

SpatialLight, Inc.

Nasdaq: HDTV
Company Overview



March 2007



Safe Harbor Statement

This presentation includes forward-looking statements that reflect SpatiaLight's current expectations about its future results, performance, prospects and opportunities. SpatiaLight has tried to identify these forward-looking statements by using words and phrases such as "may," "will," "expects," "anticipates," "believes," "intends," "estimates," "plan," "should," "typical," "preliminary," "we are confident" or similar expressions.

These forward-looking statements are based on information currently available to SpatiaLight and are subject to a number of risks, uncertainties and other factors that could cause SpatiaLight's actual results, performance, prospects or opportunities in the remainder of 2006 and beyond to differ materially from those expressed in, or implied by these forward-looking statements.

These risks and uncertainties are outlined in the company's filings with the U. S. Securities and Exchange Commission, including its most recent reports on Form 10-K/A and Form 10-Q. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date that they were made.

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Executive Summary

➤ Operations

- SpatiaLight, Inc. engages in the manufacture and sale of high-resolution liquid crystal on silicon (LCoS) microdisplays. Its products include microdisplays and systems that support microdisplays. These products provide high-resolution images suitable for consumer electronics such as High Definition rear projection televisions, front projection home theatre systems, computer monitors, video projectors, and 3-D near-to-eye display devices.
- The firm is the exclusive supplier of LCoS imagers for LG 3-imager LCoS Televisions and has the option of (re)selling the proprietary LG light engine (the projector and video source for the television that is powered by SpatiaLight LCoS imagers) directly to customers, or to work cooperatively with LGE to sell their engine in conjunction with SpatiaLight imagers. This ability to sell the light engine to prospective customers provides a “turn-key” solution that will enable OEMs to reach the retail marketplace in approximately a 6 to 9 month time period as opposed to a multiple year product development schedule.
- In the first half of 2006, SpatiaLight successfully made the transition from a research and development company to a company capable of volume manufacturing, to meet the anticipated demand for LG High Definition LCoS Televisions.
- Cooperative development and manufacturing plans with other manufacturers have been established for both Micro-projector products as well as high resolution head mounted display product.



Corporate Profile & History

Founded: 1989

Locations: Novato, California
Sacheon, South Korea

Corporate HQ
Manufacturing Facility

Employees: 125

1989 - SpatiaLight incorporated in New York (Kodak spin-off)

1992 - SpatiaLight IPO

1996 - Began focus on LCoS microdisplays

2000 - Completed initial LCoS R & D and began product trials

2002 - Introduced 1280 x 960p High Definition LCoS display, the “T-1”

2003 - Announced joint development venture with LG Electronics

2004 - Introduced 1920 x 1080p High Definition LCoS display, the “T-3”

2004 - July: LG Electronics contract for the development of a line of 1080p LCoS Televisions for worldwide, mass market distribution in 2005.

2004 - Announced groundbreaking for SpatiaLight Korea – SpatiaLight’s state of the art manufacturing facility in the Republic of South Korea

2005 - January: Announced acquisition of assets from Philips Electronics LCoS MicroDisplay Systems, which includes production line equipment for LCoS imagers

2005 - March: SpatiaLight Korea opens

2006- July: SpatiaLight Korea starts production shipments of imagers to LGE for inclusion in their 71” HD-RPTV



Management Team

Chairman, Chief Executive Officer – David F. Hakala, Ph.D.

- Over 25 years experience in consumer TV-Video and Display Industries
- Managed TV mfg.businesses at RCA; VP Manufacturing Operations and VP Product Development RCA/THOMSON Multimedia Americas

Chief Technology Officer – Michael Jin, Ph.D.

- Over 14 years experience in optics and laser industry on the private and government sides
- Held positions in R&D management, device and process development, contact management

Director – Claude Piaget, Ph.D.

- Over 11 years senior executive experience at Philips Electronics in product development, market development and business strategy
- Former CEO Digital Video Broadcasting (DVB) consortium

Director – Jerilyn Kessel

- Strategic consultant and industry analyst with strong development expertise in the entertainment and media industries and co-founder of several start-up businesses.

Director – Robert C. Munro

- Mr. Munro is a Fellow of the Institute of Directors in the United Kingdom. He has extensive global business experience in the banking, real estate and shipping industries.



The Market

- According to market reviews, 1080p LCoS delivers the best performance/cost to the consumer for large screen sizes TVs, when compared to both : other RPTV technologies and flat panel displays (LCD or Plasma)
- IDC forecasted that worldwide LCoS shipments should grow from 2004 to 2009 at a CAGR of 49% translating to revenue growth of \$126 MM in 2004 to \$806 MM by 2009 at a CAGR of 49%.
- Sony has announced (March '06) that it expects to sell 1 million SXRD (LCoS) units in the '06/'07 year.



Competition in LCoS

- Sony and JVC are presently the two largest vendors of LCoS televisions.
- Sony is having tremendous success in marketplace with its SXRD products that are rapidly becoming the best selling RPTV models.
- Consumer Reports article lists Sony 60" and JVC 61" 1080p LCOS based RPTV models as the best performing products and recommends purchase in spite of higher pricing compared to DLP and HTPS models.
- SpatiaLight expects that LGE and other potential OEMs to participate in this success : using their OEM solution versus the vertically integrated Sony and JVC solutions which are exclusively used in their respective RPTVs.
- Syntax-Brilliant Corp. (BRLC) is another manufacturer of LCoS imagers and light Engines.



Unprecedented Picture Quality

- LCoS has the same high contrast as DLP but with smoother color gradation and much more vivid color



LCD
(Contrast under 1000:1)



LCoS / DLP
(Contrast over 2000:1)

- Low light scene reproduction is excellent



LCD/DLP

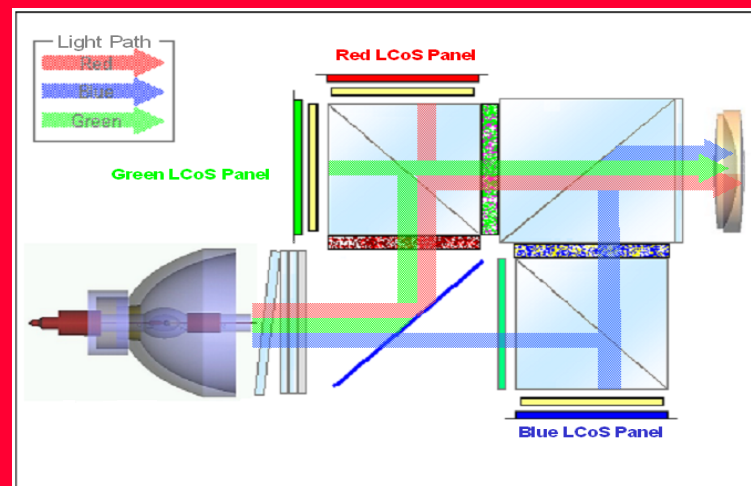
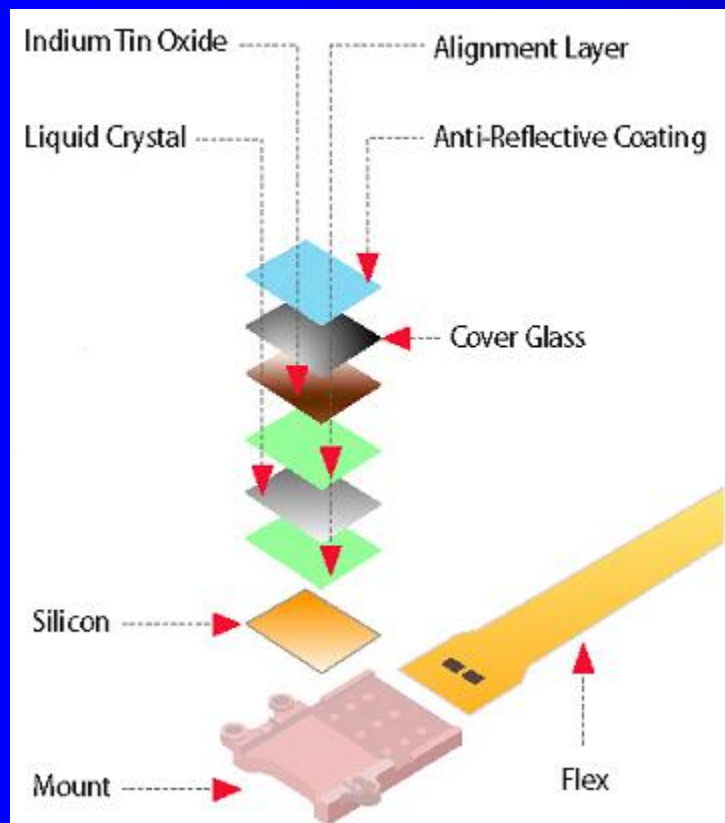


LCoS



SpatiaLight imagEngine™

SpatiaLight manufacturing process at SLK – Silicon wafers are manufactured into sets (Red, Green, Blue) of individual 1920 x 1080p imagers.



SpatiaLight (like Sony and JVC) employs a 3 imager system for parallel color (industry standard)

Advantages: Overall higher quality picture. Better brightness (and viewing angles), sharpness for moving objects and superior quality low light scenes.

Drawback: Component cost – will come down with volume production.



LG/SpatiaLight versus Sony

- Sony 60" SXRD ◀versus▶ LGE 71"TV powered by SpatiaLight imagers
 - The light output of the LGE's set is approximately 30% greater with the same wattage light source
 - LGE's color depth, resolution and detail appearance are superior
 - LGE has a superior resolution/MTF lens providing a sharper image
 - Similar sequential contrast ratios (up to ~10,000/1 with dynamically apertured systems)
 - Sony's response time is slightly faster
- Overall, the LGE/SpatiaLight LCoS television performance is fully comparable to, or better than that of the Sony SXRD LCoS television.

Product Roadmap

- Current product is 0.74” diagonal (1920x1080p) and is primarily intended for use in 60” and larger RPTV screen sizes.
- New product in development is 0.55” diagonal (1920x1080p) is lower cost for the imager and associated light engine as well as smaller and more compact and is targeted at front projection and smaller screen RPTV applications. Mass Production target for imagers is 2Q07, and 3Q07 for system level production by customers.
- R&D efforts are underway on single imager (and associated optical system) architectures for Near To Eye (NTE) and micro-projector applications.
- While not SpatialLight technology per se, the development of solid state light sources (LED or lased diode based) is enabling projection products with long life, improved color gamut, and improved form factors that will enable better segment competition against flat panels.



LG Overview

- LG has been selling 71" LCoS RPTVs in Australia.
- LG has internally qualified their 62" LCoS RPTV model.
- SpatiaLight can either resell the LG light engine (turn-key solution) or cooperate with LG to sell the light engine to prospective OEM television customers.
- SpatiaLight is in the development stage of another LCoS solution (0.55" 1920x1080) for RPTV that will allow for lower cost of manufacture and high production volumes while potentially improving gross margins. Product has been demonstrated in a front projector mode. (Market not as large as RPTV but growing faster).



KHD Present Situation

➤ Current situation with KHD:

- Initial pilot runs completed at KHD with support of Spatialight representatives. Evaluation and reliability life testing in progress.
- KHD Light Engine assembly line in place: good facilities and clean room environment
- KHD is largely funded by the Chinese Government to exclusively manufacture LCoS light engines and televisions. This funding has enabled KHD to construct additional facilities to enable major expansion (eventual capacity of over 2 Million LCOS TVs/year).
- KHD taking steps to enter the market by :
 - OEM relationship with TV manufacturers and resellers.
 - Licensing other brands to allow direct access to US retail market
- KHD demonstrated 85” TV for Commercial display application using Spatialight imagers at CES.
- ➡ ***Business not secured but we are making good progress***



New Business Development

- Prototypes of Head Mounted Displays (HMD) with 1920x1080p LCOS operating in a dual single imager mode for 3D capability have been assembled and demonstrated in conjunction with Deocom, Ltd. An MOU has been reached for development, manufacture, and sale of these systems starting almost immediately.
- Agreement has been reached on a joint development between SI InfoComm, SCRAM Technologies, Oerlikon and SpatiaLight to develop and prepare for manufacture of a micro-projector project. Prototype expected by mid-year. Initial production target is 4Q07. Micorprojector market to grow to millions of units within 2 to 3 years.
- SpatiaLight is working cooperatively with Foreal Spectrum to develop and bring to market an LED based light engine using SpatiaLight LCoS imagers. First protoype demonstrated at CES show. Second generation prototype will be available by end of 1Q07. Production possible starting about mid-year.



Manufacturing Status

➤ MANUFACTURING TRANSFER

- Phase 3 manufacturing transfer to SpatiaLight Korea (SLK) (Wafer Scale Processing) completed February 2006
- Enables SLK to perform the complete production processes from incoming wafer inspection to imager set test and packing

➤ STAFFING

- Personnel : currently about 100 at SLK, 125 company wide
- Additional personnel planned consistently with production growth (up to current facility limit of about 350)
- Upgrading staff (plant manager, additional engineering management) either complete or well underway

➤ QUALITY ASSURANCE

- SLK Plant has received initial ISO-9002 certification (Quality Assurance System).
- SLK has received approved vendor status from LGE.
- SLK has undergone full SOX audit process. Issues have been identified and disclosed, and are being addressed



Production Ramp

- Plant readiness demonstrated late summer/early fall.
- Thousands of imagers produced and sold to LGE to support the 71" test market in Australia.
- Capacity in place to do several thousand sets per month moving up to more than 10,000 sets/month in 1H/07. Specifics will depend on how orders firm up.
- Future growth past the nominal plant capacity (25,000 *sets/month*)
 - Will be dealt consistently with actual market demand
 - New building and facilities are a 9 to 12 month lead-time for SLK site.



Take Away Slide

- SpatiaLight is the leading merchant supplier of LCoS imagers.
- LCoS rear projection television is a fast growing large screen technology as demonstrated by the success of Sony and JVC. Share gained at expense of DLP.
- Rear projection TV opportunities will increase with the introduction of solid state light source (LED and laser diode) illumination systems enabling thin form factors should begin to erode market share from Plasma and LCD flat panel TV's and significantly increase the rear projection market size while providing a higher quality picture and long life.
- SpatiaLight also currently has a turnkey solution for potential customers, employing its 1920x1080p LCoS imagers – using the LG light engine and supporting electronics.
- New markets such as Micro-projectors for mobile electronics applications, and high resolution HMD for 3D, gaming and medical/industrial applications provide exciting new growth opportunities.

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