



poLight ASA Interim Report
Six months ended 30 June 2022



Q2

2022

KEY EVENTS IN THE QUARTER

- Confirmed design-win award and first mass production purchase order worth approximately NOK 0.6 million for a barcode scan engine reader product
- Signed an agreement to support a PoC (Proof of Concept) endoscopic camera system development with a top-tier medical device customer worth approximately NOK 1.7 million
- Good progress on most PoCs
- Augmented reality (AR) cases progressing well, with more design-wins possible this year
- Increased activity in the industrial market, especially barcode related
- Despite some smartphone OEMs experiencing reduced sales, the company is engaged in PoCs that are progressing well
- Share split 1:5 performed 30 May 2022 – one old share gave five new shares
- Capital market day held 1 June 2022 – presentation material available on the company's website www.polight.com and www.newsweb.no

Øyvind Isaksen, CEO of poLight ASA:

"This was a quarter which gave us another design-win in the barcode area, bringing the total to four so far. We also signed a development contract related to a top-tier medical device customer and generally made good progress in PoCs in all market segments. Although the situation for many smartphone OEMs remains challenging, we are seeing good interest in our solution and progress has been made. The augmented reality cases we are exploring remain promising, and there are candidates for additional design-wins this year. From the operational and organisational perspective, things continue to improve and our overall readiness is good, although areas for improvement are expected to emerge as we start to increase production and customer deliveries over time."

Key figures

(in NOK million)

	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
Revenue	2.5	2.9	4.0	4.4	10.0
Gross profit	1.8	1.6	2.6	2.8	6.2
EBITDA	-13.9	-13.7	-32.4	-33.9	-42.4
EBITDA ex share options	-16.2	-12.5	-34.2	-24.8	-31.2
Net cash flows used in operating activities	-22.8	-12.6	-28.8	-23.8	-49.5
Net increase/decrease in cash and cash equivalents	-25.9	-12.9	-33.5	-21.6	80.6

MANUFACTURING, PRODUCT DEVELOPMENT AND MARKETS

Manufacturing and operations

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

poLight collaborates with two assembly partners in Asia. During the quarter, production has been ongoing at only one assembly partner. The focus has been on yield-improvement initiatives and securing supplies for existing and new customer projects. Quality/yield improvements continue. More work and production volumes are needed to achieve targeted yield numbers. That said, the prospect of achieving an acceptable yield has been confirmed during the production carried out over the last quarters.

ST is currently processing a significant backlog of wafers ordered by poLight, which is scheduled to be fully delivered in the first half of 2023. Important changes to the wafers, intended to improve the optical performance of the TLens[®], proved successful during the quarter and will be phased in during the year.

Lead-time and capacity constraints in the industry remain challenging and implies that poLight needs to take material and capacity commitments upfront customer commitments.

Product development/technology

During the quarter, a significant portion of the company's R&D resources was devoted to supporting ongoing customer projects and operational activities related to yield-improvement processes at assembly partners. On the development side, important improvement projects related to the performance and reliability of existing products (TLens[®]) continued. Some aspects will be implemented in the relatively short term, while some have a more longer-term perspective. New camera module/system level reference design solutions have been developed for various front and back camera applications to be able to promote TLens[®] more broadly with regard to smartphone cases. This also has relevance for other market segments. The augmented reality (AR) market is opening many opportunities for the company, in addition to TLens[®] and camera applications. The company recently announced a design-in related to the use of TLens[®] for a display application. Further realising increased resolution for AR displays has been identified as another new product opportunity for our technology platform. A PoC is already ongoing with a well-recognised player.

Markets

Customer-related activities continued at a good level in the second quarter. poLight is actively engaged in several segments. This includes consumer market devices, such as smartphones, augmented reality and accessories, as well as a broad range of professional applications, such as barcode readers, medical devices and augmented reality. 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 wide range of potential customers. Over time, this is expected to develop into a diversified revenue base for poLight.

Consumer market

The new camera module concept, based on add-in TLens[®] design, is continuing to open new opportunities for different applications. As mentioned above, several reference designs have been developed to position TLens[®] for various use cases. During the quarter, the focus was on smartphone and augmented reality applications. Other applications, such as webcams, drones, etc., are also being explored. Even though some smartphone OEMs are experiencing reduced sales, the company is engaged in PoCs that are progressing well.

By the close of the quarter, poLight had achieved three design-wins and was involved in 11 ongoing Proof-of-Concept (PoC) projects relating to the consumer market. Four of the ongoing PoCs are consumer-oriented augmented reality cases.

Augmented reality (AR) market

TLens® is being considered by several important market players for use in next generation AR headsets, and testing/prototype building is continuing. The TLens® technology's low power consumption, no gravity sensitivity, temperature stabilisation (often called athermalisation), high speed and compactness are highlighted as key technical benefits.

Currently, the company has one confirmed design-win and is engaged in five projects/design-ins (of which one is for a consumer application) and five ongoing PoCs (four of which are for consumer applications). Good progress was achieved in most cases during the quarter. The already announced design-win is also progressing well and it is expected that the product will be released to market this year. Further design-wins could be achieved before the year is out.

To date, the use case for TLens® has mainly related to world-facing cameras. However, as mentioned above, the company is also involved in various display applications.

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

Industrial market

During the quarter, the company received its fourth design-win and first mass production purchase order, worth approximately NOK 0.6 million, related to a barcode application. The opportunity pipeline for this market segment is quite promising and has the potential to be a significant margin contributor. It will, however, take time to develop this market and will require entry into some broader application areas. In addition to barcode applications, the company is involved in various other industrial applications.

In addition to the four design-wins, the company is currently involved in one project (design-in) and nine ongoing PoCs (five of which are for barcode applications).

Medical/Research

During the quarter, the company signed a very important development contract, worth approximately NOK 1.7 million, with a tier-one medical equipment supplier for potential use in an endoscopic camera system. The PoC is progressing well and could open up many opportunities in the future.

As mentioned before, the Kavli design-win has generated a lot of activity, and the company is working on several similar new cases in addition to expanding its cooperation with Kavli. This activity is mainly seen in terms of brand building and support for important research.

The announced design-in related to the compact surgical device is progressing and has the potential to be released to market this year.

The company is currently involved in one design-win (Kavli), one project (design-in) and 10 ongoing PoCs.

FINANCIAL REVIEW

Profit and loss

(in NOK million)	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
Revenue	2.5	2.9	4.0	4.4	10.0
Cost of sales	-0.7	-1.3	-1.4	-1.6	-3.9
Research and development expenses ¹⁾	-7.9	-7.6	-19.6	-16.8	-25.4
Sales and marketing expenses	-2.9	-1.4	-6.7	-2.7	-7.2
Operational/supply chain expenses	-2.7	-2.5	-4.3	-5.0	-9.1
Administrative expenses	-2.3	-3.7	-4.3	-12.1	-6.9
EBITDA	-13.9	-13.7	-32.4	-33.9	-42.4
Share option plan expense	1.2	0.8	2.5	1.9	4.4
Accrued employer's NICs re. share option plan	-3.5	0.3	-4.3	7.2	6.9
EBITDA ex share options	-16.2	-12.5	-34.2	-24.8	-31.2
Depreciation and amortisation	-2.8	-2.9	-5.7	-5.9	-11.9
EBIT ex share options	-19.0	-15.4	-39.9	-30.7	-43.1

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

Q2 2022

Total revenue of NOK 2.5 million in Q2 2022 (NOK 2.9 million in Q2 2021) reflects deliveries of TLens® and ASICs for commercial use and deliveries of TLens® and ASICs for customer development projects.

R&D expenditures, net of government grants, amounted to NOK 7.9 million, compared with NOK 7.6 million in Q2 2021. The rise is attributable to increased use of internal resources on R&D projects, such as customer development projects, but also fewer projects with government grants, though this has been offset by less extensive use of external development.

Sales and marketing expenses came to NOK 2.9 million in Q2 2022 (NOK 1.4 million), mainly due to increased internal resource usage. Operational/supply chain expenses totalled NOK 2.7 million (NOK 2.5 million) also due to increased internal resource usage.

Administrative expenses totalled NOK 2.3 million in the quarter compared with NOK 3.7 million in Q2 2021. The decrease is attributable to accrued employer's national insurance contributions (NICs) relating to the vested share options. Due to share price decline in the quarter, NOK 2.7 million has been reversed and recognised as negative administration expenses.

EBITDA totalled NOK -13.9 million in Q2 2022 (NOK -13.7 million).

Share option plan expenses amounted to NOK 1.2 million in Q2 2022 (NOK 0.8 million), while accrued employer's national insurance contributions (NICs) amounted to NOK -3.5 million (NOK 0.3 million). The company pays employer's NICs on the difference between the share's market value and the option's strike price, at the date of exercise. The decrease in accrued employer NICs in Q2 2022 was mainly attributable to the decrease in polight's share price in the period.

Depreciation and amortisation primarily related to non-current intangible assets totalled NOK 2.8 million in the quarter (NOK 2.9 million).

First half of 2022

The Group recognised revenue of NOK 4.0 million in the first half of 2022 compared with NOK 4.4 million in the first half of 2021.

R&D expenses amounted to NOK 19.6 million, compared with NOK 16.8 million in the first half of 2021. The increase is attributable to increased use of internal resources on R&D projects, such as customer development projects, but also fewer projects with government grants, though this has been offset by less extensive use of external development.

Sales and marketing expenses came to NOK 6.7 million in the first half of 2022 (NOK 2.7 million), mainly due to increased internal resource usage. Operational/supply chain expenses totalled NOK 4.3 million (NOK 5.0 million).

Administration expenses amounted to NOK 4.3 million in the first half 2022 compared with NOK 12.1 million in the first half of 2021. The decrease is attributable to accrued employer's national insurance contributions (NICs) relating to the vested share options. Due to share price decline in the first half of 2022, NOK 4.3 million has been reversed and recognised as negative administration expenses, compared with an increased accrual of NOK 7.2 in the first half of 2021.

EBITDA totalled NOK -32.4 million in the first half of 2022, compared with NOK -33.9 million in the first half of 2021.

The share option plan expense amounted to NOK 2.5 million in the first six months of 2022, compared with NOK 1.9 million in the first six months of 2021, while accrued employer NICs totalled to NOK -3.3 million (NOK 5.8 million). The reversed expense is attributable to the decrease in poLight's share price.

Depreciation and amortisation for the first half-year closed at NOK 5.7 million (NOK 5.9 million).

Balance sheet

(in NOK million)	Q2 2022	Q2 2021	FY 2021
Property, plant and equipment	6.5	0.9	2.4
Intangible assets	28.5	38.5	33.4
Right-of-use assets	4.2	5.4	4.8
Inventories	30.5	8.6	16.8
Receivables and prepayments	11.7	11.9	23.5
Cash and cash equivalents	124.4	55.6	157.8
Total assets	205.9	120.9	238.7
Total equity	178.1	94.3	213.4
Total current liabilities	24.3	22.2	21.3
Total non-current liabilities	3.4	4.4	3.9
Total equity and liabilities	205.9	120.9	238.7

As at 30 June 2022, total assets came to NOK 205.9 million, compared with NOK 120.9 million as at 30 June 2021 and NOK 238.7 million as at 31 December 2021.

At the reporting date, intangible assets totalled NOK 28.5 million, compared with NOK 38.5 million as at 30 June 2021, reflecting amortisation during the year. Intangible assets totalled NOK 33.4 million as at 31 December 2021.

Year to date NOK 4.3 million has been invested in additional final test equipment including sorting features both on Taiwan and the Philippines, explaining the increase in the *Property, plant and equipment* as at 30 June 2022.

As at 30 June 2022, poLight had cash and cash equivalents totalling NOK 124.4 million, compared with NOK 55.6 million as at 30 June 2021 and NOK 157.8 million as at 31 December 2021.

At the close of the period, right-of-use assets amounted to NOK 4.2 million, compared with NOK 5.4 million as at 30 June 2021 and NOK 4.8 million as at 31 December 2021.

Total current liabilities amounted to NOK 24.3 million as at 30 June 2022, compared with NOK 22.2 million as at 30 June 2021 and NOK 21.3 million as at 31 December 2021.

Cash flow

(in NOK million)	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
Net cash flow used in operating activities	-22.8	-12.6	-28.8	-23.8	-49.5
Net cash flow used in investing activities	-3.1	-0.1	-4.5	-0.3	-2.1
Net cash flow from/(used in) financing activities	0.0	-0.1	-0.2	2.6	132.3
Net increase/decrease in cash and cash equivalents	-25.9	-12.9	-33.5	-21.6	80.6

Q2 2022

The net cash flow used in operating activities totalled NOK -22.8 million in Q2 2022, compared with NOK -12.6 million in Q2 2021. The increase is attributable to increased inventory in the quarter.

The net cash outflow from investing activities in Q2 2022 totalled NOK 3.1 million, compared with a net cash outflow of NOK 0.1 million in Q2 2021.

The net decrease in cash and cash equivalents came to NOK 25.9 million for the quarter, compared with a decrease of NOK 12.9 million in the same period in 2021.

First half of 2022

The net cash flow used in operating activities totalled NOK -28.8 million in the first half of the year compared with NOK -23.8 million used in the same period in 2021. The net cash flow used in investing activities totalled NOK -4.5 million (NOK -0.3 million). The net cash flow used in financing activities totalled NOK -0.2 million (NOK 2.6 million).

The net decrease in cash and cash equivalents for the first half year was NOK -33.5 million, compared with NOK -21.6 million in the same period in 2021.

RISK FACTORS AND COVID-19

The risk factors associated with the Covid-19 pandemic are related to the supply chain, inability to move employees/competence between Europe and Asia, and delays in customer qualification programmes and product release plans. The first two areas mentioned above have been offset by strengthening the local organisation in Asia and making material commitments well in advance of customer needs. The customer related factors mentioned above have been handled partly by ensuring a healthy diversification, both with respect to customers and market segments.

The present situation between China and Taiwan could potentially have a negative impact on the Company's operation. However, the main assembly activity of TLens® takes place in the Philippines, and only the final test is carried out in Taiwan. Similar capability is under establishment in the Philippines. This was an initiative taken long before the situation between China and Taiwan escalated and will reduce the risk. In addition to the final test carried out in Taiwan, the company has resources in Taiwan related to final test and customer support.

Since polLight does not have any operations, customers or direct suppliers in Russia or Ukraine, except a consultant in Moscow, the war in Ukraine has not so far led to any direct consequences of significance for the Group's operations, other than the general impact the war has on the global situation.

The Group's TLens® technology, and products derived from this technology, are involved in various qualification tests for various applications by potential customers. There can be no assurance that the TLens® products (or other products

produced by the Group) will meet the performance parameters set by the potential customers, or by parties testing the Group's products at a later time. If the Group's products do not meet such performance parameters, the Group may be required to implement changes to its products or may not be able to enter into commercial agreements with potential customers. Any requirement to implement changes to the Group's products may imply a delay in the commercialisation of the Group's technology and may also entail significant costs that may not be recovered. Furthermore, there can be no assurance that changes to the Group's products will be sufficient to satisfy the demands of the Group's potential customers. Failure to enter into commercial agreements will have a material adverse effect on the Group's revenues, profitability and financial position.

Over 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. Accordingly, these consolidated financial statements have been prepared on the assumption that both the Group and the parent company are going concerns, and management confirms that this an appropriate assumption.

OUTLOOK

The quarter has again confirmed the potential in several market segments of both current and possible new products based on the same technology platform.

The opportunity pipeline is encouraging in many market segments. The main focus going forward will be to position polight in relation to smartphone cases, mature the augmented reality projects/PoCs, gradually build more cases in the industrial segment (e.g. barcode), and increasingly position the company in the medical space. Other opportunities have been identified and will be considered and explored on the basis of the individual business case and resource situation.

From a portfolio perspective, the focus will be to offer and continuously improve the existing products for all the above market segments. Our capability and capacity to develop system reference designs using the various TLens® solutions has improved significantly and will be an important tool for broadening the application areas of existing products. The company plans to develop new variants of TLens® and new products based on same technology platform, though the timing of such activities is still under consideration and will depend on customer demands.

According to current plans, the Group's cash deposits will fund activities the next 12 months. Thereafter additional capital will be required to continue polight's planned commercialisation of its TLens® technology.

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 2021, including the section *"Risks and risk management"* in the Board of Directors' Report.

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the condensed set of financial statements for the period 1 January to 30 June 2022 has been prepared in accordance with IAS 34-Interim Financial Reporting and gives a true and fair view of the poLight group's assets, liabilities, financial position and results for the period. We also confirm that, to the best of our knowledge, the financial review includes a fair presentation of important events that have occurred during the first six months of the financial year and their impact on the financial statements, any major transactions with related parties, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

poLight ASA
Horten, 17 August 2022

Grethe Viksaas (sign)
Chair, Independent

Ann-Tove Kongsnes (sign)
Deputy chair

Juha Alakarhu (sign)
Board member, Independent

Svenn-Tore Larsen (sign)
Board member, Independent

Thomas Görling (sign)
Board member

Øyvind Isaksen (sign)
Chief Executive Officer

CONDENSED INTERIM FINANCIAL STATEMENTS

Interim condensed consolidated statement of income

NOK 000	Note	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
Sale of goods		1 935	2 518	3 407	3 341	8 683
Rendering of services		591	367	591	1 089	1 350
Revenue		2 526	2 885	3 998	4 430	10 032
Cost of sales		-746	-1 295	-1 431	-1 610	-3 851
Gross profit		1 780	1 590	2 566	2 820	6 182
Research and development expenses net of government grants	7,8	-7 854	-7 622	-19 604	-16 841	-25 360
Sales and marketing expenses		-2 864	-1 362	-6 739	-2 663	-7 224
Operational/supply chain expenses		-2 698	-2 538	-4 330	-5 043	-9 139
Administrative expenses		-2 284	-3 719	-4 264	-12 129	-6 868
Operating result before depreciation and amortisation (EBITDA)		-13 919	-13 651	-32 372	-33 856	-42 409
Depreciation and amortisation	9	-2 754	-2 861	-5 741	-5 893	-11 923
Operating result (EBIT)		-16 674	-16 513	-38 113	-39 749	-54 332
Net financial items	6	-585	8	-39	233	944
Loss before tax		-17 259	-16 505	-38 152	-39 516	-53 388
Income tax expense		-3	-38	-4	-45	-93
Loss for the period		-17 262	-16 543	-38 156	-39 561	-53 481
Attributable to:						
Equity holders of the parent		-17 262	-16 543	-38 156	-39 561	-53 481
Earnings per share:						
Basic, attributable to ordinary equity holders of the parent (NOK)		-0.33	-0.36	-0.73	-0.87	-1.13
Diluted, attributable to ordinary equity holders of the parent (NOK)		-0.33	-0.36	-0.73	-0.87	-1.13

Interim consolidated statement of other comprehensive income

NOK 000	Note	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
Loss for the period		-17 262	-16 543	-38 156	-39 561	-53 481
Other comprehensive income						
Exchange differences on translation of foreign operations		75	32	63	-7	-5
Income tax effect		0	0	0	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		75	32	63	-7	-5
Total comprehensive income for the period, net of tax		-17 187	-16 512	-38 093	-39 568	-53 486
Attributable to:						
Equity holders of the parent		-17 187	-16 512	-38 093	-39 568	-53 486

Interim consolidated statement of financial position

NOK 000	Note	Q2 2022	Q2 2021	FY 2021
ASSETS				
Property, plant and equipment		6 498	936	2 356
Intangible assets	9	28 492	38 511	33 377
Right-of-use assets		4 247	5 415	4 778
Total non-current assets		39 237	44 863	40 511
Inventories		30 496	8 571	16 836
Trade and other receivables	8	8 736	10 557	22 078
Prepayments		2 978	1 303	1 456
Cash and cash equivalents		124 439	55 631	157 810
Total current assets		166 649	76 061	198 180
Total assets		205 886	120 923	238 691
EQUITY AND LIABILITIES				
Share capital		2 078	1 826	2 077
Share premium		209 573	128 921	209 320
Reserves		1 098	1 032	1 035
Retained earnings		-34 646	-37 432	977
Total equity		178 103	94 346	213 409
Lease liabilities		3 434	4 358	3 934
Total non-current liabilities		3 434	4 358	3 934
Trade and other payables	10	22 869	19 974	19 906
Current lease liabilities		980	1 056	942
Provisions		500	1 189	500
Total current liabilities		24 349	22 219	21 349
Total liabilities		27 783	26 577	25 282
Total equity and liabilities		205 886	120 923	238 691

Interim consolidated statement of changes in equity

NOK 000	Note	Attributable to equity holders of the parent				Total
		Share capital	Share premium	Retained earnings	Translation reserve	
As at 1 January 2021		1 810	125 753	238	1 040	128 840
Loss for the period				-39 561		-39 561
Other comprehensive income					-7	-7
Total comprehensive income		0	0	-39 561	-7	-39 568
Share options exercised		16	3 188			3 204
Transaction costs			-20			-20
Equity-settled share-based payment				1 891		1 891
As at 30 June 2021		1 826	128 921	-37 432	1 032	94 346
As at 1 January 2022		2 077	209 320	977	1 035	213 409
Loss for the period				-38 156		-38 156
Other comprehensive income					63	63
Total comprehensive income		0	0	-38 156	63	-38 093
Share options exercised		1	253			254
Equity-settled share-based payment				2 533		2 533
As at 30 June 2022		2 078	209 573	-34 646	1 098	178 103

Interim consolidated statement of cash flows

NOK 000	Note	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
Operating activities						
Profit/loss (-) for the period		-17 259	-16 506	-38 152	-39 517	-53 388
Adjustments for:						
Depreciation of property, plant and equipment and right-of-use assets		437	294	856	759	1 654
Amortisation of intangible assets	9	2 318	2 567	4 885	5 134	10 269
Net finance income		585	-8	39	-233	-944
Equity-settled share-based payments		1 167	812	2 533	1 891	4 385
Other non-cash items		-656	-9	-829	210	937
Changes in unrealised net foreign exchange rate differences/fluctuations		-79	-64	-41	8	21
Changes in working capital:						
Increase (-) in trade and other receivables and prepayments		-324	1 918	10 618	1 372	-11 332
Increase (-) in inventories		-9 800	281	-13 660	596	-7 669
Increase (+) in trade and other payables	10	1 354	-1 268	2 963	9 290	9 223
Changes in provisions and government grants		-562	-628	1 202	-3 293	-2 954
Interest received	6	152	9	959	28	585
Interest paid	6	-84	-4	-173	-14	-203
Income tax paid		-3	-38	-4	-45	-129
Net cash flows used in operating activities		-22 756	-12 644	-28 805	-23 814	-49 546
Investing activities						
Purchase of property, plant and equipment		-3 098	-103	-4 463	-350	-2 142
Net cash flows used in investing activities		-3 098	-103	-4 463	-350	-2 142
Financing activities						
Proceeds from issuance of ordinary shares		0	0	0	0	137 803
Proceeds from exercise of share options		222	0	254	3 204	3 397
Transaction costs on issue of shares		0	0	0	-6	-7 530
Payment of lease liabilities		-233	-135	-462	-597	-1 355
Net cash flows from/(used in) financing activities		-12	-135	-208	2 601	132 315
Net increase in cash and cash equivalents		-25 866	-12 882	-33 476	-21 563	80 627
Effect of exchange rate changes on cash and cash equivalents		154	96	104	-15	-26
Cash and cash equivalents at the start of the period		150 151	68 417	157 810	77 209	77 209
Cash and cash equivalents at the close of the period		124 439	55 631	124 439	55 631	157 810

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 Innlaget 230, 3185 Skoppum, 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.

2 Basis of preparation

The interim condensed consolidated financial statements for the quarter ended 30 June 2022 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 2021.

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

4 Significant accounting judgements, estimates and assumptions

Management makes accounting judgements on development costs. Key significant estimates are made regarding impairment of intangible assets and the accounting for share option plans, described in the Consolidated Financial Statements for the year ended 31 December 2021.

5 Specification of operating expenses by nature

<i>(in NOK 000)</i>	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
Employee ¹⁾ benefits expense	10 126	10 459	20 754	26 575	46 866
Depreciation and amortisation	2 754	2 861	5 741	5 893	11 923
Other operating expenses	5 575	4 783	14 184	10 101	1 726
Total operating expenses	18 454	18 104	40 679	42 570	60 514

1) Including consultants engaged on long-term contracts

6 Financial items

(in NOK 000)	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
Net foreign exchange gain (loss)	-974	-94	-805	10	-134
Interest income	475	115	940	248	1 365
Interest expense on debts and borrowings	-2	0	-2	0	-1
Interest expense on lease liabilities	-84	-4	-173	-14	-203
Financial expenses	0	-9	0	-10	-83
Net financial items	-585	8	-40	233	944

7 Research and development expenses

(in NOK 000)	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
Employee ²⁾ benefits expense	5 676	5 019	11 173	10 376	19 500
Other operating expenses	2 741	6 587	9 759	13 114	17 747
Government grants	-562	-3 984	-1 327	-6 648	-11 886
Total	7 854	7 622	19 604	16 842	25 360

2) Including consultants engaged on long-term contracts

8 Government grants

(in NOK 000)	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
Net receivables at the start of the period	5 515	7 679	7 280	5 014	5 014
Grants received	0	-3 355	-2 530	-3 355	-9 621
Released to the statement of profit and loss	562	3 984	1 327	6 648	11 886
Net receivables at the close of the period	6 077	8 307	6 077	8 307	7 280

9 Intangible assets

(in NOK 000)	Q2 2022	Q2 2021	YTD 2022	YTD 2021	FY 2021
At the start of the period	30 810	41 079	33 377	43 646	43 646
Amortisation	-2 318	-2 567	-4 885	-5 134	-10 269
At the close of the period	28 492	38 511	28 492	38 511	33 377

polight's operations constitute one single cash generating unit (CGU) for impairment assessment purposes, the TLens[®] technology platform. Indicators of impairment of the TLens[®] technology have been assessed, and none identified.

10 Trade and other payables

(in NOK 000)	Q2 2022	Q2 2021	FY 2021
Trade payables	10 897	1 937	4 518
Other payables	7 392	8 791	6 490
Accrued employer's NICs on share option plan	4 581	9 247	8 898
At the close of the period	22 869	19 974	19 907

11 Related party transactions

poLight ASA is the ultimate parent company. None of the shareholders of poLight ASA has control of the company. As at 30 June 2022, the largest shareholder was Investinor Direkte AS, which owned 17.13 per cent of the shares.

Intercompany agreements are entered into with all group subsidiaries. All sales by the subsidiaries are made to the 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.

12 Events after the reporting date

No significant events have occurred after the reporting 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. changes in accrued employer's NICs
EBIT	Earnings before interest and taxes
EBIT ex share options	EBIT excluding share option plan expense incl. changes in accrued employer's NICs

