



poLight ASA Quarterly Report



2022

KEY EVENTS IN THE QUARTER

- Follow-on order from an Augmented Reality (AR) customer, confirming that an enterprise AR product using TLens® will be on the market in 2022
- Other AR cases also progressing well – encouraging pipeline building up
- Xenocore has confirmed use of TLens® in their next generation disposable laparoscope (Saberscope), which is in the qualification stage
- Increased activity in the industrial market, especially barcode-related
- Teledyne e2v launched “Optimom 2M – Multi Focus Lens” at Vision Expo in Stuttgart - their 2nd generation camera powered by TLens®
- Smartphone cases actively pursued – likely that market demand for a higher-performance selfie camera will increase over time

Dr. Øyvind Isaksen, CEO of poLight ASA:

“A busy quarter supporting an increasing number of customers and Proof of Concept (PoC) projects. Most of the company’s activities involve supporting customer projects at various maturity levels. Overall, we are experiencing good and encouraging progress, but there are also challenges which need to be tackled. The augmented reality cases we are exploring remain promising, and it has been confirmed that the first enterprise augmented reality (AR) product using TLens® will be on the market this year. This is a very important milestone for us. Even though the smartphone OEMs have been negatively impacted by market sentiment lately, PoC in this area have contributed to a hectic quarter. Other market segments such as industrial and medical are maturing. An increasing number of barcode cases are being explored and the first medical use case for TLens®, a disposable laparoscope with autofocus, is undergoing qualification. In addition to opportunities relating to TLens®, a new product opportunity, TWegde®, is being explored. This enables wobulation-improving resolution for AR projection display solutions. This may further strengthen our position in the AR space, although it is still early days. Our operational readiness is improving, but it will take higher volumes over time to realise the yield potential. The organisation is showing an impressive dedication and willingness to create success, and I would like to take this opportunity to thank everyone on the poLight team for their unstinting efforts. And not forgetting our active investor network – heartfelt thanks to you too for your great support and continuing motivation!”

Key figures

(in NOK million)	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Revenue	5.3	1.7	9.3	6.1	10.0
Gross profit	3.2	0.8	5.8	3.6	6.2
EBITDA	-11.3	-2.9	-43.7	-36.7	-42.4
EBITDA ex-share options	-11.0	-7.0	-45.2	-31.8	-31.2
Net cash flows used in operating activities	-19.6	-9.1	-48.4	-33.0	-49.5
Net increase/decrease in cash and cash equivalents	-20.1	108.4	-53.6	86.9	80.6

MANUFACTURING, PRODUCT DEVELOPMENT AND MARKETS

Manufacturing and operations

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

With regard to assembly and testing, the focus has been on yield-improvement, improved final test setup both in terms of quality and capacity, and securing supplies for existing and new customer projects. 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, improving the optical performance of the TLens[®], will be phased in by the end of the year.

Lead-time and capacity constraints in the industry remain challenging, requiring poLight to take material and capacity commitments well in advance of customer orders.

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 relating to yield-improvement processes and final test setup at our assembly partners. On the development side, important improvement projects relating to the performance and reliability of existing products (TLens[®]) continued. Some aspects will be implemented in the relatively short term, while others have a longer-term horizon. 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. The augmented reality (AR) market, along with TLens[®] and camera applications, are presenting the company with new opportunities. During the quarter, a prototype of a potential new product opportunity, TWegde[®], was developed and demonstrated to potential customers. TWegde[®] enables wobulation-improving resolution for AR projection display solutions.

Markets

Customer-related activities continued at a good level in the third 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 up 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 several smartphone OEMs are experiencing reduced sales, the company has used a lot of resources during the quarter to position itself for this market.

By the close of the quarter, poLight had achieved three design wins and was involved in eight ongoing PoC projects relating to the consumer market. Three of the ongoing PoCs are consumer-oriented augmented reality cases.

Augmented reality (AR) market

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

Currently, the company has one confirmed design win and is engaged in five projects/design-ins (one of which is for a consumer application) and four ongoing PoCs (three 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 a mass production follow-on order was received during the quarter, with release to market also confirmed during 2022. Further design-wins could be achieved within the next 6 months.

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 AR display applications based on both TLens® and on a new concept called TWegde®.

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 initial customer cases relate to the professional/enterprise market, so the initial volumes will be relatively low. However, over time AR devices are expected to 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

The opportunity pipeline for this market segment is quite promising and growing. 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.

As of today, the company has achieved four design-wins, one design-in, and twelve ongoing PoCs (eight of which are for barcode applications). The design-in case relates to a Teledyne e2v product, "Optimom 2M – Multi Focus Lens", launched recently at Vision exhibition in Stuttgart - their 2nd generation camera powered by TLens®.

Medical/Research

The company is continuing to support selected opportunities in this market segment. Most of the cases being explored are based on "incoming calls". Over time this market sector could potentially become an important part of poLight.

At the end of the quarter, the company was engaged in one design win (Kavli, research), one design-in, and twelve ongoing PoCs.

The design-in relates to the announcements made on 20 August 2021 and 21 September 2021 regarding a disposable laparoscope being developed by Xenacor (<https://xenacor.com>). The development is now at an advanced stage, and the laparoscope (Saberscope) is undergoing qualification.

The Kavli design win has generated a lot of activity, and similar/research cases represent more than half of the company's ongoing PoCs. The main purpose of this activity is brand-building and providing support for important research. The other ongoing PoCs relate more to commercial companies with the potential to use TLens in commercial products.

FINANCIAL REVIEW

Profit and loss

(in NOK million)	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Revenue	5.3	1.7	9.3	6.1	10.0
Cost of sales	-2.1	-0.9	-3.5	-2.5	-3.9
Research and development expenses ¹⁾	-7.2	-2.0	-26.8	-18.8	-25.4
Sales and marketing expenses	-2.6	-1.3	-9.4	-3.9	-7.2
Operational / supply chain expenses	-1.9	-1.4	-6.3	-6.4	-9.1
Administrative expenses	-2.8	0.9	-7.0	-11.2	-6.9
EBITDA	-11.3	-2.9	-43.7	-36.7	-42.4
Share option plan expense	1.0	0.9	3.6	2.8	4.4
Accrued employer's NICs re. share option plan	-0.7	-5.0	-5.0	2.2	6.9
EBITDA ex-share options	-11.0	-7.0	-45.2	-31.8	-31.2
Depreciation and amortisation	-2.3	-3.1	-8.0	-9.0	-11.9
EBIT ex-share options	-13.3	-10.1	-53.2	-40.8	-43.1

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

Total revenue of NOK 5.3 million in Q3 2022 (NOK 1.7 million in Q3 2021) reflects NOK 3.1 million in revenue from deliveries of TLens® and ASICs for commercial use and customer development projects, and NOK 2.2 million in revenue from NRE "non-recurring engineering" relating to customer development projects.

The polight organisation have been strengthen with 6 new employment the last year, which increases the capability for activities within R&D, Sales and marketing and supply chain. R&D expenditure, net of government grants, amounted to NOK 7.2 million, compared with NOK 2.0 million in Q3 2021. The rise is attributable to increased use of internal resources on R&D projects, such as customer development projects, as well as fewer projects with government grants.

Sales and marketing expenses came to NOK 2.6 million in Q3 2022 (NOK 1.3 million), mainly due to increased sales activities. Operational/supply chain expenses totalled NOK 1.9 million (NOK 1.4 million), also due to increased internal resource usage relating to yield-improvement and improved final test setup.

Administrative expenses totalled NOK 2.8 million in the quarter, compared with net income of NOK 0.9 million in Q3 2021. The net income in Q3 2021 is attributable to reversed accrued employer's national insurance contributions (NICs) relating to the share option plan due to the share price decline in the quarter. A total of NOK 5 million was reversed in Q3 2021, of which NOK 3.8 million has been credited to administration expenses.

EBITDA totalled NOK -11.3 million in Q3 2022 (NOK -2.9 million).

Share option plan expenses amounted to NOK 1.0 million in Q3 2022 (NOK 0.9 million), while accrued employer's national insurance contributions (NICs) amounted to NOK -0.7 million (NOK -5.0 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 Q3 2022 was mainly attributable to the decrease in polight's share price in the period.

Depreciation and amortisation, which primarily related to non-current intangible assets, totalled NOK 2.3 million in the quarter (NOK 3.1 million).

Balance sheet

(in NOK million)	Q3 2022	Q3 2021	FY 2021
Property, plant and equipment	6.6	1.4	2.4
Intangible assets	26.7	35.9	33.4
Right-of-use assets	4.0	5.0	4.8
Inventories	36.0	12.2	16.8
Receivables and prepayments	7.4	10.0	23.5
Cash and cash equivalents	104.4	164.1	157.8
Total assets	185.1	228.7	238.7
Total equity	166.2	207.7	213.4
Total current liabilities	15.7	16.9	21.3
Total non-current liabilities	3.2	4.0	3.9
Total equity and liabilities	185.1	228.7	238.7

As at 30 September 2022, total assets came to NOK 185.1 million, compared with NOK 228.7 million as at 30 September 2021 and NOK 238.7 million as at 31 December 2021.

At the reporting date, intangible assets totalled NOK 26.7 million, compared with NOK 35.9 million as at 30 September 2021, mainly due to amortisation during the year. Intangible assets totalled NOK 33.4 million as at 31 December 2021.

Year to date inventories increased by NOK 19.2 million to NOK 36.0 million as at Q3 2022 (NOK 12.2 at Q3 2021). The increase in inventories mainly relates to wafers from ST Microelectronics, but also a higher number of finished units. The inventory build-up of components with long lead-time (e.g. wafers) will improve the readiness for potential volume customers.

The increase in *Property, plant and equipment* as at 30 September 2022 is primarily due to investments of NOK 4.3 million in additional final test equipment, including sorting features both in Taiwan and the Philippines.

As at 30 September 2022, poLight had cash and cash equivalents totalling NOK 104.4 million, compared with NOK 164.1 million as at 30 September 2021 and NOK 157.8 million as at 31 December 2021.

Total current liabilities amounted to NOK 15.7 million as at 30 September 2022, compared with NOK 16.9 million as at 30 September 2021 and NOK 21.3 million as at 31 December 2021.

Cash flow

(in NOK million)	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Net cash flow used in operating activities	-19.6	-9.1	-48.4	-33.0	-49.5
Net cash flow used in investing activities	-0.3	-0.6	-4.8	-0.9	-2.1
Net cash flow from/(used in) financing activities	-0.2	118.1	-0.4	120.7	132.3
Net increase/decrease in cash and cash equivalents	-20.1	108.4	-53.6	86.9	80.6

The net cash outflow from operating activities totalled NOK 19.6 million in Q3 2022, compared with NOK 9.1 million in Q3 2021. The increase is attributable to inventory build-up in the quarter.

The net cash outflow from investing activities in Q3 2022 totalled NOK 0.3 million, compared with a net cash outflow of NOK 0.6 million in Q3 2021.

The net decrease in cash and cash equivalents came to NOK 20.1 million for the quarter, compared with an increase of NOK 108.4 million in the same period in 2021, in part due to NOK 118.6 million in net proceeds from the share issue.

RISK FACTORS AND COVID-19

The risk factors associated with the Covid-19 pandemic relate to the supply chain, inability to move employees/competence between Europe and Asia, and delays in customer qualification programmes and product release plans. The company has offset the first two areas mentioned above 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 partly mitigated by ensuring healthy diversification, both with respect to customers and market segments.

The current tensions between China and Taiwan could potentially have a negative impact on the company's operations. However, the company's main TLens® assembly activities take place in the Philippines, and only the final test is carried out in Taiwan. Similar capability is being established in the Philippines. This initiative was started 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 relating to final testing and customer support.

Since poLight does not have any operations, customers or direct suppliers in Russia or Ukraine, to date the war in Ukraine has not had any direct consequences of significance for the Group's operations, other than the general impact of the war on the global situation.

The Group's TLens® technology, and products derived from this technology, are involved in different qualification tests for various applications by potential customers. There is no guarantee 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 is no guarantee 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 remain cash generated from financing, equity and/or debt, in addition to net cash flows generated from sales. Consequently, any shortfall in cash generated from operations will have to be covered through additional financing in order to safeguard the Group's ability to continue as a going concern. According to current plans, the Group's cash deposits will fund activities through second quarter 2023. Thereafter additional capital will be required to continue poLight's planned commercialisation of its TLens® technology. Management and the Board of Directors are focused on the Group's liquidity requirements and are evaluating alternatives, such as issuing additional equity and/or taking on new debt. Based on the Group's track record of raising funds and in light of the positive developments achieved in the past year, it is expected that the capital markets will be receptive to the issue of equity sufficient to meet liquidity requirements and support ongoing operations and expansion plans under current conditions. poLight's ability to continue as a going concern is dependent upon the success of these efforts. However, there is a risk that, when needed, adequate sources of funds may not be available, or available on acceptable terms and conditions.

OUTLOOK

The company's high activity levels are reflected in a growing pipeline.

Reduced sales at several smartphone OEMs are clearly impacting the willingness to invest in new releases and leading to increased cost awareness. However, increasing pressure to improve the performance of selfie cameras, and changes following the pandemic, will potentially change the situation over time. The company is using a lot of resources to position itself for this market.

AR opportunities are developing positively, and it has been confirmed that the first enterprise AR product using TLens® will be on the market in 2022. This is a major milestone and an important building block for the company. poLight is involved with both enterprise/professional and consumer use cases, both for camera and display applications.

Some market segments, such as industrial and medical, which are less impacted by the current sentiment, are progressing as expected. The company has already established important references in the industrial market and is building references in the medical space. Step-by-step this will build an important platform.

From a portfolio perspective, the focus will be to offer and continuously improve our existing products for all the above market segments. The company plans to develop new variants of TLens® and new products based on the 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 through second quarter 2023. 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.

CONDENSED INTERIM FINANCIAL STATEMENTS

Interim condensed consolidated statement of income

NOK 000	Note	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Sale of goods		3 092	1 696	6 498	4 777	8 683
Rendering of services		2 181	0	2 771	1 350	1 350
Revenue		5 272	1 696	9 270	6 126	10 032
Cost of sales		-2 086	-930	-3 517	-2 540	-3 851
Gross profit		3 186	766	5 753	3 587	6 182
Research and development expenses net of governmental grants	7,8	-7 175	-1 967	-26 780	-18 808	-25 360
Sales and marketing expenses		-2 633	-1 270	-9 373	-3 933	-7 224
Operational / supply chain expenses		-1 942	-1 366	-6 272	-6 409	-9 139
Administrative expenses		-2 759	950	-7 023	-11 179	-6 868
Operating result before depreciation and amortisation (EBITDA)		-11 322	-2 886	-43 694	-36 742	-42 409
Depreciation and amortisation	9	-2 271	-3 080	-8 013	-8 973	-11 923
Operating result (EBIT)		-13 594	-5 967	-51 706	-45 716	-54 332
Net financial items	6	704	-49	664	184	944
Loss before tax		-12 890	-6 016	-51 042	-45 532	-53 388
Income tax expense		-49	-61	-53	-106	-93
Loss for the period		-12 939	-6 076	-51 095	-45 637	-53 481
Attributable to:						
Equity holders of the parent		-12 939	-6 076	-51 095	-45 637	-53 481
Earnings per share:						
Basic, attributable to ordinary equity holders of the parent (NOK)		-0.25	-0.13	-0.98	-0.99	-1.13
Diluted, attributable to ordinary equity holders of the parent (NOK)		-0.25	-0.13	-0.98	-0.99	-1.13

Interim consolidated statement of other comprehensive income

NOK 000	Note	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Loss for the period		-12 939	-6 076	-51 095	-45 637	-53 481
Other comprehensive income						
Exchange differences on translation of foreign operations		38	4	101	-3	-5
Income tax effect		0	0	0	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		38	4	101	-3	-5
Total comprehensive income for the period, net of tax		-12 901	-6 072	-50 994	-45 640	-53 486
Attributable to:						
Equity holders of the parent		-12 901	-6 072	-50 994	-45 640	-53 486

Interim consolidated statement of financial position

NOK 000	Note	Q3 2022	Q3 2021	FY 2021
ASSETS				
Property, plant and equipment		6 612	1 393	2 356
Intangible assets	9	26 674	35 944	33 377
Right-of-use assets		3 982	5 025	4 778
Total non-current assets		37 268	42 363	40 511
Inventories		36 025	12 236	16 836
Trade and other receivables	8	4 071	8 662	22 078
Prepayments		3 366	1 354	1 456
Cash and cash equivalents		104 413	164 067	157 810
Total current assets		147 875	186 318	198 180
Total assets		185 143	228 681	238 691
EQUITY AND LIABILITIES				
Share capital		2 078	2 053	2 077
Share premium		209 573	247 263	209 320
Reserves		1 136	1 036	1 035
Retained earnings		-46 563	-42 616	977
Total equity		166 223	207 736	213 409
Lease liabilities		3 178	4 013	3 934
Total non-current liabilities		3 178	4 013	3 934
Trade and other payables	10	14 244	14 661	19 906
Current lease liabilities		998	1 083	942
Provisions		500	1 189	500
Total current liabilities		15 742	16 932	21 349
Total liabilities		18 920	20 945	25 282
Total equity and liabilities		185 143	228 681	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				-45 637		-45 637
Other comprehensive income					-3	-3
Total comprehensive income		0	0	-45 637	-3	-45 640
Issue of ordinary shares		227	124 773			125 000
Share options exercised		16	3 188			3 204
Transaction costs			-6 451			-6 451
Equity-settled share-based payment				2 785		2 785
As at 30 September 2021		2 053	247 263	-42 615	1 036	207 737
As at 1 January 2022		2 077	209 320	977	1 035	213 409
Loss for the period				-51 095		-51 095
Other comprehensive income					101	101
Total comprehensive income		0	0	-51 095	101	-50 994
Share options exercised		1	253			254
Equity-settled share-based payment				3 554		3 554
As at 30 September 2022		2 078	209 573	-46 564	1 136	166 223

Interim consolidated statement of cash flows

NOK 000	Note	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Operating activities						
Profit / loss (-) for the period		-12 890	-6 016	-51 042	-45 531	-53 388
Adjustments for:						
Depreciation of property, plant and equipment and right-of-use assets		453	513	1 309	1 272	1 654
Amortisation of intangible assets	9	1 819	2 567	6 703	7 701	10 269
Net finance income		-704	49	-664	-184	-944
Equity-settled share-based payments		1 021	894	3 554	2 785	4 385
Other non-cash items		399	138	-431	349	937
Changes in unrealised net foreign exchange rate differences/fluctuations		-32	-3	-73	5	21
Changes in working capital:						
Increase (-) in trade and other receivables and prepayments		-234	-737	10 384	634	-11 332
Increase (-) in inventories		-5 530	-3 665	-19 190	-3 072	-7 669
Decrease (-) in trade and other payables	10	-8 626	-5 314	-5 663	3 977	9 223
Changes in provisions and government grants		4 511	2 581	5 713	-712	-2 954
Interest received	6	385	0	1 344	28	585
Interest paid	6	-80	-96	-253	-110	-203
Income tax paid		-49	-61	-53	-106	-129
Net cash flows used in operating activities		-19 556	-9 150	-48 361	-32 965	-49 546
Investing activities						
Purchase of property, plant and equipment		-301	-550	-4 764	-900	-2 142
Net cash flows used in investing activities		-301	-550	-4 764	-900	-2 142
Financing activities						
Proceeds from issuance of ordinary shares		0	125 000	0	125 000	137 803
Proceeds from exercise of share options		0	0	254	3 204	3 397
Transaction costs on issue of shares		0	-6 431	0	-6 437	-7 530
Payment of lease liabilities		-238	-441	-700	-1 038	-1 355
Net cash flows from/(used in) financing activities		-238	118 128	-446	120 729	132 315
Net increase in cash and cash equivalents		-20 095	108 428	-53 571	86 865	80 627
Effect of exchange rate changes on cash and cash equivalents		69	7	174	-8	-26
Cash and cash equivalents at the start of the period		124 438	55 631	157 810	77 209	77 209
Cash and cash equivalents at the close of the period		104 413	164 066	104 413	164 066	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 September 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>	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Employee benefits expense ¹⁾	10 692	3 078	31 446	29 654	46 866
Depreciation and amortisation	2 271	3 080	8 013	8 973	11 923
Other operating expenses	3 816	574	18 000	10 676	1 726
Total operating expenses	16 780	6 733	57 459	49 303	60 514

1) Including consultants engaged on long-term contracts

6 Financial items

(in NOK 000)	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Net foreign exchange gain (loss)	151	7	-655	17	-134
Interest income	632	82	1 572	330	1 365
Interest expense on debts and borrowings	0	0	-2	0	-1
Interest expense on lease liabilities	-80	-96	-253	-110	-203
Financial expenses	1	-42	1	-52	-83
Net financial items	704	-49	664	184	944

7 Research and development expenses

(in NOK 000)	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Employee ²⁾ benefits expense	5 110	3 617	16 283	13 993	19 500
Other operating expenses	2 582	2 035	12 341	15 148	17 747
Government grants	-517	-3 685	-1 844	-10 333	-11 886
Total	7 175	1 967	26 779	18 808	25 360

2) Including consultants engaged on long-term contracts

8 Government grants

(in NOK 000)	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
Net receivables at the start of the period	6 077	8 307	7 280	5 014	5 014
Grants received	-5 028	-6 266	-7 558	-9 621	-9 621
Released to the statement of profit and loss	517	3 685	1 844	10 333	11 886
Net receivables at the close of the period	1 566	5 727	1 566	5 727	7 280

9 Intangible assets

(in NOK 000)	Q3 2022	Q3 2021	YTD 2022	YTD 2021	FY 2021
At the start of the period	28 492	38 511	33 377	43 646	43 646
Amortisation	-1 819	-2 567	-6 703	-7 701	-10 269
At the close of the period	26 673	35 944	26 673	35 944	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)	Q3 2022	Q3 2021	FY 2021
Trade payables	4 539	2 947	4 518
Other payables	5 853	7 494	6 490
Accrued employer's NICs on share option plan	3 852	4 218	8 898
At the close of the period	14 244	14 660	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 September 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

