that losses may also occur going forward. As poLight has an ambition to bring its solutions to market and secure growth by capturing market share in defined segments, and consequently additional capital financing is required. TLens products are being tested and qualified for various applications (e.g. smartphones, barcode devices) by potential customers. During such testing there is a risk that various performance parameters will not be met, and that the product will need to undergo changes which require additional investments and delay commercialisation. Being in an early stage of deliveries for commercial use, there is also a risk that failure in the field may occur. poLight operates globally and is exposed to exchange rate fluctuations and local tax laws that may affect earnings.

Since the Covid-19 pandemic commenced at the start of the year, no purchase orders have been received for the smartwatch phones launched in January. The Covid-19 pandemic had a negative impact on sales of smartwatch phones

using poLight's TLens in 2020. This trend will continue into 2021. Although the pandemic has had no significant impact on operations so far, it has made it more challenging to follow up our partners. All employees are working normally, and none have been laid off or furloughed. ST is somewhat delayed in fulfilling the last order placed, but this is unlikely to have a negative impact from a supply chain perspective, since poLight has wafers in stock. The pandemic may also have led to some delays in customer qualification programmes.

In order to continue poLight's plan for the commercialization of the TLens technology in 2021/2022, additional capital financing is required. Management and the Board of Directors are focused on the Group's liquidity requirements and are evaluating alternatives like issuance of additional equity and/or issuance of debt. Based on the historical capability of raising funds and in light of the positive development during last year, it is expected that the capital markets will be receptive to the issuance of equity sufficient to meet liquidity requirements and maintain operations under current conditions. poLight's ability to continue as a going concern is dependent upon the success of these efforts.

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

## OUTLOOK

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

According to current plan, the cash deposits will fund Group activities throughout 2021.

## FORWARD LOOKING STATEMENTS

This report contains statements regarding the future. In particular, the section "*Outlook*" contains forward-looking statements regarding the Group's expectations. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual results and developments deviating substantially from what has been expressed or implied in such statements. These factors include the risk factors relating to the Group's activities described in the section "*Risk factors and Covid-19*" above and in poLight's Annual Report for 2019, including the section "*Risks and risk management*" in the Board of Directors' Report.

## CONDENSED INTERIM FINANCIAL STATEMENTS

### Interim condensed consolidated statement of income

NOK 000	Note	Q4 2020	Q4 2019	FY 2020	FY 2019
Sale of goods		1 056	2 017	2 590	2 988
Rendering of services		188	0	429	0
<b>Revenue</b>		<b>1 244</b>	<b>2 017</b>	<b>3 019</b>	<b>2 988</b>
Cost of sales		-382	-1 335	-698	-2 075
<b>Gross profit</b>		<b>862</b>	<b>682</b>	<b>2 321</b>	<b>913</b>
Research and development expenses net of governmental grants	7,8	-5 337	-3 654	-20 432	-19 874
Sales and marketing expenses		-1 111	-2 523	-5 419	-8 729
Administrative expenses	11	-3 038	-5 475	-7 734	-17 073
Operational / supply chain expenses		-1 333	-2 682	-7 972	-8 216
<b>Operating result before depreciation and amortisation (EBITDA)</b>		<b>-9 957</b>	<b>-13 653</b>	<b>-39 237</b>	<b>-52 979</b>
Depreciation, amortisation and net impairment losses	9	-3 011	-21 326	-12 132	-26 191
<b>Operating result (EBIT)</b>		<b>-12 968</b>	<b>-34 979</b>	<b>-51 369</b>	<b>-79 170</b>
Net financial items	6	338	621	417	1 430
<b>Loss before tax</b>		<b>-12 630</b>	<b>-34 358</b>	<b>-50 952</b>	<b>-77 740</b>
Income tax expense		-182	-50	-203	-124
<b>Loss for the period</b>		<b>-12 812</b>	<b>-34 408</b>	<b>-51 155</b>	<b>-77 864</b>
<b>Attributable to:</b>					
Equity holders of the parent		-12 812	-34 408	-51 155	-77 864
Non-controlling interests		0	0	0	0
<b>Earnings per share:</b>					
Basic, attributable to ordinary equity holders of the parent (NOK)		-1.42	-4.24	-5.93	-9.59
Diluted, attributable to ordinary equity holders of the parent (NOK)		-1.42	-4.24	-5.93	-9.59



## Interim consolidated statement of other comprehensive income

NOK 000	Note	Q4 2020	Q4 2019	FY 2020	FY 2019
<b>Loss for the period</b>		<b>-12 812</b>	<b>-34 408</b>	<b>-51 155</b>	<b>-77 864</b>
<b>Other comprehensive income</b>					
Exchange differences on translation of foreign operations		-82	-23	212	-92
Income tax effect		0	0	0	0
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>-82</b>	<b>-23</b>	<b>212</b>	<b>-92</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>-12 894</b>	<b>-34 431</b>	<b>-50 943</b>	<b>-77 956</b>
<b>Attributable to:</b>					
Equity holders of the parent		-12 894	-34 431	-50 943	-77 956
Non-controlling interests		0	0	0	0

## Interim consolidated statement of financial position

NOK 000	Note	2020	2019
<b>ASSETS</b>			
Property, plant and equipment		839	1 235
Intangible assets	9	43 646	53 936
Right-of-use assets		964	1 923
<b>Total non-current assets</b>		<b>45 448</b>	<b>57 094</b>
Inventories		9 166	7 728
Trade and other receivables	8	6 040	6 147
Other current assets		3 897	565
Cash and cash equivalents		77 209	73 463
<b>Total current assets</b>		<b>96 312</b>	<b>87 903</b>
<b>Total assets</b>		<b>141 761</b>	<b>144 997</b>
<b>EQUITY AND LIABILITIES</b>			
Issued capital		1 810	1 623
Share premium		125 752	124 385
Other equity		1 278	2 369
<b>Equity attributable to equity holders of the parent</b>		<b>128 840</b>	<b>128 378</b>
Non-controlling interests		0	0
<b>Total equity</b>		<b>128 840</b>	<b>128 378</b>
Lease liabilities		0	766
<b>Total non-current liabilities</b>		<b>0</b>	<b>766</b>
Trade and other payables		10 684	11 911
Current lease liabilities		1 048	1 241
Provisions	11	1 189	2 701
<b>Total current liabilities</b>		<b>12 921</b>	<b>15 853</b>
<b>Total liabilities</b>		<b>12 921</b>	<b>16 619</b>
<b>Total equity and liabilities</b>		<b>141 761</b>	<b>144 997</b>

## Interim consolidated statement of changes in equity

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 2019</b>		<b>1 623</b>	<b>198 748</b>	<b>166</b>	<b>919</b>	<b>0</b>	<b>201 456</b>
Loss for the period				-77 864		0	-77 864
Other comprehensive income					-92	0	-92
Total comprehensive income		0	0	-77 864	-92	0	-77 956
Value of share option plan				4 877		0	4 877
Allocation to cover losses			-74 363	74 363		0	0
<b>As at 31 December 2019</b>		<b>1 623</b>	<b>124 385</b>	<b>1 542</b>	<b>827</b>	<b>0</b>	<b>128 378</b>
<b>As at 1 January 2020</b>		<b>1 623</b>	<b>124 385</b>	<b>1 542</b>	<b>827</b>	<b>0</b>	<b>128 378</b>
Loss for the period				-51 155		0	-51 155
Other comprehensive income					212	0	212
Total comprehensive income		0	0	-51 155	212	0	-50 943
Value of share option plan				3 672		0	3 672
Proceeds from share issue		182	49 818			0	50 000
Exercise of share options		5	734			0	738
Transaction costs			-3 005			0	-3 005
Allocation to cover losses			-46 179	46 179		0	0
<b>As at 31 December 2020</b>		<b>1 810</b>	<b>125 753</b>	<b>238</b>	<b>1 040</b>	<b>0</b>	<b>128 840</b>

## Interim consolidated statement of cash flows

NOK 000	Note	Q4 2020	Q4 2019	FY 2020	FY 2019
<b>Operating activities</b>					
Loss before tax		-12 630	-34 358	-50 952	-77 740
Non-cash adjustment to reconcile profit before tax to net cash flows:					
Depreciation and impairment of property, plant and equipment and right-of-use assets		440	473	1 842	1 895
Amortisation and impairment of intangible assets	9	2 571	20 853	10 290	24 297
Share option plan expense		1 273	863	3 672	4 877
Other items related to operating activities		-700	-1 514	-890	-1 489
Net foreign exchange differences		93	-10	221	-112
Movements in provisions and government grants		-2 438	1 763	-4 718	3 230
Working capital adjustments:					
Decrease (+) in trade and other receivables and prepayments	11	6 485	231	-2 902	-560
Decrease (+) in inventories		380	808	-1 439	-356
Increase (+) in trade and other payables		2 312	3 787	1 655	-4 718
Interest received	6	515	1 327	852	1 613
Interest paid	6	-15	-69	-70	-107
Income tax paid		-36	-34	-196	-367
<b>Net cash flows used in operating activities</b>		<b>-1 750</b>	<b>-5 879</b>	<b>-42 633</b>	<b>-49 538</b>
<b>Investing activities</b>					
Purchase of property, plant and equipment		0	-180	-226	-319
Development capital expenditures	7	0	-619	0	-2 931
Receipt of government grants	8	0	526	0	526
<b>Net cash flows used in investing activities</b>		<b>0</b>	<b>-273</b>	<b>-226</b>	<b>-2 724</b>
<b>Financing activities</b>					
Proceeds from exercise of share options		0	0	738	0
Proceeds from share issue		0	0	50 000	0
Transaction costs for shares issue		0	0	-3 005	0
Payment of lease liabilities		-231	-279	-1 119	-1 120
Repayment of borrowings		0	0	0	-600
<b>Net cash flows from/(used in) financing activities</b>		<b>-231</b>	<b>-279</b>	<b>46 614</b>	<b>-1 720</b>
Net increase in cash and cash equivalents		-1 981	-6 430	3 755	-53 982
Effect of exchange rate changes on cash and cash equivalents		-174	-14	-9	20
Cash and cash equivalents at the start of the period		79 364	79 907	73 463	127 424
<b>Cash and cash equivalents at the close of the period</b>		<b>77 209</b>	<b>73 463</b>	<b>77 209</b>	<b>73 463</b>

## Notes to the condensed interim consolidated financial statements

### 1 General

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

poLight offers a new autofocus lens, which "replicates" the human eye, for use in devices such as smartphones, wearables, barcode readers, machine vision systems and various types of medical equipment. poLight's TLens® enables better system performance and new user experiences due to benefits such as extremely fast focus, small footprint, no magnetic interference, low power consumption and constant field of view. For more information, visit [www.polight.com](http://www.polight.com).

### 2 Basis of preparation

The interim condensed consolidated financial statements for the quarter ended 31 December 2020 are unaudited and have been prepared in accordance with IAS 34. These interim condensed consolidated 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 2019.

These interim consolidated financial statements have been prepared on a historical cost basis, 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 these interim condensed consolidated financial statements are consistent with the consolidated financial statements for the year ended 31 December 2019.

### 4 Significant accounting judgements, estimates and assumptions

Management makes accounting judgements on i) impairment of intangible assets ii) share option plans, iii) development costs and iv) cash flow projections in order to assess going concern assumption, described in the Consolidated Financial Statements for the year ended 31 December 2019.

### 5 Specification of operating expenses by nature

<i>(in NOK 000)</i>	<b>Q4 2020</b>	<b>Q4 2019</b>	<b>FY 2020</b>	<b>FY 2019</b>
Capitalised intangible assets in progress	0	-92	0	-2 405
Employee benefits expense	8 153	9 756	36 190	35 701
Depreciation, amortisation and net impairment losses	3 011	21 326	12 132	26 191
Other operating expenses	2 666	4 671	5 367	20 596
<b>Total operating expenses</b>	<b>13 830</b>	<b>35 661</b>	<b>53 689</b>	<b>80 084</b>

### 6 Financial items

<i>(in NOK 000)</i>	<b>Q4 2020</b>	<b>Q4 2019</b>	<b>FY 2020</b>	<b>FY 2019</b>
Net foreign exchange gain (loss)	220	62	-237	-30
Interest income	163	519	783	1 600
Interest expense on debts and borrowings	0	0	-1	-16
Interest expense on lease liabilities	-14	-67	-69	-91
Financial expenses	-31	107	-58	-32
<b>Net financial items</b>	<b>338</b>	<b>620</b>	<b>417</b>	<b>1 430</b>

## 7 Research and development expenses

(in NOK 000)	Q4 2020	Q4 2019	FY 2020	FY 2019
Employee benefits expense	4 274	3 495	14 825	14 867
Other operating expenses	5 479	2 809	14 553	14 564
Government grants	-4 416	-2 558	-8 946	-7 122
Capitalised	0	-92	0	-2 435
<b>Total</b>	<b>5 337</b>	<b>3 654</b>	<b>20 432</b>	<b>19 874</b>

## 8 Government grants

(in NOK 000)	Q4 2020	Q4 2019	FY 2020	FY 2019
Net receivables at the start of the period	5 289	4 411	1 809	4 413
Grants received	-4 690	-5 192	-8 637	-11 812
Grants repaid <sup>1)</sup>	0	0	2 897	1 559
Capitalised	0	526	0	526
Released to the statement of profit and loss	4 415	2 063	8 946	7 122
<b>Net receivables at the close of the period</b>	<b>5 014</b>	<b>1 809</b>	<b>5 014</b>	<b>1 809</b>

- 1) In Q1 2020, poLight repaid NOK 2.9 million (2019: NOK 1.6) in grants related to advance payments for projects in 2019, due to lower expenditures than planned.

## 9 Intangible assets

(in NOK 000)	Q4 2020	Q4 2019	FY 2020	FY 2019
At the start of the period	46 217	74 698	53 936	75 829
Additions — internal development	0	35	0	915
Additions	0	57	0	1 490
Amortisation	-2 571	-2 573	-10 290	-6 017
Impairment losses	0	-18 280	0	-18 280
<b>At the close of the period</b>	<b>43 646</b>	<b>53 936</b>	<b>43 646</b>	<b>53 936</b>

Since the company was founded in 2005, it has raised (gross) NOK 715 million in equity and received significant governmental grants to develop the TLens® technology from its patents. poLight consider its operations to constitute a single cash generating unit (CGU), the TLens® technology platform. Indicators of impairment of the TLens® technology have been reviewed, and none identified.

The recoverable amount of the cash generating unit is based on fair value less costs of disposal. The fair value is based on the observed price per share. At 31 December 2020, this price was based on the share issue in connection with the share offering in April 2020 including subsequent trading up until the release of this report.

The fair value measurement is categorized within level 2 of the fair value hierarchy in accordance with IFRS 13. The impairment test indicates that there is considerable headroom between the carrying value and the fair value less cost of disposal. As such, no further detailed calculations are performed and no reasonable change in a key assumption would cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

Based on simulations of future cash flow, we do not expect that the Covid-19 pandemic will lead to impairment losses.



### 10 Related party transactions

poLight ASA is the ultimate parent company. None of the shareholders of poLight ASA has control of the company. As at 31 December 2020, the largest shareholder was Investinor AS, which owned 19.7 per cent of the shares.

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

### 11 Claims

On 14 September 2018, the Norwegian Tax Administration for South Norway (Skatteetaten Sør-Norge) excluded poLight ASA from the Norwegian VAT Register and claimed repayment of refunded VAT, with effect from 1 January 2013, totalling NOK 13.6 million. The Norwegian Tax Administration claimed that the company was not capable of being profitable and did not therefore qualify as a "business" pursuant to the Norwegian laws and regulations regarding VAT. In September 2018, the decision was appealed, and the Tax Appeals Board (Skatteklagenemda) received the documents needed to adjudicate the matter in February 2019. The entire claim was paid in 2018, except the additional associated taxes of NOK 1.2 million that will not be payable until a final decision is made.

On 28 August 2020, the tax authorities decided to re-register poLight ASA in the VAT Register with effect from July 2020 on ordinary terms. The receivable of NOK 8.2 million was recognised in the third quarter 2020, whereof NOK 7.6 million as a reduction of administrative expenses. The cash proceeds from this ruling were received in the fourth quarter 2020.

If the company's appeal case is successful, the remaining monetary outcome is estimated to be NOK 11.9 million. This has not yet been reflected in the financial statements.

### 12 Events after the balance sheet date

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

## ALTERNATIVE PERFORMANCE MEASURES (APMs)

poLight uses the following alternative performance measures for interim and annual financial reporting, in order to provide a better understanding of the Group's underlying financial performance:

EBITDA	Earnings before interest, taxes, depreciation and amortisation.
EBITDA ex share options	EBITDA excluding share option plan expense incl. social securities
EBIT	Earnings before interest and taxes

