



poLight ASA Quarterly Report



Q3

2023

KEY EVENTS IN THE QUARTER

- Order for Mini2P application from company planning to sell Mini2P solution to research institutes.
- Follow-on order for a Machine Vision/code scanner customer from China.

Dr Øyvind Isaksen, CEO of poLight ASA:

“Providing support for multiple customer proof of concept (PoC) projects in various segments and carrying out a variety of improvement projects kept the pressure on the organisation during the third quarter, although the period was relatively sluggish from an order intake and revenue perspective.

The consumer market remains challenging and is focused on cost reduction rather than implementing new, innovative and more expensive technology. This is currently impacting our ability to achieve new smartphone design-wins. Nevertheless, we continue to be persistent and push the TLens® message. We hope that consumer sentiment will change once the overall economy starts improving.

Augmented reality (AR) customer cases continue to develop positively, although a few design-in cases are experiencing some delays. Two design-wins related to AR enterprise glasses have been secured and are currently in mass production. The customer pipeline in this segment continues to grow, and we are involved in both enterprise and consumer cases.

As for new market segments, we continue address both automotive and healthcare. There seems to be a clear need for autofocus technology in the automotive market for a variety of use cases. However, there are still many questions to be answered, both with respect to market need and technology fit. A long development and qualification cycle is to be expected, so potential revenue from this market segment is many years ahead of us. Healthcare-related cases are more mature, and the cooperation we have developed with Kavli Institute at the Norwegian University of Science and Technology (NTNU), and the contribution we have made to the development of the Mini2P microscope¹ has led to several similar engagements. Lately, for example, we have begun collaborating with commercial players supplying products to the various research laboratories around the world. In addition to this, we are engaged in several commercial endoscope cases.

Step by step, poLight is moving in the right direction, even under difficult market circumstances – particularly in the consumer market. Nevertheless, business prospects in important future markets are maturing and we continue working hard to overcome the market and operational challenges that still lie ahead!”

Key figures

(in NOK million)	Q3 2023	Q3 2022	YTD 2023	YTD 2022	FY 2022
Revenue	3.1	5.3	17.4	9.3	13.4
Gross profit	2.6	3.2	9.2	5.8	8.5
EBITDA	-20.5	-11.3	-52.5	-43.7	-58.7
EBITDA ex share options	-16.6	-11.0	-49.5	-45.2	-58.9
Net cash flows used in operating activities	-20.3	-19.6	-76.9	-48.4	-63.6
Net increase/decrease in cash and cash equivalents	-20.3	-20.1	48.3	-53.6	-73.5

¹ An open-source miniature 2-photon microscope brain explorer for fast high-resolution calcium imaging in freely-moving mice

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.

Assembly and testing activity was relatively low during the quarter and mainly related to healthcare, AR/MR and industrial cases at various stages. In addition to yield improvement work, the quarter was used to relocate final test activity to the factory in the Philippines. All assembly and testing is now conducted in the Philippines instead of being split between Taiwan and the Philippines. This will both streamline logistics and reduce costs.

During the quarter ST continued to deliver wafers based on the purchase order placed Q2-2021, and deliveries was completed mid-October.

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, the main focus has been on TWedge®, a potential new product that enables wobulation, a method for improving resolution in AR projection display solutions. Technical samples of this product were delivered to selected customers during the third quarter.

Markets

poLight is actively engaged in several market areas. This includes consumer applications, such as smartphones, augmented reality devices and accessories, as well as a broad range of professional applications, such as barcode readers, medical devices and augmented/mixed 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 poLight's 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 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, laptops, smart home devices, wearables, etc., are also being explored.

Demonstration of the Meizu 20 Infinity, using TLens® in the selfie camera, continued during the quarter. From a performance perspective, the feedback has been positive, but the cost difference between a TLens®-based AF camera and a non-AF or VCM-based AF solution is dampening interest in the current market climate. The cost difference is mainly due to less mature assembly processes, for the add-in designs, at the camera module partners.

In the consumer market, poLight has so far achieved four design-wins, is involved in three ongoing PoC projects and nine PoCs that are in the planning stage. In addition to the above, the company has achieved one design-in and eight ongoing PoCs related to consumer AR/MR-related products, including those relevant for TWedge®.

Augmented/Mixed Reality (AR/MR)

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

The AR market segment continued to develop positively for poLight during the quarter. TLens® is used/planned for use in both world-facing cameras and displays. The company is currently included in two AR enterprise products already on the market. These are the Magic Leap 2 and the latest product from LLVision. In addition, five design-ins have been confirmed (one for consumer application, two VR related). Of which 2 may be launched/announced end of 2023, - but risk for further delays. One case confirmed delayed. The consumer related case is progressing very well – promising high-volume case. Eleven PoCs are ongoing (eight of which are for consumer applications), while 14 PoCs are in the planning stage. Three of the design-ins were planned to be launched during the second half of 2023, but the latest information indicates that there may be some delays.

The AR/MR market is entering a very important phase and poLight expects to see several companies releasing new 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/MR 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/MR segment is expected to be an important market for the company.

Barcode/Machine Vision

It will take time to develop this market and will require entry into some broader application areas. Currently, five companies use TLens® in commercially available products (design-wins). All five cases are still shipping to customers and are expected to do so for several more years. During the quarter, it was announced that Superlead, a Chinese customer, had placed a follow-on order worth NOK 1.15 million. At the same time, it was confirmed that Superlead now uses TLens® in four products. Other existing customers are also considering expanding their use of TLens®.

In addition to the five design-wins, the company is involved in 12 ongoing PoCs, nine of which are for barcode/machine vision applications.

Healthcare

The company is continuing to support selected opportunities in the healthcare market segment. The cooperation poLight has developed with Kavli Institute at the Norwegian University of Science and Technology (NTNU), and the contribution the company has made to the development of the Mini2P microscope² has led to several similar engagements. Lately, for example, the company has also begun collaborating with commercial players supplying products to the various research laboratories around the world. For further details, see the press release dated 25 September 2023. In addition to this, poLight is engaged in several commercial endoscope cases. The healthcare market will take time to develop but may represent an attractive market segment in the longer term.

At the end of the quarter, the company was engaged in one design-win (Kavli, Mini2P), two design-ins (a laparoscope from Xenacor and a miniature two-photon microscope being developed by another company for commercial sale), and 17 ongoing PoCs, of which 10 relate to Mini2P. Xenacor seems to be experiencing some unexpected delays in the market launch.

Automotive

During the quarter, the company has been engaged in three PoCs, while five others are in the planning stage. Going forward, this market segment is expected to have a need for autofocus technology and TLens® is one of the solutions being explored. The market is significant in size but is challenging and will take many years to develop.

² An open-source miniature 2-photon microscope brain explorer for fast high-resolution calcium imaging in freely-moving mice

FINANCIAL REVIEW

Profit and loss

(in NOK million)	Q3 2023	Q3 2022	YTD 2023	YTD 2022	FY 2022
Revenue	3.1	5.3	17.4	9.3	13.4
Cost of sales	-0.5	-2.1	-8.2	-3.5	-4.8
Gross profit	2.6	3.2	9.2	5.8	8.5
Research and development expenses ¹⁾	-8.0	-7.2	-24.3	-26.8	-32.9
Sales and marketing expenses	-4.0	-2.6	-11.8	-9.4	-13.1
Operational / supply chain expenses	-4.9	-1.9	-11.8	-6.3	-9.2
Administrative expenses	-6.1	-2.8	-13.8	-7.0	-12.1
EBITDA	-20.5	-11.3	-52.5	-43.7	-58.7
Share option plan expense	3.2	1.0	5.2	3.6	4.8
Accrued employer's NICs re. share option plan	0.7	-0.7	-2.2	-5.0	-5.0
EBITDA ex share options	-16.6	-11.0	-49.5	-45.2	-58.9
Depreciation and amortisation and net impairment losses	-2.6	-2.3	-7.2	-8.0	-10.4
EBIT ex share options	-19.2	-13.3	-56.7	-53.2	-69.3

1) R&D expenses, net of government grants (see details of grants in Note 9)

Revenue totalled NOK 3.1 million in Q3 2023 (NOK 5.3 million in Q3 2022), which reflects deliveries of TLens® and ASICs for commercial use and customer development projects mainly related to healthcare, AR/MR and industrial cases at various stages.

R&D expenditure, net of government grants, amounted to NOK 8.0 million, compared with NOK 7.2 million in Q3 2022.

Sales and marketing expenses came to NOK 4.0 million in Q3 2023 (NOK 2.6 million). Operational/supply chain expenses totalled NOK 4.9 million (NOK 1.9 million), due to increased internal resource usage relating to yield improvement and development of a wafer database.

Administrative expenses totalled NOK 6.1 million in the quarter, compared with NOK 2.8 million in Q3 2022. During the quarter, two amendments to the share option plan were approved. The first authorised the issue of new share options, while the second extended the deadline for exercise of the share options that originally expired in October 2023. The new amendments and employer's national insurance contributions (NICs) on share options (see below for further details), contributed to the increased expenses compared with Q3 2022.

EBITDA totalled NOK -20.5 million in Q3 2023 (NOK -11.3 million). Share option plan expense and an increased number of employees and consultants are the main drivers for the increased expenditure.

Share option plan expenses amounted to NOK 3.2 million in Q3 2023 (NOK 1.0 million), while NOK 0.7 million in accrued employer's national insurance contributions (NICs) was recognised in the quarter (NOK 0.7 million in reversed accruals in Q3 2022). The company pays employer's NICs on the difference between the share's market value and the option's strike price on the date of exercise. The decrease in accrued employer's NICs 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 2.6 million in the quarter (NOK 2.3 million).

Balance sheet

(in NOK million)

	Q3 2023	Q3 2022	FY 2022
Property, plant and equipment	9.8	6.6	10.7
Intangible assets	19.4	26.7	24.9
Right-of-use assets	3.1	4.0	3.9
Inventories	69.6	36.0	45.6
Receivables and prepayments	7.7	7.4	8.9
Cash and cash equivalents	132.8	104.4	84.2
Total assets	242.4	185.1	178.2
Total equity	224.3	166.2	150.7
Total current liabilities	16.0	15.7	24.6
Total non-current liabilities	2.1	3.2	3.0
Total equity and liabilities	242.4	185.1	178.2

As at 30 September 2023, total assets came to NOK 242.4 million, compared with NOK 185.1 million as at 30 September 2022 and NOK 178.2 million as at 31 December 2022.

Property, plant and equipment totalled NOK 9.8 million as at 30 September 2023, compared with NOK 6.6 million as at 30 September 2022 and NOK 10.7 million as at 31 December 2022. In the second half of 2022, investments were made in additional final test equipment in both Taiwan and the Philippines. The equipment includes sorting features with respect to various performance parameters.

At the reporting date, intangible assets totalled NOK 19.4 million, compared with NOK 26.7 million as at 30 September 2022, reflecting amortisation during the year, and NOK 24.9 as at 31 December 2022.

Inventories increased by NOK 24.1 million in the year to date, to stand at NOK 69.6 million at the close of the third quarter (NOK 36.0 million at 30 September 2022 and NOK 45.6 million at 31 December 2022). The increase in inventories mainly relates to wafers from ST Microelectronics.

As at 30 September 2023, poLight had cash and cash equivalents totalling NOK 132.8 million, compared with NOK 104.4 million as at 30 September 2022 and NOK 84.2 million as at 31 December 2022. The rights issue in the second quarter generated NOK 125.8 million in net proceeds.

Total current liabilities amounted to NOK 16.0 million as at 30 September 2023, compared with NOK 15.7 million as at 30 September 2022 and NOK 24.6 million as at 31 December 2022.

Cash flow

(in NOK million)

	Q3 2023	Q3 2022	YTD 2023	YTD 2022	FY 2022
Net cash flow used in operating activities	-20.3	-19.6	-76.9	-48.4	-63.6
Net cash flow used in investing activities	0.0	-0.3	-0.1	-4.8	-9.2
Net cash flow from/(used in) financing activities	0.0	-0.2	125.3	-0.4	-0.7
Net increase/decrease in cash and cash equivalents	-20.3	-20.1	48.3	-53.6	-73.5

The net cash outflow from operating activities totalled NOK 20.3 million in Q3 2023, compared with NOK 19.6 million in Q3 2022. Working capital increased by NOK 4.5 million in the quarter, of which NOK 3.4 million relates to the increased inventory.

The net decrease in cash and cash equivalents totalled NOK 20.3 million for the quarter, compared with a net decrease of NOK 20.1 million in the same period in 2022.

RISK FACTORS

The risk related to current tensions between China and Taiwan mentioned in earlier quarterly reports has been resolved because of moving all assembly and test activity from Taiwan to the Philippines.

poLight does not have any operations, customers or direct suppliers in Russia or Ukraine. The war in Ukraine has therefore 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 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 is an appropriate assumption.

OUTLOOK

The consumer market is currently challenging and there are no signs of improvement in the short term. Nevertheless, poLight will continue to address this market by actively capitalising on its first important smartphone reference. Further key actions will be to mature and cost optimise TLens®-based camera module solutions, addressing both component and system level aspects, continuously enhance important performance parameters, actively develop the capability and relationships with existing and new camera module partners with respect to add-in designs, and address higher value applications such as back-facing cameras. It is important to emphasise that all the activities listed above will have direct relevance for other application areas, such as augmented/mixed reality.

AR/MR will be a key market for poLight going forward. So far, there seems to be a good match between market need and the properties of the TLens®, and potentially also the TWedge® at a later stage. Volumes for AR/MR cases are still low, since the majority of the applications relate to the enterprise market. poLight aims to establish a strong position at an early stage and grow its business within this area as consumer cases start to be deployed. However, this is expected to still be some years ahead of us.

Looking forward, another potential high-volume market is the automotive sector. poLight is currently engaging with key players in this market to better understand the possibilities and challenges involved. It has not yet been decided whether this is a market poLight will actively address, but it is being investigated and a business case will be developed. The same applies to the healthcare market, with cases within the field of endoscopy increasing in number.

Going forward, poLight plans to continue strengthening its organisation to enable it to address all the above-mentioned opportunities and challenges in a professional and robust manner.

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*” above and in poLight’s Annual Report for 2022, 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 2023	Q3 2022	YTD 2023	YTD 2022	FY 2022
Sale of goods		2 947	3 092	17 059	6 498	10 034
Rendering of services		103	2 181	305	2 771	3 328
Revenue		3 051	5 272	17 364	9 270	13 363
Cost of sales		-469	-2 086	-8 164	-3 517	-4 826
Gross profit		2 581	3 186	9 200	5 753	8 536
Research and development expenses net of governmental grants	6,9	-7 995	-7 175	-24 255	-26 780	-32 907
Sales and marketing expenses		-4 029	-2 633	-11 841	-9 373	-13 122
Operational / supply chain expenses		-4 886	-1 942	-11 836	-6 272	-9 179
Administrative expenses		-6 147	-2 759	-13 789	-7 023	-12 068
Operating result before depreciation and amortisation (EBITDA)		-20 475	-11 322	-52 521	-43 694	-58 740
Depreciation and amortisation and net impairment losses	8	-2 616	-2 271	-7 165	-8 013	-10 400
Operating result (EBIT)		-23 092	-13 594	-59 686	-51 706	-69 140
Net financial items	7	1 626	704	1 874	664	1 496
Loss before tax		-21 466	-12 890	-57 812	-51 042	-67 644
Income tax expense		-81	-49	-110	-53	-242
Loss for the period		-21 547	-12 939	-57 922	-51 095	-67 886
Attributable to:						
Equity holders of the parent		-21 547	-12 939	-57 922	-51 095	-67 886
Earnings per share:						
Basic, attributable to ordinary equity holders of the parent (NOK)		-0.33	-0.25	-0.95	-0.98	-1.31
Diluted, attributable to ordinary equity holders of the parent (NOK)		-0.33	-0.25	-0.95	-0.98	-1.31

Interim consolidated statement of other comprehensive income

NOK 000	Note	Q3 2023	Q3 2022	YTD 2023	YTD 2022	FY 2022
Loss for the period		-21 547	-12 939	-57 922	-51 095	-67 886
Other comprehensive income						
Exchange differences on translation of foreign operations		-183	38	239	101	95
Income tax effect		0	0	0	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		-183	38	239	101	95
Total comprehensive income for the period, net of tax		-21 730	-12 901	-57 683	-50 994	-67 791
Attributable to:						
Equity holders of the parent		-21 730	-12 901	-57 683	-50 994	-67 791

Interim consolidated statement of financial position

NOK 000	Note	Q3 2023	Q3 2022	FY 2022
ASSETS				
Property, plant and equipment		9 848	6 612	10 748
Intangible assets	8	19 399	26 674	24 855
Right-of-use assets		3 055	3 982	3 871
Total non-current assets		32 302	37 268	39 474
Inventories		69 632	36 025	45 577
Trade and other receivables	9	7 298	4 071	8 386
Prepayments		419	3 366	557
Cash and cash equivalents		132 772	104 413	84 249
Total current assets		210 121	147 875	138 769
Total assets		242 423	185 143	178 242
EQUITY AND LIABILITIES				
Share capital		2 648	2 078	2 078
Share premium		271 300	209 573	145 785
Reserves		1 369	1 136	1 130
Retained earnings		-51 050	-46 563	1 699
Total equity		224 267	166 223	150 692
Lease liabilities		2 136	3 178	2 970
Total non-current liabilities		2 136	3 178	2 970
Trade and other payables	10	13 856	14 244	22 480
Current lease liabilities		1 163	998	1 100
Provisions		1 000	500	1 000
Total current liabilities		16 020	15 742	24 581
Total liabilities		18 156	18 920	27 550
Total equity and liabilities		242 423	185 143	178 242

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 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
As at 1 January 2023		2 078	145 785	1 699	1 130	150 692
Loss for the period				-57 922		-57 922
Other comprehensive income					239	239
Total comprehensive income		0	0	-57 922	239	-57 683
Issue of ordinary shares		568	147 931			148 500
Share options exercised		2	285			287
Transaction costs			-22 702			-22 702
Equity-settled share-based payment				5 173		5 173
As at 30 September 2023		2 648	271 300	-51 050	1 369	224 267

Interim consolidated statement of cash flows

NOK 000	Note	Q3 2023	Q3 2022	YTD 2023	YTD 2022	FY 2022
Operating activities						
Profit / loss (-) for the period		-21 466	-12 890	-57 812	-51 042	-67 644
Adjustments for:						
Depreciation of property, plant and equipment and right-of-use assets		797	453	1 709	1 309	1 877
Amortisation of intangible assets	8	1 819	1 819	5 456	6 703	8 522
Net finance income		-1 626	-704	-1 874	-664	-1 496
Equity-settled share-based payments		3 198	1 021	5 173	3 554	4 821
Other non-cash items		1 260	399	1 484	-431	-430
Changes in unrealised net foreign exchange rate differences/fluctuations		-127	-32	46	-73	143
Changes in working capital:						
Increase (-) in trade and other receivables and prepayments		-1 548	-234	-1 523	10 384	11 925
Increase (-) in inventories		-3 351	-5 530	-24 055	-19 190	-28 741
Decrease (-) in trade and other payables	10	-3 820	-8 626	-8 624	-5 663	2 574
Changes in provisions and government grants		4 258	4 511	2 749	5 713	3 166
Interest received	7	430	385	706	1 344	2 255
Interest paid	7	-61	-80	-199	-253	-330
Income tax paid		-81	-49	-110	-53	-242
Net cash flows used in operating activities		-20 317	-19 556	-76 875	-48 361	-63 600
Investing activities						
Purchase of property, plant and equipment		-28	-301	-109	-4 764	-9 202
Net cash flows used in investing activities		-28	-301	-109	-4 764	-9 202
Financing activities						
Proceeds from issuance of ordinary shares		0	0	148 500	0	0
Proceeds from exercise of share options		287	0	287	254	254
Transaction costs on issue of shares		-23	0	-22 702	0	0
Payment of lease liabilities		-262	-238	-771	-700	-964
Net cash flows from/(used in) financing activities		2	-238	125 314	-446	-710
Net increase/decrease in cash and cash equivalents		-20 343	-20 095	48 330	-53 571	-73 513
Effect of exchange rate changes on cash and cash equivalents		-56	69	194	174	-49
Cash and cash equivalents at the start of the period		153 172	124 438	84 249	157 810	157 810
Cash and cash equivalents at the close of the period		132 772	104 413	132 772	104 413	84 249

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 patented, proprietary tunable optics technology, starting with its first product, TLens® which replicates "the human eye" experience in autofocus cameras used in devices such as smartphones, wearables, barcode scanners, machine vision systems and various 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. poLight is based in Horten, Norway, with employees in Finland, France, UK, US, China, Taiwan and the Philippines. For more information, please visit <https://www.polight.com>.

2 Basis of preparation

The interim condensed consolidated financial statements for the quarter ended 30 September 2023 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 2022.

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 2022.

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 2022.

5 Specification of operating expenses by nature

<i>(in NOK 000)</i>	Q3 2023	Q3 2022	YTD 2023	YTD 2022	FY 2022
Employee benefits expense ¹⁾	17 560	10 692	45 739	31 446	45 614
Depreciation and amortisation	2 616	2 271	7 165	8 013	10 400
Other operating expenses	5 497	3 816	15 982	18 000	21 663
Total operating expenses	25 673	16 780	68 886	57 459	77 676

1) Including consultants engaged on long-term contracts

6 Research and development expenses

(in NOK 000)	Q3 2023	Q3 2022	YTD 2023	YTD 2022	FY 2022
Employee ²⁾ benefits expense	5 596	5 110	18 368	16 283	22 878
Other operating expenses	2 754	2 582	7 752	12 341	14 922
Government grants	-355	-517	-1 864	-1 844	-4 892
Total	7 995	7 175	24 255	26 779	32 907

2) Including consultants engaged on long-term contracts

7 Financial items

(in NOK 000)	Q3 2023	Q3 2022	YTD 2023	YTD 2022	FY 2022
Net foreign exchange gain (loss)	168	151	-987	-655	-385
Interest income	1 525	632	3 069	1 572	2 249
Interest expense on lease liabilities	-61	-80	-199	-253	-330
Financial expenses	-6	1	-9	-1	-38
Net financial items	1 626	704	1 874	664	1 496

8 Intangible assets

(in NOK 000)	Q3 2023	Q3 2022	YTD 2023	YTD 2022	FY 2022
At the start of the period	21 217	28 492	24 855	33 377	33 377
Amortisation	-1 819	-1 819	-5 456	-6 703	-8 522
At the close of the period	19 399	26 673	19 399	26 673	24 855

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)	Q3 2023	Q3 2022	YTD 2023	YTD 2022	FY 2022
Net receivables at the start of the period	6 123	6 077	4 614	7 280	7 280
Grants received	-4 614	-5 028	-4 614	-7 558	-7 558
Released to the statement of profit and loss	355	517	1 864	1 844	4 892
Net receivables at the close of the period	1 864	1 566	1 864	1 566	4 614

10 Trade and other payables

(in NOK 000)	Q3 2023	Q3 2022	FY 2022
Trade payables	5 546	4 539	10 612
Other payables	6 558	5 853	7 923
Accrued employer's NICs on share option plan	1 752	3 852	3 945
At the close of the period	13 857	14 244	22 480

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 2023, the largest shareholder was Investinor Direkte AS, which owned 13.44 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

