



poLight ASA Quarterly Report



2022

KEY EVENTS IN THE QUARTER

- Another busy quarter for poLight.
- Teledyne e2v launched “2MP Multi-Focus MIPI Module”.
- High level of smartphone-related activities led to a design-win and first mass production purchase order after the close of Q4.
- AR cases continued to mature. Magic Leap 2¹, Vuzix, Xvisio and LLVision all use TLens[®] for their latest AR enterprise glasses.
- Magic Leap 2 launch date was end of September 2022, and poLight have received purchase orders worth approximately NOK 2.1 million at the end of February 2023.
- Vuzix AR glasses are available for developers, with the main release expected in mid-2023.
- Xvisio and LLVision AR glasses is expected to be launched around mid 2023.
- Sharp demonstrated a new camera module using TLens[®], as well as a use case in a VR headset, at CES in Las Vegas.

Dr Øyvind Isaksen, CEO of poLight ASA:

“Once again, we had a busy quarter supporting an increasing number of customer cases and, not least, preparing for a smartphone project. We have been working hard over many years to qualify for our first smartphone project. Although we have been close to a market breakthrough several times, last-minute changes in our customers product release strategy have delayed our entrance into the smartphone market. This can obviously still happen, but a firm purchase order and the fact that we already have started shipping material for mass production use must be seen as strong positive signal. Our dialogue with customers is encouraging, and they have expressed a strong motivation and interest in continuing to work with poLight.

A poLight team was present at CES 2023 in Las Vegas, where we met several existing and potential new customers in several market segments. During our stay, we were able to see and experience products using our unique product, such as Magic Leap, Vuzix and Xvisio’s latest AR glasses, as well as Sharp’s new camera module.

So, overall, we have experienced some hectic weeks and months, with a lot of encouraging progress. However, there are still challenges we need to overcome. The organisation is showing an impressive dedication and willingness to tackle what need to be done and deserves a big vote of thanks! We are looking forward to the rest of 2023!”

Key figures

(in NOK million)	Q4 2022	Q4 2021	FY 2022	FY 2021
Revenue	4.1	3.9	13.4	10.0
Gross profit	2.8	2.6	8.5	6.2
EBITDA	-15.0	-5.7	-58.7	-42.4
EBITDA ex share options	-13.7	0.6	-58.9	-31.2
Net cash flows used in operating activities	-15.2	-16.6	-63.6	-49.5
Net cash flows from/(used in) financing activities	-0.3	11.6	-0.7	132.3
Net increase/decrease in cash and cash equivalents	-19.9	-6.2	-73.5	80.6

¹ <https://www.yolegroup.com/technology-insights/the-polight-tlens-piezoelectric-mems-autofocus-module-is-in-the-magic-leap-2/>

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, 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 higher production volumes over time will be needed to achieve our targeted yield numbers. In that respect started delivering to smartphone project is a very good opportunity to improve the manufacturing process and yield. The prospect of achieving an acceptable yield has been confirmed by the production carried out over the past few quarters.

ST is currently manufacturing a significant backlog of wafers ordered by poLight, which is scheduled to be cleared in the first half of 2023. Important changes to the wafers, improving the optical performance of the TLens[®], is now phased in.

Lead-time and capacity constraints in the industry remain challenging. This has required poLight to make material and capacity commitments well in advance of customer orders, leading to the build-up of wafer inventory.

Product development/technology

Important improvement projects relating to the performance and reliability of existing products (TLens[®]) continued during the quarter. Some aspects will be implemented in the short term, while others have a longer-term horizon. With regard to new products/functionality, main focus has been on TWedge[®], a potential new product that enables wobulation, a method for improving resolution in AR projection display solutions. In mid-2023 technical samples will be available. Customer interactions so far indicate that this may become a very important product. poLight seeks to establish early customer engagement in the development of this new product.

Markets

Customer-related activities continued at a good level in the fourth quarter. poLight is actively engaged in several market areas. This includes consumer market, such as for smartphones, augmented reality devices and accessories, as well as a broad range of professional applications, such as barcode readers, medical devices and augmented reality glasses. Recent developments in the automotive market indicate a future need for autofocus solutions, and TLens[®] has been mentioned as a potential candidate. This market is demanding, and it will take a long time to qualify for such applications. Nevertheless, it is worthwhile exploring since the volume potential is significant.

Interest in our solutions remains high and the company continues to make progress on several projects with potential customers. In sum, TLens[®] technology is increasingly being recognised by potential customers in a wide range of market areas. 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. 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.

poLight has been exploring the smartphone market for many years and been close to a market breakthrough several times. However, last-minute changes in customer product release strategy have delayed poLight's entrance into the smartphone market. After the close of the fourth quarter, the company announced a design-win and mass production purchase order for a flagship phone to be announced during the first half year 2023. The volume is expected to be low, as it is a flagship phone. Customer interaction is encouraging, and they have expressed a strong motivation and interest in continuing to work with poLight.

At present, poLight has achieved four design-wins and is involved in six ongoing PoC projects relating to the consumer market. Two 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.

The company is currently included in one product already released to market – Magic Leap 2. In addition, six design-ins have been confirmed (two of which are for consumer applications) while four PoCs (two of which are for consumer applications) are ongoing. Good progress was achieved in most cases during the quarter. Vuzix, XVisio and LLVision are three of the design-ins mentioned above. They are expected to be launched onto the market around mid 2023. In addition, one more is expected to be launched onto the market towards end of the year.

To date, the use case for TLens® has mainly related to world-facing cameras. However, the company is also involved in various AR display applications based on both TLens® and TWedge®.

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/business market, so initial volumes will be low. Over time, however, AR devices are expected to address the consumer market, prompting a significant increase in demand 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 slowly growing. It will 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 five design-wins and has fifteen ongoing PoCs (13 of which are for barcode/machine vision applications). The Teledyne e2v product, "2MP Multi-Focus MIPI Module", is the latest design-win.

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 sector could potentially become an important market for poLight.

At the end of the quarter, the company was engaged in one design-win (Kavli, research), one design-in, and 15 ongoing PoCs.

The design-in relates to the announcements made on 20 August and 21 September 2021 regarding a disposable laparoscope being developed by Xenacor (<https://xenacor.com>). Development is now at an advanced stage. Human trials are expected to be carried out in the second quarter, with expected market release in mid-2023.

The Kavli design-win has generated a lot of activity, and similar research cases account for several 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 to business enterprises wishing to explore the use of TLens® in commercial products.

FINANCIAL REVIEW

Profit and loss

(in NOK million)	Q4 2022	Q4 2021	FY 2022	FY 2021
Revenue	4.1	3.9	13.4	10.0
Cost of sales	-1.3	-1.3	-4.8	-3.9
Research and development expenses ²	-6.1	-6.6	-32.9	-25.4
Sales and marketing expenses	-3.7	-3.3	-13.1	-7.2
Operational / supply chain expenses	-2.9	-2.7	-9.2	-9.1
Administrative expenses	-5.0	4.3	-12.1	-6.9
EBITDA	-15.0	-5.7	-58.7	-42.4
Share option plan expense	1.3	1.6	4.8	4.4
Accrued employer's NICs re. share option plan	0.1	4.7	-5.0	6.9
EBITDA ex share options	-13.7	0.6	-58.9	-31.2
Depreciation and amortisation	-2.4	-2.9	-10.4	-11.9
EBIT ex share options	-16.1	-2.3	-69.3	-43.1

Revenue totalled NOK 4.1 million in Q4 2022 (NOK 3.9 million in Q4 2021). This reflects NOK 3.5 million in revenue from deliveries of TLens® and ASICs for commercial use and customer development projects, and NOK 0.6 million in revenue from non-recurring engineering (NRE) relating to customer development projects.

The poLight organisation have been strengthened with the addition of 5 new employees in the last year, which increases its capacity to undertake activities within R&D, sales and marketing and supply chain management. R&D expenditure, net of government grants, amounted to NOK 6.1 million, compared with NOK 6.6 million in Q4 2021. The monetary effect of increased use of internal resources on R&D projects, such as customer development projects, was offset by an approved tax grant ("SkatteFUNN"), with effect from 1 January 2022, related to development of the next generation TLens® for a wide range of applications. A total of NOK 3.0 million (NOK 1.6 million) was recognised as an R&D cost reduction in the quarter (see Note 9 for further details).

Sales and marketing expenses came to NOK 3.7 million in Q4 2022 (NOK 3.3 million), mainly due to increased sales activities. Operational/supply chain expenses totalled NOK 2.9 million (NOK 2.7 million), also due to increased internal resource usage relating to yield-improvement and improved final test setup.

Administrative expenses totalled NOK 5.0 million in the quarter. In Q4 2021, administrative expenses were negative by NOK 4.3 million. This was due to the positive outcome of the VAT appeal, which resulted in approximately NOK 12 million being recognised as a cost reduction.

EBITDA totalled NOK -15.0 million in Q4 2022 (NOK -5.7 million). The main explanation for the difference in EBITDA is the positive outcome of the VAT appeal in Q4-2021.

Share option plan expenses amounted to NOK 1.3 million in Q4 2022 (NOK 1.6 million), while accrued employer's national insurance contributions (NICs) amounted to NOK 0.1 million (NOK 4.7 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's NICs in Q4 2022 was mainly attributable to the decrease in poLight's share price in the period, offset by an increase in NICs of 5 percentage points on annual salaries exceeding NOK 750,000.

² R&D expenses, net of government grants (see details of grants in Note 8)

Depreciation and amortisation, which primarily related to non-current intangible assets, totalled NOK 2.4 million in the quarter (NOK 2.9 million).

Balance sheet

(in NOK million)

	FY 2022	FY 2021
Property, plant and equipment	10.7	2.4
Intangible assets	24.9	33.4
Right-of-use assets	3.9	4.8
Inventories	45.6	16.8
Receivables and prepayments	8.9	23.5
Cash and cash equivalents	84.2	157.8
Total assets	178.2	238.7
Total equity	150.7	213.4
Total current liabilities	24.6	21.3
Total non-current liabilities	3.0	3.9
Total equity and liabilities	178.2	238.7

As at 31 December 2022, total assets came to NOK 178.2 million, compared with NOK 238.7 million as at 31 December 2021.

At the reporting date, intangible assets totalled NOK 24.9 million, compared with NOK 33.4 million as at 31 December 2021, mainly due to amortisation during the year.

During the year, inventories increased by NOK 28.8 million to NOK 45.6 million at the close of Q4 2022 (NOK 16.8 at the close of Q4 2021). The increase in inventories mainly relates to wafers from ST Microelectronics and a higher number of finished assembled units. The inventory build-up of components with long lead-times (e.g. wafers) will improve readiness for potential volume customers.

The increase in *Property, plant and equipment* as at 31 December 2022 is primarily due to investments of NOK 5.5 million in additional final test equipment in both Taiwan and the Philippines. The equipment includes sorting features with respect to various performance parameters.

As at 31 December 2022, poLight had cash and cash equivalents totalling NOK 84.2 million, compared with NOK 157.8 million as at 31 December 2021.

Total current liabilities amounted to NOK 24.6 million as at 31 December 2022, compared with NOK 21.3 million as at 31 December 2021.

Cash flow

(in NOK million)

	Q4 2022	Q4 2021	FY 2022	FY 2021
Net cash flow used in operating activities	-15.2	-16.6	-63.6	-49.5
Net cash flow used in investing activities	-4.4	-1.2	-9.2	-2.1
Net cash flow from/(used in) financing activities	-0.3	11.6	-0.7	132.3
Net increase/decrease in cash and cash equivalents	-19.9	-6.2	-73.5	80.6

The net cash outflow from operating activities totalled NOK 15.2 million in Q4 2022, compared with NOK 16.6 million in Q4 2021.

The net cash outflow from investing activities in Q4 2022 totalled NOK 4.4 million (primarily final test equipment), compared with a net cash outflow of NOK 1.2 million in Q4 2021. The net cash outflow from financing activities in Q4 2022 totalled NOK 0.3 million, compared with a net cash injection of NOK 11.6 million in Q4 2021. In Q4 2021, NOK 12.8 million was raised in a Subsequent Share Issue.

The net decrease in cash and cash equivalents came to NOK 19.9 million for the quarter, compared with NOK 6.2 million in the same period in 2021. This may, in part, be attributed to the NOK 12.8 million in net proceeds raised from a Subsequent Share Issue in Q4 2021.

RISK FACTORS

The risk factors associated with the Covid-19 pandemic relate to the supply chain. Difficulties in moving employees/competence between Europe and Asia have been reduced after the lifting of many travel restrictions. However, the implications of earlier Covid restrictions have significantly reduced spending and impacted various OEMs' sales volumes and consequently reduced demand from suppliers.

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 has been moved to the Philippines, and only the final test is carried out in Taiwan. A similar capability is being established in the Philippines, which will reduce the risk further.

Since poLight does not have any operations, customers or direct suppliers in Russia or Ukraine, the war in Ukraine has, to date, 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 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 the 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.

The company has been, and is still, using substantial resources to position itself for the smartphone market and recently announced a design-win and first mass production purchase order. This is an important milestone for the company. Smartphones undoubtedly represent the most important volume market. The announced project relates to a flagship smartphone, and will hence be a low volume case. Nevertheless, it will represent a key reference for the company in all market segments. The customer behind the announced design-win is expressing interest in using TLens[®] also for future products.

AR opportunities are developing positively, and it has now been confirmed through a tear down analysis published by Yole³ that poLight is being used in the Magic Leap 2. At CES 2023, two other products using TLens[®] were demonstrated, namely AR enterprise glasses from Vuzix and XVisio, as well as a prototype VR display from Sharp. These cases form an excellent platform for further strengthening poLight's position in this market segment.

According to current plans, the Group's cash deposits will fund activities through the second quarter 2023. Thereafter, additional capital will be required to continue poLight's planned commercialisation of its TLens[®] technology. The company has planned accordingly.

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.

³ <https://www.yolegroup.com/technology-insights/the-polight-tlens-piezoelectric-mems-autofocus-module-is-in-the-magic-leap-2/>

CONDENSED INTERIM FINANCIAL STATEMENTS

Interim condensed consolidated statement of income

NOK 000	Note	Q4 2022	Q4 2021	FY 2022	FY 2021
Sale of goods		3 536	3 906	10 034	8 683
Rendering of services		557	0	3 328	1 350
Revenue		4 093	3 906	13 363	10 032
Cost of sales		-1 309	-1 311	-4 826	-3 851
Gross profit		2 784	2 595	8 536	6 182
Research and development expenses net of governmental grants	6,9	-6 129	-6 552	-32 909	-25 360
Sales and marketing expenses		-3 750	-3 291	-13 122	-7 224
Operational / supply chain expenses		-2 907	-2 742	-9 179	-9 139
Administrative expenses		-5 046	4 311	-12 068	-6 868
Operating result before depreciation and amortisation (EBITDA)		-15 048	-5 679	-58 742	-42 409
Depreciation and amortisation	8	-2 387	-2 949	-10 400	-11 923
Operating result (EBIT)		-17 435	-8 629	-69 141	-54 332
Net financial items	6	831	760	1 496	944
Loss before tax		-16 604	-7 869	-67 646	-53 388
Income tax expense		-189	13	-242	-93
Loss for the period		-16 791	-7 856	-67 887	-53 481
Attributable to:					
Equity holders of the parent		-16 791	-7 856	-67 887	-53 481
Earnings per share:					
Basic, attributable to ordinary equity holders of the parent (NOK)		-0.32	-0.15	-1.31	-1.13
Diluted, attributable to ordinary equity holders of the parent (NOK)		-0.32	-0.15	-1.31	-1.13

Interim consolidated statement of other comprehensive income

NOK 000	Note	Q4 2022	Q4 2021	FY 2022	FY 2021
Loss for the period		-16 791	-7 856	-67 887	-53 481
Other comprehensive income					
Exchange differences on translation of foreign operations		-6	-1	95	-5
Income tax effect		0	0	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		-6	-1	95	-5
Total comprehensive income for the period, net of tax		-16 797	-7 858	-67 792	-53 486
Attributable to:					
Equity holders of the parent		-16 797	-7 858	-67 792	-53 486

Interim consolidated statement of financial position

NOK 000	Note	FY 2022	FY 2021
ASSETS			
Property, plant and equipment		10 748	2 356
Intangible assets	8	24 855	33 377
Right-of-use assets		3 871	4 778
Total non-current assets		39 474	40 511
Inventories		45 577	16 836
Trade and other receivables	9	8 386	22 078
Prepayments		557	1 456
Cash and cash equivalents		84 249	157 810
Total current assets		138 769	198 180
Total assets		178 242	238 691
EQUITY AND LIABILITIES			
Share capital		2 078	2 077
Share premium		145 785	209 320
Reserves		1 130	1 035
Retained earnings		1 699	977
Total equity		150 692	213 409
Lease liabilities		2 970	3 934
Total non-current liabilities		2 970	3 934
Trade and other payables	10	22 480	19 906
Current lease liabilities		1 100	942
Provisions		1 000	500
Total current liabilities		24 581	21 349
Total liabilities		27 550	25 282
Total equity and liabilities		178 242	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				-53 481		-53 481
Other comprehensive income					-5	-5
Total comprehensive income		0	0	-53 481	-5	-53 486
Issue of ordinary shares		251	137 553			137 803
Share options exercised		17	3 380			3 397
Transaction costs			-7 530			-7 530
Equity-settled share-based payment				4 385		4 385
Allocation to retained earnings			-49 836	49 836		0
As at 31 December 2021		2 077	209 320	977	1 035	213 409
As at 1 January 2022		2 077	209 320	977	1 035	213 409
Loss for the period				-67 887		-67 887
Other comprehensive income					95	95
Total comprehensive income		0	0	-67 887	95	-67 792
Share options exercised		1	253			254
Equity-settled share-based payment				4 821		4 821
Allocation to retained earnings			-63 788	63 788		0
As at 31 December 2022		2 078	145 785	1 699	1 130	150 692

Interim consolidated statement of cash flows

NOK 000	Note	Q4 2022	Q4 2021	FY 2022	FY 2021
Operating activities					
Profit / loss (-) for the period		-16 604	-7 869	-67 646	-53 388
Adjustments for:					
Depreciation of property, plant and equipment and right-of-use assets		568	382	1 878	1 654
Amortisation of intangible assets	9	1 819	2 567	8 522	10 269
Net finance income		-831	-760	-1 496	-944
Equity-settled share-based payments		1 267	1 600	4 821	4 385
Other non-cash items		1	588	-430	937
Changes in unrealised net foreign exchange rate differences/fluctuations		216	16	143	21
Changes in working capital:					
Decrease (+) in trade and other receivables and prepayments		1 541	-11 965	11 925	-11 332
Increase (-) in inventories		-9 551	-4 587	-28 741	-7 669
Increase (+) in trade and other payables	10	8 237	5 246	2 574	9 223
Changes in provisions and government grants		-2 547	-2 242	3 166	-2 954
Interest received	6	911	558	2 255	585
Interest paid	6	-77	-93	-330	-203
Income tax paid		-189	-23	-242	-129
Net cash flows used in operating activities		-15 239	-16 582	-63 601	-49 546
Investing activities					
Purchase of property, plant and equipment		-4 438	-1 242	-9 202	-2 142
Net cash flows used in investing activities		-4 438	-1 242	-9 202	-2 142
Financing activities					
Proceeds from issuance of ordinary shares		0	12 804	0	137 803
Proceeds from exercise of share options		0	193	254	3 397
Transaction costs on issue of shares		0	-1 093	0	-7 530
Payment of lease liabilities		-264	-318	-964	-1 355
Net cash flows from/(used in) financing activities		-264	11 586	-710	132 315
Net increase in cash and cash equivalents		-19 942	-6 238	-73 513	80 627
Effect of exchange rate changes on cash and cash equivalents		-222	-18	-49	-26
Cash and cash equivalents at the start of the period		104 413	164 066	157 810	77 209
Cash and cash equivalents at the close of the period		84 249	157 810	84 249	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 31 December 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, inventory obsolescence 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>	Q4 2022	Q4 2021	FY 2022	FY 2021
Employee benefits expense ¹⁾	14 168	17 212	45 614	46 866
Depreciation and amortisation	2 387	2 949	10 400	11 923
Other operating expenses	3 662	-8 938	21 663	1 726
Total operating expenses	20 217	11 224	77 676	60 514

1) Including consultants engaged on long-term contracts

6 Research and development expenses

(in NOK 000)	Q4 2022	Q4 2021	FY 2022	FY 2021
Employee ²⁾ benefits expenses	6 595	5 506	22 878	19 500
Other operating expenses	2 582	2 599	14 923	17 747
Government grants	-3 047	-1 553	-4 892	-11 886
Total	6 129	6 552	32 908	25 60

2) Including consultants engaged on long-term contracts

7 Financial items

(in NOK 000)	Q4 2022	Q4 2021	FY 2022	FY 2021
Net foreign exchange gain (loss)	270	-151	-385	-134
Interest income	667	1 035	2 249	1 365
Interest expense on debts and borrowings	0	0	-2	-1
Interest expense on lease liabilities	-77	-93	-330	-203
Financial expenses	-28	-31	-37	-83
Net financial items	831	760	1 495	944

8 Intangible assets

(in NOK 000)	Q4 2022	Q4 2021	FY 2022	FY 2021
At the start of the period	26 673	35 944	33 377	43 646
Amortisation	-1 724	-2 567	-8 428	-10 269
Impairment losses	-94	0	-94	0
At the close of the period	24 855	33 377	24 855	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.

9 Government grants

(in NOK 000)	Q4 2022	Q4 2021	FY 2022	FY 2021
Net receivables at the start of the period	1 566	5 727	7 280	5 014
Grants received	0	0	-7 558	-9 621
Released to the statement of profit and loss	3 047	1 553	4 892	11 886
Net receivables at the close of the period	4 614	7 280	4 614	7 280

10 Trade and other payables

(in NOK 000)	FY 2022	FY 2021
Trade payables	10 612	4 518
Other payables	7 923	6 490
Accrued employer's NICs on share option plan	3 945	8 898
At the close of the period	22 480	19 906

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 31 December 2022, the largest shareholder was Investinor Direkte AS, which owned 17.13 per cent of the company's 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 during 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

