

A man and a woman are sitting on a rocky outcrop, smiling and looking towards the camera. The woman is wearing a red jacket and a dark cap, and the man is wearing a yellow puffy jacket. They are overlooking a scenic landscape featuring a white sandy beach, a calm body of water, and distant mountains under a soft, hazy sky.

Second quarter 2019

Earnings presentation
16 August 2019



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Today's agenda

- Key events
- Introduction to poLight
- Operations and markets review
- Financial review
- Outlook
- Q&A

Presenting



Dr. Øyvind Isaksen

Chief Executive Officer

Dr. Isaksen has been CEO in poLight since August 2014. He has previously held several CEO positions, most recently in the publicly listed company Q-Free ASA, which he left January 2014 after 7 years as CEO. Dr. Isaksen holds a Ph.D in Applied Physics.



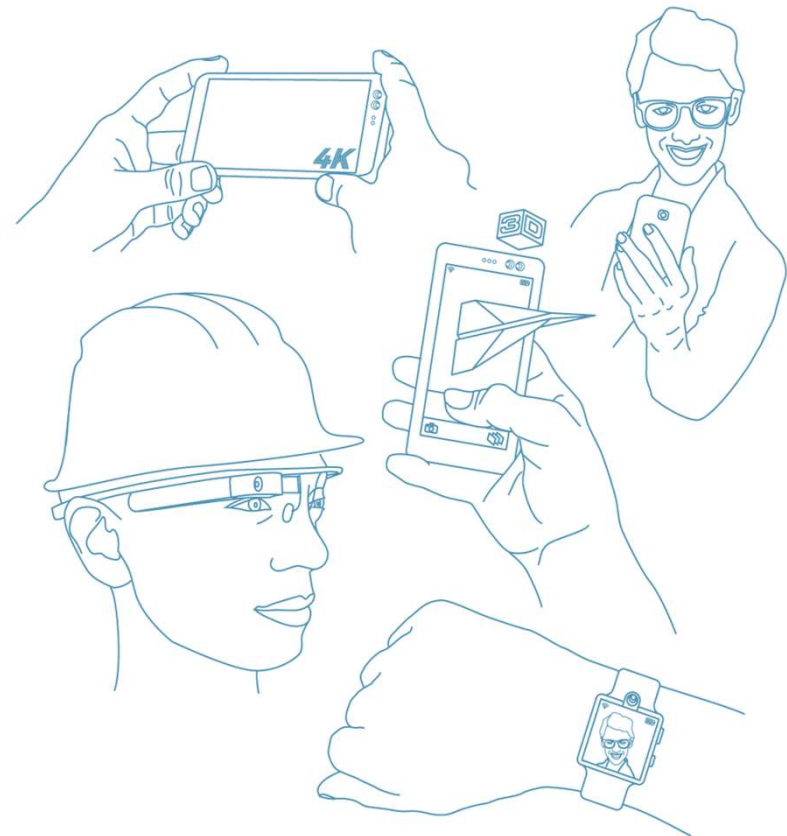
Alf Henning Bekkevik

Chief Financial Officer

Bekkevik is a senior executive with a background from Arthur Andersen (E&Y), Wallendahl, Fjord Line, Grenland Group and lately from Wood Group Mustang as VP Finance. He holds a Master in Business & Economics (Siviløkonom) degree from NHH and is a state authorised public auditor & accountant.

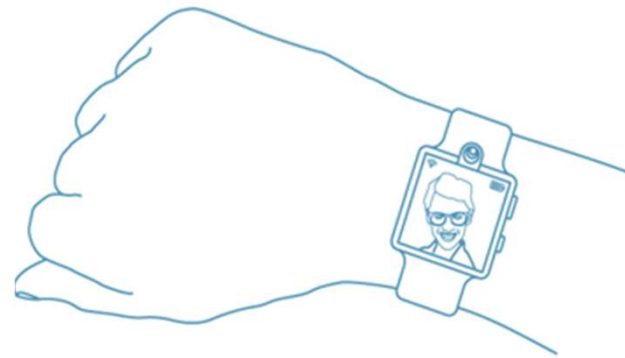
Key events

- All-time-high deliveries of TLens and ASIC drivers in the second quarter of 2019
- TLens and drivers shipped to support potential customer projects at various stages of maturity
- Progress made on three projects which may lead to design-win in late 2019 or first half 2020 related to smartphone, wearable and barcode
- First TLens purchase order received for Product Verification Testing (PVT) for a wearable device



First TLens order received for wearable PVT

- Final testing phase before decision to launch product and award design-win/mass production
- Order for 33,320 units of TLens Silver and 30,000 ASIC drivers for a specific planned product
 - Will also cover need for initial mass production
- Follows successful POC and shipments of 1,540 TLens Silver and 2,380 drivers for EVT and DVT phase
- Order to be shipped by end of August, no significant revenue impact
- An important milestone towards award of a mass production contract
 - Project remains subject to potential changes for various technical and market related reasons



poLight at a glance

Background and description

- Developer of unique photographic lens for use in the mobile, barcode, augmented reality and other markets
- Founded in 2005 and has since build state-of-the-art expertise in optics, polymers MEMS technology and image applications and processing
- 13 worldwide patents families, 9 pending applications and 3 registered trademarks
- 30 employees + consultants
- Headquartered in Horten, Norway, with offices in Finland, China, France and representation in Taiwan and Korea

Geographical footprint



poLight enables unique use cases



Instant focus

+



Small real estate

+



Constant field of view

poLight's technology well suited for multiple applications



Smartphone

- Large addressable market, billions of cameras produced for the smartphone industry each year
- TLens supporting several relevant trends in the smartphone market:
 - Higher image and video quality
 - Front camera with autofocus (AF)
 - High-frame-rate video cameras
 - Biometric (3D, structured light, face ID)
 - Multi camera solutions
 - 5G



Barcode

- Evolving from 1D laser to 2D imaging barcode readers
- Lasers replaced by camera systems. Autofocus will improve efficiency in scanning and portfolio
- Barcode technology spreading to new industries



Augmented Reality (AR) / Wearable

- Augmented reality and wearable represent potential mass-market applications
- AR technology depends on sharp image being projected onto the eye glasses independent to where the eye focus. Hence need for low power autofocus technology
- Wearable initially focused on growing smartwatch/ wristwear markets

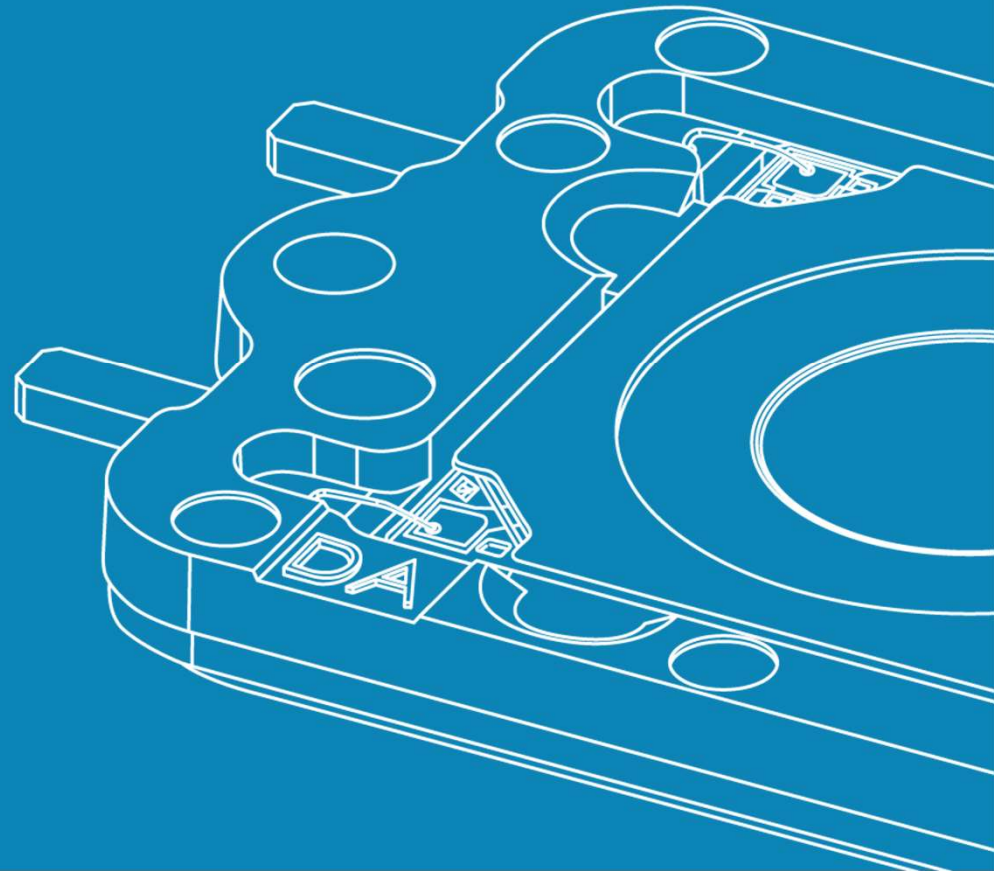


Other

- New opportunities emerging and may represent significant potential
- Machine vision, medical, drones, video conferencing etc. are examples of potential new opportunities for poLight's technology



Operations and market review



Seeking to expand smartphone offering to facilitate market break-through

- Screen-size focus continues to impact adoption of AF solutions in front camera
- Developed compact camera module design concepts to minimize nose size and enable AF at minimum screen size impact
- New concepts started to be presented to potential customers
- Eco-system feedback indicates that 5G may give opportunities for TLens
- TLens is subject to interest from over 10 mobile phone companies through eight camera module vendors
 - Varying degree of maturity



Continued progress on a smartphone project

- One vendor continued evaluation of TLens for a specific smartphone project
 - Shipped 4,775 TLens and 11,000 ASIC drivers for Engineering Verification Test (EVT)
 - Project delayed unrelated to TLens
- Overall good feedback from ongoing PoCs
- Four (4) PoCs technically finalised and awaiting potential real project
- Two smartphone related OEM's is planning potential PoC

Market segment	# customers bought TLens	Planning PoC	PoC	Design Win
Smartphone	6	2	6	

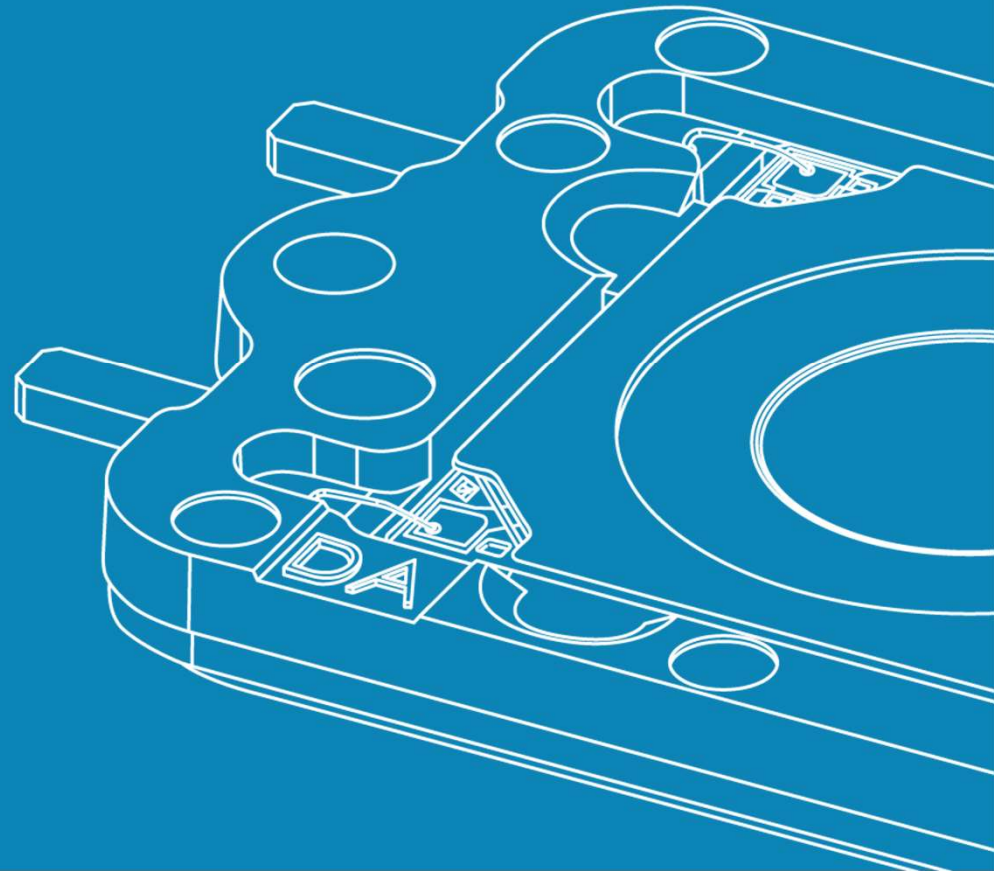
Potential for diversification through multiple industrial and mass-market applications

- Barcode
 - Five ongoing POCs with positive technical results
 - Two barcode vendors consider TLens for a specific product
 - The reminder remain at the technology qualification stage
- Augmented Reality (AR) / Wearable
 - Four ongoing POC/technical assessment processes
 - Two additional companies considering POCs
 - Two smartwatch POCs have delivered positive results
 - One of the projects progressed to PVT phase in Q3
- Other
 - Continued high inbound interest from various industries
 - Five medical use-cases under development, two have bought eval. kits and three ongoing PoC/plan POC
 - One ongoing PoC and two under planning in other industrial application areas

Market segment	# customers bought eval kit/TLens	Planning PoC	PoC	Design Win
Barcode	4		5	
AR	5	2	4	
Machine vision	1		1	
Smartwatch/wearable	2		2	
Medical	2	2	1	



Financial
review



Key financials

Income statement

<i>(NOK million)</i>	Q2 2019	Q2 2018	FY 2018
Revenue	0.5	0.1	1.0
Cost of sales	-0.4	-1.0	-1.5
Research and development expenses	-5.6	-7.8	-28.9
Sales and marketing expenses	-1.7	-1.7	-7.6
Administrative expenses	-3.5	-3.7	-35.8
Operational / supply chain expenses	-2.6	-0.7	-3.4
EBITDA	-13.3	-14.9	-76.1

- Q2 revenue from delivery of TLens samples, ASICs and evaluation kits to potential customers
 - Increase in revenue reflected projects progressing from PoC to EVT phase
 - 6,515 TLens units and 12,650 PDA50 drivers delivered in Q2 to potential customers
- EBITDA loss of NOK 13.3 million vs. loss of NOK 14.9 million in Q2 2018
 - Decrease in R&D expenses offset by higher supply chain expenses

Balance sheet summary

<i>(NOK million)</i>	Q2 2019	Q2 2018	FY 2018
Intangible assets	77.0	71.9	75.8
Cash and cash equivalents	91.4	59.8	127.4
Total equity	175.4	122.3	201.5
Total current liabilities	12.5	23.1	18.1
Total non-current liabilities	0.1	0.0	0.0
Total equity and liabilities	188.0	145.5	219.5

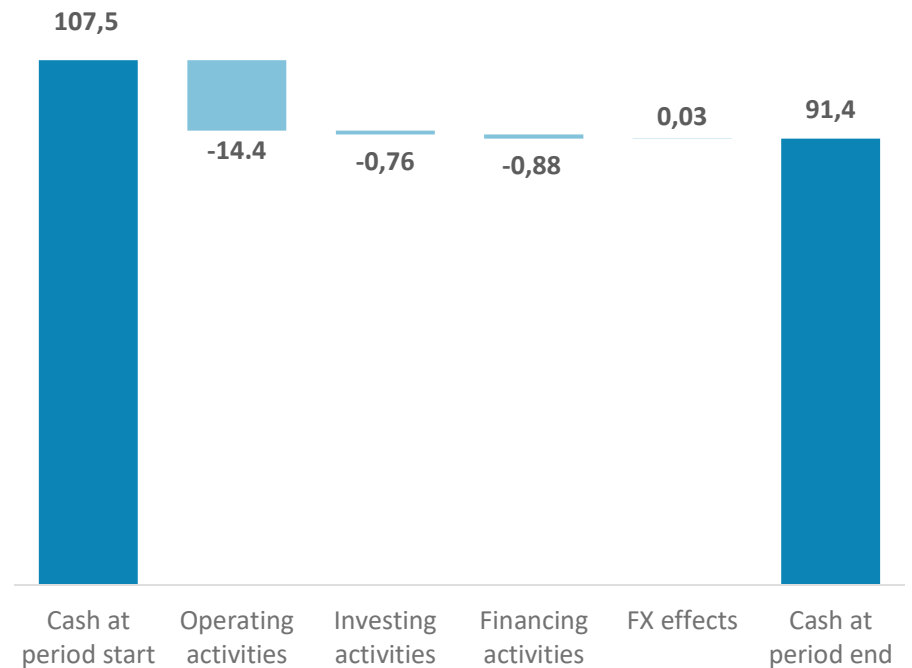
- Cash position of NOK 91.4 million, compared with NOK 127.4 million at year-end 2018

Funding in place to drive TLens commercialisation

- Q2 cash used in operations was NOK 14.4 million
- Q2 cash used in investing activities was NOK 0.8 million
- Net decrease in cash of NOK 16.1 million for the quarter

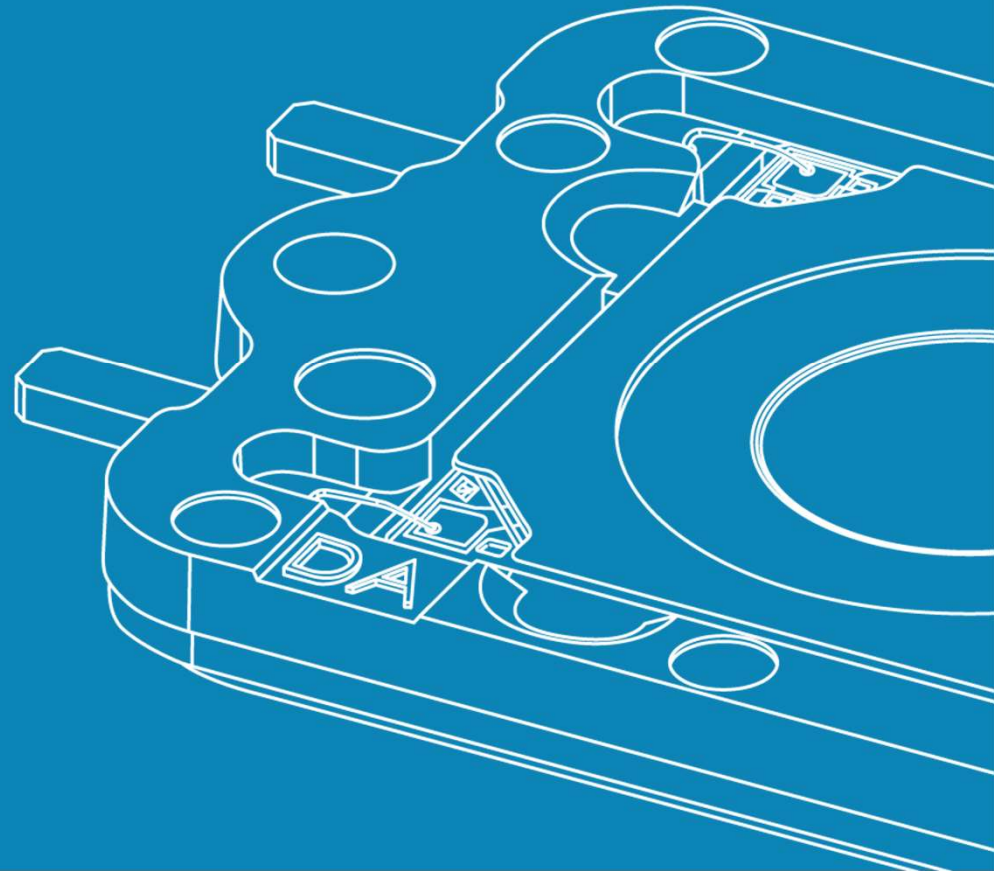
Q2 2019 cash flow development

(NOK million)



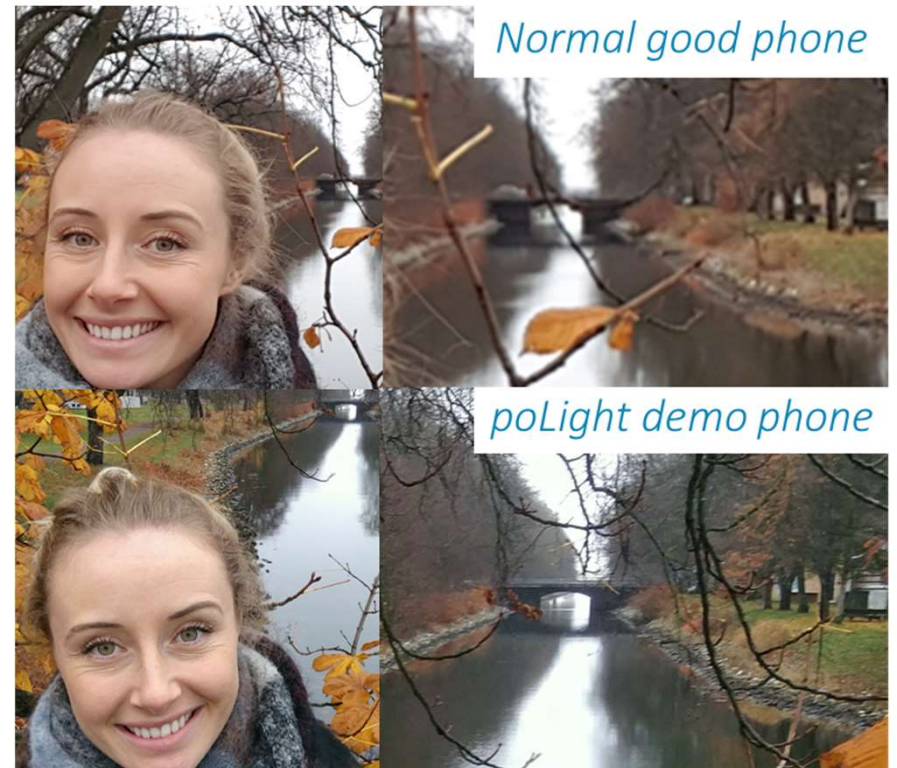


Outlook



Outlook

- Steady interest from a wide range of industries and use-cases offer potential for diversified revenue base
- Shipped sizeable number of units to support EVT phase for one specific smartphone project
- Design concept developed for TLens integration potentially enable AF in front camera without impacting screen size
- Barcode opportunities progressing
- Sizable purchase order received 15th August related to PVT phase & initial MP for a wearable case





Q&A

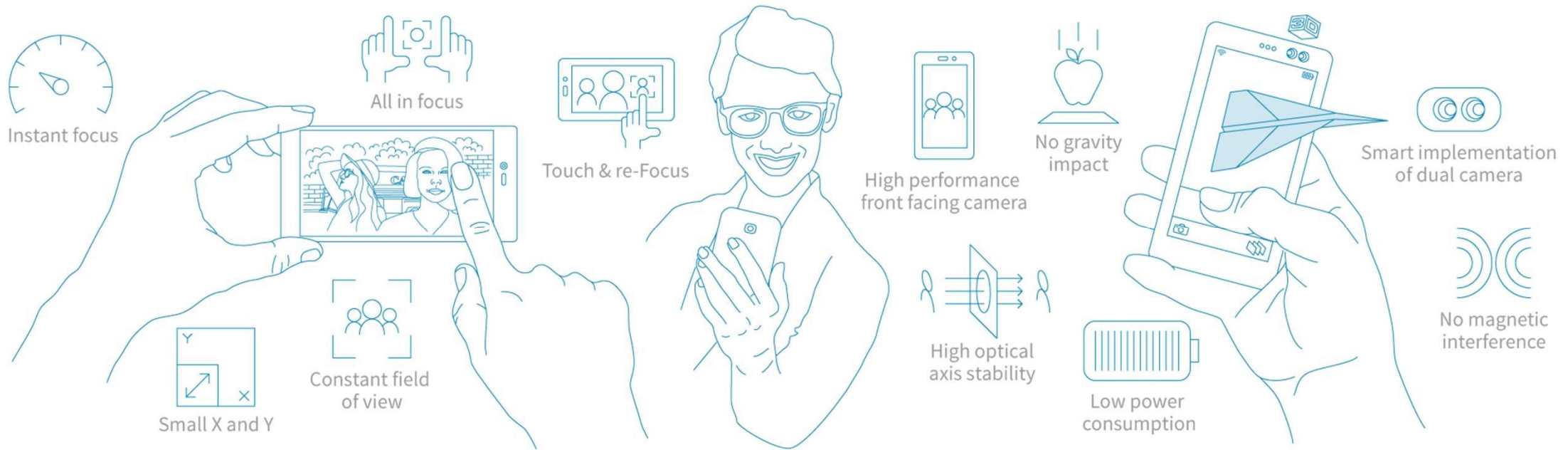
Next events:

Q3-19 - 24 October 2019

Q4-19 - 14 February 2020



Appendix



Management Team



Dr. Øyvind Isaksen

Chief Executive Officer

Dr. Isaksen has been CEO in poLight since August 2014. He has previously held several CEO positions, most recently in the publicly listed company Q-Free ASA, which he left January 2014 after 7 years as CEO. Dr. Isaksen holds a Ph.D in Applied Physics.



Alf Henning Bekkevik

Chief Financial Officer

Bekkevik is a senior executive with a background from Arthur Andersen (E&Y), Wallendahl, Fjord Line, Grenland Group and lately from Wood Group Mustang as VP Finance. He holds a Master in Business & Economics (Siviløkonom) degree from NHH and is a state authorised public auditor & accountant.



Pierre Craen

Chief Technology Officer

Craen has more than 20 years experience in opto-mechanical system engineering. Prior to joining poLight, he managed product development teams at Varioptic, Barco and Motorola/Symbol. Craen holds a M.Sc. degree in optical engineering from Sup-Optic and a M.Sc. in Applied Physics.



Marianne Sandal

Chief Operating Officer

Sandal is a senior executive with background from Tele-communications (Nera) and Road User Charging (Q-Free). She holds a BSc in Mechanical Engineering in addition to courses from Norwegian School of Management (BI). She has been responsible for world wide operations for more than 15 years.

Board of Directors



Eivind Bergsmyr - *Chairman*

Mr. Bergsmyr is Partner in Viking Venture since 2009. Bergsmyr was previously CEO of the Norwegian start-up Nacre AS, sold in 2007 to Sperian Protection and recognized as the Nordic Venture Exit of the Year. Prior to this, Bergsmyr acquired some extensive industrial experience from Siemens Telecom and Siemens Electrical Heating. He holds a MSc from NTNU.



Ann-Tove Kongsnes - *Deputy Chairman*

Ms. Kongsnes is an Investment Director and Head of International Affairs at Investinor AS. Kongsnes has over her career gained extensive experience from investments, development, M&A, IPO's and exits of technology companies. Before this, she worked 7 years in international marketing, serving as Director of Marketing and Operations. Kongsnes has broad boardroom experience, and currently serves on the boards of Investinor's portfolio companies, Numascale AS, Vitux AS, Calliditas Therapeutics AB, Spinchip Diagnostics AS, Curida AS in addition to Polight AS. She holds an MSc in Economics and Business Administration from Bodø University College, and has completed the Advanced Program in Corporate Finance at Norwegian School of Economics (NHH).



Grethe Viksaas - *Board member, independent*

Ms. Viksaas has a long career from the Northern European managed service provider company Basefarm AS, both as CEO, and later as working chair of the board of directors. Prior to this, Viksaas served as CEO for SOL System AS and Infostream ASP. Viksaas has experience from numerous board positions, including Zenitel Group and ICT Norway. She is currently Chair of the Board in the foundation Norsk Regnesentral (Norwegian Computing Center) and non-executive Director in the boards of Telenor ASA and Crayon Group. She also serves as board member in various start-up companies. Ms. Viksaas has a master's degree in computer science from the University of Oslo.



Dr. Juha Alakarhu - *Board member, independent*

Mr. Alakarhu is the VP of Imaging at Axon in Tampere, Finland. He runs the Axon R&D office in Finland and is responsible for the imaging system for Axon camera products. Juha's entire career has been about developing cameras. Before joining Axon in 2018, he worked in Nokia and Microsoft, and he developed several pioneering camera solutions, such as oversampling (the 41 megapixel camera), optical image stabilizer, and virtual reality technology. Juha holds a PhD from Tampere University of Technology.



Svernn-Tore Larsen - *Board member, independent*

Mr. Larsen is an Electronic Engineer from the University of Strathclyde, UK. He was appointed Chief Executive Officer of Nordic Semiconductor in February 2002. Mr. Larsen has broad international experience in the semiconductor business, previously as Director for the Nordic region for Xilinx Inc. He has also been working at Philips Semiconductor.

Interim consolidated statement of income (unaudited)

NOK 000	Note	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Revenue		519	66	548	250	1 038
Cost of sales		-382	-967	-385	-1 005	-1 488
Research and development expenses	7	-5 565	-7 793	-11 166	-16 446	-28 918
Sales and marketing expenses		-1 717	-1 717	-4 094	-3 762	-7 586
Administrative expenses		-3 499	-3 735	-8 613	-7 000	-35 770
Operational / supply chain expenses		-2 624	-720	-3 891	-1 474	-3 384
Depreciation, amortisation and net impairment losses		-1 256	-283	-1 885	-540	-1 025
Operating profit		-14 524	-15 150	-29 486	-29 976	-77 133
Net financial items	6	317	-1	561	416	211
Profit before tax		-14 208	-15 151	-28 925	-29 561	-76 922
Income tax expense		0	-170	-2	-177	-243
Profit for the period		-14 208	-15 321	-28 928	-29 738	-77 165
Attributable to:						
Equity holders of the parent		-14 208	-15 321	-28 928	-29 738	-77 165
Non-controlling interests		0	0	0	0	0
Earnings per share:						
Basic, attributable to ordinary equity holders of the parent (NOK)		-1.75	-2.83	-3.56	-5.48	-12.66
Diluted, attributable to ordinary equity holders of the parent (NOK)		-1.75	-2.83	-3.56	-5.48	-12.66

Balance sheet (unaudited)

NOK 000	Note	Q2 2019	Q2 2018	FY 2018
ASSETS				
Property, plant and equipment		1 206	1 804	1 605
Right-of-use assets		1 315	0	0
Intangible assets	8	77 024	71 851	75 829
Total non-current assets		79 545	73 655	77 434
Inventories		8 298	3 548	7 372
Trade and other receivables		8 364	7 028	6 399
Other current assets		400	1 433	901
Cash and cash equivalents		91 419	59 792	127 424
Total current assets		108 481	71 801	142 095
Total assets		188 026	145 456	219 529
EQUITY AND LIABILITIES				
Issued capital		1 623	542	1 623
Share premium		198 748	148 036	198 748
Other equity		-24 975	-26 257	1 085
Equity attributable to equity holders of the parent		175 397	122 321	201 456
Non-controlling interests		0	0	0
Total equity		175 397	122 321	201 456
Lease liabilities		108	0	0
Total non-current liabilities		108	0	0
Trade and other payables		10 082	17 454	15 172
Interest-bearing loans and borrowings		0	1 200	600
Current lease liabilities		1 251	0	0
Income tax payable		0	177	225
Provisions		1 189	4 304	2 076
Total current liabilities		12 522	23 135	18 073
Total liabilities		12 630	23 135	18 073
Total equity and liabilities		188 026	145 456	219 529

Cash flow (unaudited)

NOK 000	Note	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Operating activities						
Profit before tax		-14 208	-15 151	-28 925	-29 561	-76 922
Non-cash adjustment to reconcile profit before tax to net cash flows:						
Depreciation and impairment of property, plant and equipment		393	274	1 012	521	966
Amortisation and impairment of intangible assets		863	9	873	18	59
Share option plan expense		1 488	1 062	2 989	2 171	4 719
Other items related to operating activities		14	-186	243	-96	-300
Net foreign exchange differences		-48	-122	-107	-64	-183
Movements in provisions and government grants		1 546	-249	748	-667	-3 456
Working capital adjustments:						
Increase (-) in trade and other receivables and prepayments		-552	-3 148	-869	-2 616	532
Decrease (+) in inventories		1 202	-1 659	-927	-1 767	-5 591
Decrease (-) in trade and other payables		-5 120	7 187	-7 546	3 806	57
Interest received	6	0	67	0	67	1 057
Interest paid	6	-15	-42	-15	-42	-740
Income tax paid		0	0	-227	-91	-118
Net cash flows from operating activities		-14 437	-11 958	-32 751	-28 320	-79 919
Investing activities						
Purchase of property, plant and equipment		0	-461	-10	-461	-749
Development capital expenditures	7	-764	-2 413	-2 068	-4 439	-10 433
Receipt of government grants		0	0	0	0	1 989
Net cash flows used in investing activities		-764	-2 874	-2 079	-4 899	-9 193
Financing activities						
Issue of share capital		0	0	0	0	134 689
Transaction costs on issue of shares		0	0	0	0	-10 709
Repayment of lease liabilities		-283	0	-562	0	0
Repayment of borrowings		-600	-600	-600	-600	-1 200
Net cash flows from/(used in) financing activities		-883	-600	-1 162	-600	122 780
Net increase in cash and cash equivalents		-16 084	-15 431	-35 992	-33 819	33 667
Effect of exchange rate changes on cash and cash equivalents		32	-22	-13	-45	110
Cash and cash equivalents at the start of the period		107 470	75 245	127 424	93 656	93 648
Cash and cash equivalents at the end of the period		91 419	59 792	91 419	59 792	127 424