



THIN FILM ELECTRONICS ASA

(a Norwegian public limited liability company organized under the laws of Norway with business registration number 889 186 232)

Listing of 68,922,869 Private Placement Shares issued in a Private Placement Listing of up to 679,182,172 Warrant Shares in connection with the potential exercise of Warrants B and Warrants C (collectively the “Warrants”)

The information contained in this prospectus (the “**Prospectus**”) relates to (i) the listing on Oslo Børs, a stock exchange operated by Oslo Børs ASA (the “**Oslo Børs**”), of 68,922,869 new shares (the “**Private Placement Shares**”), at a subscription price of NOK 0.82 per Private Placement Share (the “**Subscription Price**”), each with a nominal value of NOK 0.11, in Thin Film Electronics ASA (“**Thinfilm**” or the “**Company**”, and together with its consolidated subsidiaries, the “**Group**”), issued in a private placement directed towards certain investors for gross proceeds of approximately NOK 56.5 million (the “**Private Placement**”), and (ii) the listing of up to 679,182,172 shares on Oslo Børs issued in connection with exercise of Warrants B and Warrants C (the “**Warrant Shares**”), at an exercise price of NOK 0.25 per Warrant Share (the “**Exercise Price**”), each with a nominal value of NOK 0.11. The Private Placement Shares and the Warrant Shares will collectively be referred to as the “**New Shares**”.

The Private Placement Shares were issued by a resolution by the Company’s Board of Directors (the “**Board**”) on 1 March 2021, pursuant to an authorization from the Extraordinary General Meeting on 19 August 2020. The Private Placement Shares will be settled with existing and unencumbered shares in the Company already listed on Oslo Børs, pursuant to a customary share lending agreement (the “**Share Lending Agreement**”) between an existing shareholder (the “**Lender**”), the Company and Skandinaviska Enskilda Banken AB and SpareBank 1 Markets AS (the “**Managers**”), in order to facilitate a delivery-versus-payment payment basis on or about 4 March 2021. The existing shares were tradeable immediately upon delivery.

The Managers will settle the share loan according to the Share Lending Agreement with the Private Placement Shares, which will be delivered to the Lender upon registration of the associated share capital increase in the Company Registry on a temporary separate ISIN, and will be transferred to the Company’s ordinary ISIN and be tradable on Oslo Børs under the ticker code “THIN” upon approval and publication of this Prospectus.

Warrants B were issued to subscribers in the private placement and subsequent offering resolved by the Extraordinary General Meeting in the Company on 20 May 2020 (and described in the prospectus in the Company dated 12 June 2020). Warrants C were issued to subscribers in the private placement and subsequent offering resolved by the Extraordinary General Meeting in the Company on 19 August 2020 (and described in the prospectus in the Company dated 28 August 2020). Warrants B are exercisable at any time from 20 May 2020 until 20 August 2021. Warrants C are exercisable at any time from 31 March 2021 until 30 June 2021. Both Warrant B and C entitle the holder to demand the issuance of one share in the Company, the Exercise Price being NOK 0.25 per share.

The Warrant Shares will be tradable on Oslo Børs under the ticker code “THIN” upon delivery.

Investing in the Company’s Shares, including the Private Placement Shares and Warrant Shares, involves a high degree of risk. See Section 2 “Risk Factors”.

26 March 2021

IMPORTANT NOTICE

For the definition of terms used throughout this Prospectus, please see Section 15 “*Definitions and Glossary of Terms*”, which also applies to the front page.

This Prospectus has been prepared to provide information about the Company and its business in relation to the Private Placement and the listing of the New Shares and to comply with the Norwegian Securities Trading Act of 29 June 2007 no.75 (the “**Norwegian Securities Trading Act**”) and related legislation and regulations, including Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017, as implemented in Norway (the “**EU Prospectus Regulation**”) by Section 7-1 of the Norwegian Securities Trading Act. This Prospectus has been prepared solely in the English language.

The Prospectus has been reviewed and approved by the Financial Supervisory Authority of Norway (Nw. *Finanstilsynet*) (the “**Norwegian FSA**”) on 26 March 2021 as a competent authority under the EU Prospectus Regulation.

This Prospectus has been drawn up as part of the simplified prospectus regime in accordance with Article 14 of the EU Prospectus Regulation.

The information contained herein is current as of the date hereof and subject to change, completion and amendment without notice. There may have been changes affecting the Company or the Group subsequent to the date of this Prospectus. Significant new factors, material mistakes or inaccuracies relating to the information included in this Prospectus, which are capable of affecting the assessment of the Shares between the time when this Prospectus is approved, and the listing of the New Shares at Oslo Børs, will be included in a supplement to this Prospectus. Neither the publication nor distribution of this Prospectus shall under any circumstances create any implication that there has been no change in the Group’s affairs or that the information herein is correct as of any date subsequent to the date of this Prospectus.

Unless otherwise indicated, the source of information included in this Prospectus is the Company. The contents of this Prospectus shall not be constructed as legal, business or tax advice. Each reader of this Prospectus should consult its own legal, business or tax advisor as to legal, business or tax advice. If the reader is in any doubt about the contents of this Prospectus, a stockbroker, bank manager, lawyer, accountant or other professional advisor should be consulted.

All inquiries relating to this Prospectus, the Private Placement, the Warrants B and C or the New Shares should be directed to the Company. No other person has been authorized to give any information about, or make any representation on behalf of the Company in connection with the Private Placement, the Warrants B and C or the New Shares, if given or made, such other information or representation must not be relied upon as having been authorized by the Company.

The distribution of this Prospectus may be restricted in certain jurisdictions. Accordingly, this Prospectus may not be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable law and regulations. The Company requires persons in possession of this Prospectus to inform themselves about, and to observe, any such Prospectus distribution restrictions.

Readers are expressly advised that the Company's Shares are exposed to risk and they should therefore read this Prospectus in its entirety, in particular Section 2 "*Risk Factors*". An investment in the Company is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of their investment.

The Prospectus and the terms and conditions of the Private Placement, the Warrants B and C, or the New Shares as set out herein shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Prospectus.

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1 EXECUTIVE SUMMARY**1.1 SECTION A – INTRODUCTION AND WARNINGS**

Introduction and warnings	<p>This Summary contains all sections required to be included in a Summary for this type of securities and issuer. This Summary should be read as an introduction to the Prospectus.</p> <p>Any decision to invest in the Company should be based on consideration of the Prospectus as a whole by the investor.</p> <p>Investing in the securities may cause the investor to lose all or part of the invested capital.</p> <p>Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the applicable national legislation in its Member State, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the Summary including any transactions thereof, but only where the Summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
The securities	The Company’s shares are subject to trading on Oslo Børs under ticker code “THIN”. International securities identification number (“ISIN”): NO 0010299068.
The issuer	<p>Name of the issuer: Thin Film Electronics ASA Business registration number: 889 186 232 Legal entity identifier (“LEI”): 5493007QXMCG0WPKFC96. Address: c/o House of Business, Fridtjof Nansens plass 4, 0160 Oslo, Norway Tel: +47 22 42 45 Website: www.thinfilmsystems.com</p>
Date of approval of the Prospectus	<p>This Prospectus was approved by the Norwegian FSA on 26 March 2021.</p> <p>Contact information: Financial Supervisory Authority of Norway Address: Revierstredet 3, Postboks 1187 Sentrum, 0107 Oslo, Norway Tel: +47 22 93 98 00 E-mail: post@finanstilsynet.no</p>

1.2 SECTION B – KEY INFORMATION ON THE ISSUER**Who is the issuer of the securities?**

Corporate information	<p>Thin Film Electronics ASA (“Thinfilm” or the “Company”). Thinfilm is registered as a public limited liability company incorporated under the laws of Norway and subject to the Norwegian Public Limited Companies Act of 13 June 1997 no.45 (Nw.:“<i>allmennaksjeloven</i>”) (the “Norwegian Public Limited Liability Companies Act”). The Company was incorporated on 22 December 2005 with the name Thin Film NewCo ASA, which name was changed to Thin Film Electronics ASA on 11 May 2006.</p>
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Principal activities	<p>Thinfilm is focused on becoming a premier provider of energy storage solutions designed for wearable devices and connected sensors. The Company’s principal business activities include the design, development, production, and sale of battery solutions based on Thinfilm solid-state lithium battery (SSLB) technology. The Company’s design and development activities take place at its global headquarters in Silicon Valley (San Jose, California, USA). The Company intends to scale the manufacturing of SSLB products in its Silicon Valley flexible electronics fabrication facility. Thinfilm’s strategy is to develop a new class of premium microbatteries based on SSLB technology and market these to companies developing portable electronics for use in existing market segments as well as emerging applications.</p>																																									
Major shareholders	<p>As of the date of the Prospectus, the following registered shareholders have holdings in excess of the statutory threshold for disclosure requirements.¹ Note: The list may include nominee shareholders, which holdings may belong to one or several beneficial owners. In case of nominee shareholders, the disclosure requirement applies to the beneficial owner of the Shares.</p> <table border="1" data-bbox="528 869 1369 1041"> <thead> <tr> <th>Name of registered shareholder</th> <th>Number of Shares held</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>UBS Switzerland AG</td> <td>182,938,168</td> <td>16.48%</td> </tr> <tr> <td>Alden AS</td> <td>117,566,424</td> <td>10.59%</td> </tr> <tr> <td>Tigerstaden AS</td> <td>100,000,000</td> <td>9.01%</td> </tr> <tr> <td>Middelborg Invest AS</td> <td>71,226,448</td> <td>6.42%</td> </tr> </tbody> </table> <p>UBS Switzerland AG is a nominee shareholder. Other than as disclosed by large shareholders on Oslo Børs, the Company is not aware of the number or identity of any beneficial owners of shares held by said nominees. To the best of the Company’s knowledge and belief, no shareholder, or group of shareholders, controls the Company, directly or indirectly.</p> <p>The following overview is based on disclosures that have been submitted by shareholders in the Company on Oslo Børs NewsWeb, pursuant to the disclosure requirements in the Norwegian Securities Trading Act. The percentages relating to Shares and Warrants represent the holdings based on the total number of outstanding Shares in the Company at the time of disclosure. The shareholdings may subsequently have changed as no further disclosures are required by the shareholder unless the shareholder reaches, exceeds or falls below a statutory disclosure threshold under the Norwegian Securities Trading Act.</p> <table border="1" data-bbox="528 1653 1442 1906"> <thead> <tr> <th rowspan="2">Disclosing party</th> <th rowspan="2">Date of disclosure</th> <th colspan="2">Disclosure of Shares</th> <th colspan="2">Disclosure of unexercised Warrants</th> <th rowspan="2">Disclosure of Warrants and Shares combined</th> </tr> <tr> <th>Total</th> <th>%</th> <th>Total</th> <th>%</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Tigerstaden AS and close associates</td> <td>14 January 2021</td> <td>100,347,391</td> <td>9.64%</td> <td>80,537,878</td> <td>7.73%</td> <td>17.37%</td> </tr> <tr> <td>Alden AS and close associates</td> <td>14 January 2021</td> <td>113,800,000</td> <td>10.93%</td> <td>86,287,878</td> <td>8.29%</td> <td>19.22%</td> </tr> </tbody> </table>	Name of registered shareholder	Number of Shares held	%	UBS Switzerland AG	182,938,168	16.48%	Alden AS	117,566,424	10.59%	Tigerstaden AS	100,000,000	9.01%	Middelborg Invest AS	71,226,448	6.42%	Disclosing party	Date of disclosure	Disclosure of Shares		Disclosure of unexercised Warrants		Disclosure of Warrants and Shares combined	Total	%	Total	%	%	Tigerstaden AS and close associates	14 January 2021	100,347,391	9.64%	80,537,878	7.73%	17.37%	Alden AS and close associates	14 January 2021	113,800,000	10.93%	86,287,878	8.29%	19.22%
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¹ The overview includes the Private Placement Shares but not the Warrant Shares. The overview is based on data from the VPS as of 21 March 2021.

	Robert N. Keith and close associates	14 December 2020	181,191,870	18.38%	139,469,695	14.15%	32.53%								
	Middelborg Invest AS and close associates	4 March 2021	71,248,487	6.42%	55,409,675	4.99%	11.41%								
Key management	The Company's key management comprise of the following members: <table border="0"> <tr> <td>Name</td> <td>Position</td> </tr> <tr> <td>Kevin Barber</td> <td>Chief Executive Officer</td> </tr> <tr> <td>David Williamson</td> <td>Acting Chief Financial Officer</td> </tr> <tr> <td>Arvind Kamath</td> <td>Executive Vice President – Technology Development & Manufacturing</td> </tr> </table>							Name	Position	Kevin Barber	Chief Executive Officer	David Williamson	Acting Chief Financial Officer	Arvind Kamath	Executive Vice President – Technology Development & Manufacturing
Name	Position														
Kevin Barber	Chief Executive Officer														
David Williamson	Acting Chief Financial Officer														
Arvind Kamath	Executive Vice President – Technology Development & Manufacturing														
Statutory auditor	The Company's statutory auditor is Deloitte AS, with registered address at Dronning Eufemias gate 14, 0191 Oslo, Norway.														

What is the key financial information regarding the issuer?

What is the key financial information regarding the issuer?

Financial Statements

Profit and loss	First six months		Second six months		Full Year	
	2020	2019	2020	2019	2020	2019
Amounts in USD (1,000)						
Total revenue	495	1 096	18	85	513	1 181
Gross margin	488	587	10	(2 585)	498	(1 998)
Loss before interest, tax, depreciation (EBITA)	(5 561)	(20 516)	(30 370)	(10 245)	(35 931)	(30 761)
Net loss for the period	(8 083)	(22 597)	(31 030)	(55 849)	(39 113)	(78 446)
Loss per share, basic and diluted (USD)	(0,07)	(0,39) *	(0,05)	(0,95) *	(0,10)	(1,34)
* adjusted for 20 to 1 reverse stock split						
Financial position						
	30 June 2020	30 June 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Total assets	5 897	56 684	7 729	12 238	7 729	12 238
Total equity	(25 002)	35 692	(46 866)	(19 660)	(46 866)	(19 660)
Net financial debt	13 200	-	12 954	13 200	12 954	13 200
Cash flow						
	First six months		Second six months		Full Year	
	2020	2019	2020	2019	2020	2019
Amounts in USD (1,000)						
Net cash flows from operating activities	(5 869)	(19 028)	(6 016)	(10 026)	(11 885)	(29 054)
Net cash flow from investing activities	(40)	(4 662)	(270)	(257)	(310)	(4 919)
Net cash flows from financing activities	700	474	8 413	9 783	9 113	10 257

Pro forma financial information	Not applicable. There is no pro forma financial information.
Qualifications in audit report	The audit report for 2019 dated 11 May 2020 includes qualifications as follows. The Group and parent historically operated at a loss and are in immediate need of cash. Failure to obtain funding would adversely affect the ability to continue as a going concern and the Company might enter into liquidation. Further, the Company's liquidity situation, along with other matters set forth in the notes to the Group's financial statements and the Board of Director's report, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

What are the key risks that are specific to the issuer?

Key risks specific to the issuer	<ul style="list-style-type: none"> Thinfilm currently believes that funding secured from the Private Placement can fund the Company's planned operations into the
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	<p>third quarter of 2021 independent of the exercise of outstanding Warrants. Depending on the timing and extent of the exercise of Warrants, the Company may require additional sources of funding to continue beyond that point.</p> <ul style="list-style-type: none"> • Early 2020, Thinfilm decided a shift in business strategy, focusing on deployment of its technology in battery development and production, where the Company has a limited history and the success of this strategy is uncertain <ul style="list-style-type: none"> ○ The technology needs to be developed ○ The Company does not have specific experience with production of SSLB batteries ○ Market opportunities are not matured • Thinfilm’s markets are undergoing rapid technological change, and the Company’s future success will depend on its ability to meet the changing needs of the industry • The Company is currently developing its energy storage products. Until proven, the technology, the market, and the profitability of the Company are based on assumptions. • Thinfilm is highly dependent on IP and the Company’s methods of protecting its IP may not be adequate
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1.3 SECTION C – KEY INFORMATION ON THE SECURITIES

What are the main features of the securities?

Type of class of securities being offered	The Company has one class of Shares, and all Shares carry equal rights as set out in Section 4-1 (1) first sentence of the Norwegian Public Limited Companies Act. The Shares are registered in the Euronext VPS (“VPS”) and carry the securities identification code ISIN NO 0010299068. The New Shares are in all respects equal to the existing Shares of the Company.
Currency	The Shares are issued in NOK and are quoted and traded in NOK on Oslo Børs.
Number of shares, par value and denomination	<p>Following the Private Placement, Thinfilm’s share capital was NOK 122,116,721.43 divided into 1,110,152,013 ordinary Shares, each Share being fully paid and has a par value of NOK 0.11.</p> <p>Following the share capital increase in connection with exercise of Warrants B received as of the date of this Prospectus, Thinfilm’s share capital will be NOK 128,571,605.58 divided into 1,168,832,778 ordinary Shares, each with a par value of NOK 0.11.</p> <p>Assuming exercise of all Warrants, the Company’s share capital will be, upon such issuance, NOK 196,826,760.35 divided into 1,789,334,185 ordinary Shares, each with a par value of NOK 0.11.</p>
Rights attached	The New Shares are ordinary Shares in the Company, i.e., the same class as the Shares already in issue and listed on Oslo Børs. The New Shares will obtain rights to receive dividends from the time the associated share capital increase in connection with the issuance in question is registered in the Company Registry. The Company’s shares have equal rights to the Company’s profits, in the event of liquidation and to receive dividends unless all the shareholders approve otherwise. Each Share in the Company gives the holder the right to cast one (1) vote at the general meetings of shareholders of the Company.

Restrictions on free transferability	The Company’s Shares and Warrants are freely transferable according to Norwegian law and the Company’s Articles of Association.
Dividend policy	Thinfilm does not have an established dividend policy in place except to say that the Company’s aim and focus is to enhance shareholder value and provide an active market in its shares. Thinfilm has not yet declared or paid any dividends on its Shares. The Company does not anticipate paying any cash dividends on its shares in the next few years.

Where will the securities be traded?

Listing and admission to trading	<p>The Company’s Shares have been listed on Oslo Børs since 27 February 2015 under the ticker symbol “THIN”.</p> <p>The listing on Oslo Børs of the Private Placement Shares is subject to the approval of the Prospectus by the Norwegian FSA under the rules of the Norwegian Securities Trading Act and the EU Prospectus Regulation. Such approval was granted on 26 March 2021.</p> <p>The first day of trading of the Private Placement Shares is expected to be on or about 29 March 2021. Thinfilm’s shares are not listed on any other regulated market, and Thinfilm does not intend to seek such listing.</p> <p>The Warrants are not listed or traded on any regulated market. Upon exercise of Warrants, the corresponding Warrant Shares are expected to be admitted to trading about three weeks following approval by the Board as set out in the table below.</p> <p>Thinfilm shares are also currently traded in the United States on the OTCQB Venture Market under the ticker symbol “TFECY”.</p>
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What are the key risks that are specific to the securities?

Key risks specific to the securities	<ul style="list-style-type: none"> • Future issuance of Shares upon exercise of all or a significant amount of outstanding Warrants will dilute the existing shareholders significantly and could materially affect the price of the Shares.
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1.4 SECTION D – KEY INFORMATION ON THE ADMISSION OF SECURITIES TO TRADING ON A REGULATED MARKET

Under which conditions and timetable can I invest in this security?

Terms and conditions of the offer	<p>On 1 March 2021, Thinfilm raised NOK 56,516,752.58 in gross proceeds through the issuance of 68,922,869 Shares, each with a par value of NOK 0.11, at a Subscription Price of NOK 0.82 per Share in the Private Placement.</p> <p>Below is an overview of the terms and timetable for the Private Placement:</p> <table border="1"> <tr> <td>Number of Private Placement Shares:</td> <td>68,922,869</td> </tr> <tr> <td>Subscription Price:</td> <td>NOK 0.82 per Private Placement Share</td> </tr> <tr> <td>Payment Date:</td> <td>On or about 4 March 2021</td> </tr> <tr> <td>Registration of share capital increase:</td> <td>9 March 2021</td> </tr> </table>	Number of Private Placement Shares:	68,922,869	Subscription Price:	NOK 0.82 per Private Placement Share	Payment Date:	On or about 4 March 2021	Registration of share capital increase:	9 March 2021
Number of Private Placement Shares:	68,922,869								
Subscription Price:	NOK 0.82 per Private Placement Share								
Payment Date:	On or about 4 March 2021								
Registration of share capital increase:	9 March 2021								

Delivery of Private Placement Shares:	On or about 10 March 2021
Trading of the Private Placement Shares:	On or about 29 March 2021
Number of Shares pre Private Placement:	1,041,229,144 Shares, each with a par value of NOK 0.11
Number of Shares post Private Placement:	1,110,152,013 Shares, each with a par value of NOK 0.11
Gross proceeds from the Private Placement:	NOK 56,516,752.58
Dilution	The Private Placement resulted in a dilution of the then existing shareholders of the Company of approximately 6.2%.
Below is an overview of the terms and timetable for the Warrant Shares:	
Number of Warrant Shares:	Up to 679,182,172 Shares, each with a par value of NOK 0.11
Exercise Price	NOK 0.25 per Warrant Share
Exercise Period Warrant B:	At any time from 20 May 2020 until 20 August 2021
Exercise Period Warrant C:	At any time from 31 March 2021 until 30 June 2021
Exercise approval:	In accordance with the following time schedule: (i) approval of Pending Warrant B Exercises on 24 March 2021; (ii) approval of exercised Warrants B and Warrants C in mid-May 2021; (iii) approval of exercised Warrants B and Warrants C as soon as reasonably practicable following the expiration of Warrant C on 30 June 2021; and (iv) approval of exercised Warrants B as soon as reasonably practicable following the expiration of Warrants B on 20 August 2021.
Payment date:	Payment for the Warrant Shares falls due 7 days following warrant exercise approval.
Delivery date of Warrant Shares:	Warrants Shares are expected to be delivered to the subscriber's VPS account on or about 14 days following payment from all warrant holders exercising Warrants in the current round, subject, however, to registration of the associated share capital increase in the Company Registry.
Trading of Warrant Shares:	Expected first day of trading of the Warrant Shares on Oslo Børs is on or about 21 days following exercise approval.
Number of Shares pre issuance of Warrant Shares:	1,110,152,013 Shares, each with a par value of NOK 0.11.

	<p>Number of Shares post issuance of Warrant shares: 1,789,334,185 Shares each with a par value of NOK 0.11, assuming full exercise of Warrants B and Warrants C.</p> <p>Gross proceeds from the Warrant Shares: Up to approximately NOK 169.8 million assuming full exercise of Warrants B and Warrants C.</p> <p>Dilution: Assuming full exercise of Warrants B and Warrants C, the issuance of the Warrant Shares would result in a dilution of existing shareholders in the Company, taking into account the share capital increases in connection with the Private Placement, of up to approximately 38%.</p>
Estimated expenses	<p>The estimated expenses relating to the Private Placement will be about NOK 4 million including Prospectus costs and fees to the Managers and the legal advisors. The estimated expenses relating to the Warrant Shares, not including Prospectus costs, will be about NOK 500,000.</p> <p>No expenses will be charged to the investors by the Company in connection with the New Shares.</p>

Why is this Prospectus being produced?

Use of proceeds	<p>The proceeds from the Private Placement will be used to fund technology and product development and the initial production of the Company’s micro batteries and for general corporate purposes.</p> <p>The proceeds from the Warrant Shares will be used to fund operating and capital expenditures required by the Company’s business plan, including the development and production of initial SSLB product samples based on the Company’s announced product platform, advancement of the Company’s go-to-market efforts in support of design win generation activities, and support of the bring-up of the Company’s roll-to-roll manufacturing line.</p>
Net proceeds	<p>The gross proceeds to the Company for the Private Placement Shares issued in the Private Placement will be approximately NOK 56.5 million. The total costs are expected to be approximately NOK 4 million, implying net proceeds from the Private Placement of about NOK 52.5 million.</p> <p>Assuming full exercise of Warrants B and Warrants C, the gross proceeds to the Company for the Warrant Shares will be up to approximately NOK 169.8 million. The total costs related to the Warrant Shares will depend on the number of Warrants that ultimately are exercised and the timing of same. Assuming full exercise of Warrants B and Warrants C, a reasonable cost estimate would be NOK 500,000, implying net proceeds from issuance of the Warrant Shares of about NOK 169.3 million.</p>
Material conflicts of interest in the offer	<p>The Company is not aware of any material conflicts of interest of any natural or legal persons involved in the Private Placement, or issuance of the Warrant Shares.</p>
Underwriting agreements	<p>No underwriting agreements have been concluded in connection with the issuance of the New Shares.</p>

2 RISK FACTORS

Investment in Shares, including the New Shares, in the Company involves a high degree of risk. An investor in the Company's Shares should carefully consider the following risk factors, being the principal known risks and uncertainties faced by the Company as of the date hereof that the Company believes are the material risks relevant to an investment in the New Shares, as well as the other information contained in this Prospectus, including information incorporated hereto by reference, see Section 14.5 "Incorporation by reference", and other publicly available information regarding the Company that the Company displays on its website or makes available through Oslo Børs' information system, www.newsweb.no, before deciding to invest in the Shares.

Should any of the following risks occur, it could have a material adverse effect on the Group's business, prospects, results of operations, cash flows and financial position, and the price of the Shares may decline, causing investors to lose all or part of their invested capital.

The risk factors presented in this Section 2 are not exhaustive with respect to all risks relating to the Company and the Shares, but are limited risk factors that are considered specific to the Company and the Shares. The risk factors are presented in a limited number of categories, where each risk factor is sought placed in the most appropriate category based on the nature of the risk it represents. Within each category the risk factor deemed most material for the Company and/or the Shares, taking into account their potential negative effect for the Company and its subsidiaries and the probability of their occurrence, is set out first. This does not mean that the remaining risk factors are ranked in order of their materiality or comprehensibility, nor based on the probability of their occurrence.

Before making any decision to invest in the Company's shares, an investor must take into account that a number of general risks not mentioned in this Section 2 still apply to the Company and the Shares.

An investment in the Shares is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of their investment.

2.1 Risks Related to the Company's Financial Condition

2.1.1 The Private Placement will only provide funds for a limited period of operation

The Private Placement is intended to provide sufficient funding to allow the Company to continue technology and product development activities so as to manufacture initial SSLB product samples based on the Company's announced product platform, advance the Company's go-to-market efforts in support of design win generation activities, and support the manufacturing bring-up of the Company's roll-to-roll manufacturing line.

The Company expects to seek additional funding for its business according to the previously presented business plan. Such funding may be obtained through the exercise of two outstanding Warrants B and C, although the quantity and timing of Warrant exercises cannot be guaranteed.

If the Company does not receive sufficient Warrant exercises to meet its cash requirements and the Company is unable to secure other sources of new fundraising within the third quarter of 2021, significant uncertainty would exist as to whether the Company can continue to operate. In such a case, the Board may evaluate further strategic options including the restructuring, sale, or dissolution of the Company.

2.1.2 Thinfilm’s future business is difficult to evaluate because the Company has ventured into a new business opportunity

The Company’s new energy storage strategy represents a business opportunity, which needs to be matured to commercial phase. Thinfilm’s revenue and income-producing potential is unproven, and the Company’s business model and strategy continue to evolve. To date, Thinfilm has earned only insignificant revenues on previous products. Future revenues are contingent upon several factors, such as the Company’s ability to mature its new technology and production processes, develop relationships with customers, and secure widespread commercial acceptance of the Company’s technology. Historic performance will provide limited guidance to the Company’s prospects with its current business strategy. An investor in the Shares must evaluate the Company’s prospects based on limited operating and financial information while considering the risks and difficulties frequently encountered by early stage companies when pursuing a new business opportunity in rapidly changing markets.

2.1.3 Thinfilm will need additional capital, which, if obtainable, may dilute the ownership interest of investors

The Company has raised approximately NOK 56.5 million in gross proceeds from the Private Placement. Such subscription, and the potential receipt of payment for shares issued based on Warrant B exercise requests received by the Company but not yet approved by the Board as of the date of this Prospectus, will only secure financing of the Company into Q3 2021 – after which the Company must obtain additional funding, through the exercise of outstanding Warrants or by other means, in order to fulfill current plans to produce solid-state lithium battery (SSLB) products in its San Jose, California production facility. To support the Company’s business plan into the first quarter of 2022, Thinfilm expects to require additional funds in the range of USD 21 – 23 million. As of the date of this Prospectus, total outstanding, unexercised Warrants B and C together have a total fundraising capacity of approximately NOK 169.8 million (approximately USD 19.6 million based on exchange rates as of the date of this Prospectus). Beyond the exercise of Warrants, sources of funding may include new and existing investors, potential Joint Development Agreements with customers, and revenues from initial product shipments.

Since its incorporation in 2005, the Company has experienced negative cash flow. Cash proceeds from the Private Placement are insufficient to fund the Company’s operations beyond the period described above. Thinfilm will need to raise additional funds through the exercise of Warrants or the issuance of equity, equity-related or convertible debt securities. Thinfilm cannot be certain that such additional financing will be available to the Company on acceptable terms when required, or at all.

Depending on the structure of any future offering, certain existing shareholders may not have the ability to purchase additional equity securities. If the Company raises additional funds by issuing additional equity securities, the holdings and voting interests of existing shareholders could be diluted.

2.1.4 Thinfilm is exposed to exchange rate risks

Since the announcement of the Company’s SSLB strategy, the Company has primarily pursued financing through private placements and subsequent offerings issued in NOK. The functional currency of the Company is USD, and the Company’s personnel and operations are primarily located in the United States. Therefore, the Company’s fundraising potential in terms of USD may be reduced or expanded based on the exchange rate between USD and NOK whenever funds are subject to currency exchange.

2.2 Risks Related to the Company’s Business Activities and Industry

2.2.1 Thinfilm’s business plan depends heavily on revenues from new technology that is commercially unproven, so delays in development may negatively affect the Company’s ability to generate revenues

Thinfilm’s future growth depends on the commercial success of its technology. The Company has made a strategic shift towards the development and deployment of its solid-state lithium battery (SSLB) technology in several applications in the microbattery space. The Company is pursuing market opportunities for this technology. Thinfilm will not be successful unless the Company manages to develop its technology and generate recurring revenue and grow its business. Implementation of the energy storage technology process is in an early phase, susceptible to both technology and market risks. To a certain extent, Thinfilm is also dependent on continued collaboration with technology, materials, and manufacturing partners. The success of this strategy will depend on the Company’s ability to develop and adapt its technology and deliver products which meet market demand and acceptance, at profitable pricing. The Company does not have a proven track record with respect to the technology and target markets. Further, Thinfilm’s resources, facilities and investments may not be adequate in order to achieve the targeted level of manufacturing and commercialization set out in the Company’s business plan. If the Company’s technology development is delayed, the Company may be required to raise additional funds to support extended development efforts. If the Company is unsuccessful in the timely development of products based on its SSLB technology, it may not achieve targeted levels of revenue and profitability.

2.2.2 Future growth may place a significant strain on Thinfilm’s management systems and resources

In support of its SSLB strategy, Thinfilm will need to refine and develop its technology, product, sales and marketing functions, and adapt to customer demands to achieve the Company’s business plan. Future growth may place a significant strain on Thinfilm’s management systems and resources. Thinfilm will need to continuously manage organizational changes, improve its financial and managerial controls and reporting systems and procedures, and expand, train and manage its work force.

Thinfilm’s business results depend on its ability to successfully manage ongoing organizational changes. The financial projections assume successfully executing certain of these organizational changes, including the motivation and retention of key employees and recruitment of qualified personnel, which is critical to the business success.

Factors that may affect the Company’s ability to attract and retain talented leadership, key individual contributors, and sufficient numbers of qualified employees include:

- employee morale,
- our reputation,
- competition from other employers, and
- availability of qualified personnel.

The Company’s success is dependent on identifying, developing and retaining key employees to provide uninterrupted leadership and direction for our business. This includes developing and retaining organizational capabilities in key technology areas, where the depth of skilled or experienced employees may be limited and competition for these resources is intense.

If the Company fails to manage any of these aspects of its growth, its ability to deliver on technology and product development goals may be limited and the Company may not achieve targeted levels of revenue and profitability.

2.3 Risks Related to the Company's Markets

2.3.1 Thinfilm's technology is not well established in target markets

Many of the markets that Thinfilm targets in connection with its new energy storage strategy, will require time in order to gain traction, and there is a potential risk of delays in the timing of sales. Risks and delays may include, but are not limited to:

- Uncertain global economic conditions may adversely impact demand for the products or cause customers and other business partners to suffer financial hardship, which could cause delays in market traction and adversely impact the Company's business.
- Thinfilm's ability to meet growth targets depends on successful product, marketing, and operations innovation and successful responses to competitive innovation and changing consumer habits that may result in changes in the customers' specifications.

The Company cannot assure that the business will be successful or that it will be able to generate significant revenue. If the Company fails to establish and build relationships with customers, or customers' products which utilize the Company's technology do not gain widespread market acceptance, the Company may not be able to generate significant revenue. The Company does not aim to sell any products to end users, and it does not control or influence the manufacture, promotion, distribution, or pricing of the products that incorporate its solutions. Instead, the Company designs various devices and products that OEM customers incorporate into their products, and Thinfilm depends on such OEM customers to successfully manufacture and distribute products incorporating the Company's solutions and to generate consumer demand through marketing and promotional activities.

As a result of this, the Company's success depends almost entirely upon the widespread market acceptance of its OEM customers' products that incorporate Thinfilm devices.

Thinfilm's ability to generate significant revenue from new markets will depend on various factors, including the following:

- The development and growth of these markets;
- The ability of the Company's technologies and product solutions to address the needs of these markets, the price and performance requirements of OEMs, and the preferences of end users; and
- Its ability to provide OEMs with solutions that provide an overall advantage when considering factors such as size, reliability, durability, performance, life-cycle cost, and value-added features compared with alternative solutions.

If the Company is unable to successfully establish its technology and products in key markets, it may not be able to achieve targeted levels of revenue and profitability.

2.4 Risks Related to Legal and Regulatory Matters

2.4.1 Thinfilm is highly dependent on IP and the Company’s methods of protecting its IP may not be adequate

Thinfilm relies on a combination of patent laws, trade secrets, confidentiality procedures and contractual provisions to protect the Company’s IPR.

Thinfilm cannot be certain that it will be able to obtain patent protection on the key components of its SSLB and stainless steel-based flexible electronics manufacturing technology or that the Company will be able to obtain patents in key jurisdictions such as the United States, China, Japan or EU. Thinfilm cannot give assurances that the Company will develop new products or technologies that are patentable, that any issued patent will provide the Company with any competitive advantages or will not be challenged by third parties, or that the patents of others will not impair the Company’s ability to do business.

Furthermore, the Company’s equipment term loan facility with Utica Leaseco, LLC is secured by certain of the Company’s patent IP. If the Company is unable to fulfill its obligation under the loan facility, Utica Leaseco, LLC may enforce their security interest.

Unauthorized parties may attempt to copy or obtain and use the Company’s technology. Policing the unauthorized use of Thinfilm’s technology is difficult, and there can be no assurance that the steps taken by the Company will prevent misappropriation of its technology. In the event of misappropriation, the Company may choose to enter into legal proceedings, at its own expense, to defend its IPR, but there is no guarantee that such proceedings will be successful.

2.4.2 If the Company’s technology is not adequately protected, is realized or is misappropriated, the Company may not be able to sufficiently differentiate itself from competitors and may not be able to achieve targeted levels of revenue and profitability. Thinfilm faces risks of claims for IP infringement

Thinfilm’s competitors or other persons may have already obtained or may in the future obtain patents relating to one or more aspects of the Company’s technology. If Thinfilm is sued for patent or other intellectual property right infringement, the Company may be forced to incur substantial costs in defending itself. If litigation were to result in a judgment that Thinfilm infringed a valid and enforceable patent or other intellectual property right, a court may order the Company to pay substantial damages to the owner of the patent or other intellectual property right and to stop using any infringing technology or products. This could cause a significant disruption in Thinfilm’s business and force the Company to incur substantial costs to develop and implement alternative, non-infringing technology or products, or to obtain a license from the patent or other intellectual property right owner. This could also lead Thinfilm’s licensees and customers to bring warranty claims against the Company.

2.5 Risk factors relating to the Shares

2.5.1 Future issuances of Shares upon exercise of warrants and/or incentive subscription rights could dilute the holdings of shareholders and could materially affect the price of the Shares

As of the date of this Prospectus, a total of 115,814,755 incentive subscription rights are issued and outstanding under the Company incentive subscription rights plans, and a total of 679,182,172 Warrants have been issued and are currently outstanding in connection with the private placement and subsequent offering approved 20 May 2020 and a second private placement and subsequent

offering approved 19 August 2020. Any issuance of new Shares upon the exercise of incentive subscription rights and Warrants will result in the dilution of the ownership interests of the Company's existing shareholders.

3 RESPONSIBILITY STATEMENT

The Prospectus has been prepared by the Board of Directors in Thin Film Electronics ASA (the “**Board**” or the “**Board of Directors**”) to provide information to shareholders and investors of the Company in connection with the Private Placement and the listing of the New Shares, as described herein.

The Board of Directors hereby declares that, to the best of our knowledge, the information contained in this Prospectus is in accordance with the facts and that the Prospectus makes no omission likely to affect its import.

The Board of Directors of Thin Film Electronics ASA

Oslo, 26 March 2021

Morten Opstad
chairman

Jon S. Castor
board member

Kelly S. Doss
board member

Preeti Mardia
board member

4 GENERAL INFORMATION

4.1 Approval of the Prospectus

This Prospectus has been approved by the Norwegian FSA under the EU Prospectus Regulation. The Norwegian FSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation. Such approval shall not be considered as an endorsement of the issuer or the quality of the securities that are the subject of this Prospectus. All investors should make their own assessments as to the suitability of investing in the securities.

This Prospectus has been drawn up as part of the simplified prospectus regime in accordance with Article 14 of the EU Prospectus Regulation.

4.2 Cautionary note regarding Forward-looking Statements

This Prospectus includes statements regarding future developments, including, without limitation, projections and expectations regarding the Group's future financial position, business strategy, plans and objectives, all of which are based on information available to the Company, and views and assessments of the Company, as of the date of this Prospectus ("**Forward-looking Statements**"). Except as required by the applicable stock exchange rules or applicable law, the Company does not intend, and expressly disclaims any obligation or undertaking, to publicly update, correct or revise any of the information included in this Prospectus, including forward-looking information and statements, whether to reflect changes in the Company's expectations with regard thereto or as a result of new information, future events, changes in conditions or circumstances or otherwise on which any statement in this Prospectus is based.

When used in this document, the words "anticipate", "believe", "estimate", "expect", "seek to" and similar expressions, as they relate to the Company, its Subsidiaries or its management, are intended to identify Forward-looking Statements.

Prospective investors in the Shares are cautioned that Forward-looking Statements are not guarantees of future performance and that the Group's actual financial position, operating results and liquidity, and the development of the industry in which the Group operates, may differ materially from those made in or suggested by the Forward-looking Statements contained in this Prospectus. The Company cannot guarantee that the intentions, beliefs or current expectations upon which its Forward-looking Statements are based will occur. Given the aforementioned uncertainties, prospective investors are cautioned not to place undue reliance of these Forward-looking Statements.

Such Forward-looking Statements are included in various places of the Prospectus, and in particular in Sections 2 and 6.

5 INFORMATION CONCERNING THE SECURITIES BEING ADMITTED TO TRADING

5.1 The background for, the purpose of and the use of proceeds

The proceeds from the Private Placement will be used to fund technology and product development, the initial production of the Company's micro batteries and for general corporate purposes.

The proceeds from the Warrant Shares will be used to fund operating and capital expenditures required by the Company's business plan, including the development and production of initial SSLB product samples based on the Company's announced product platform, advancement of the Company's go-to-market efforts in support of design win generation activities, and support of the bring-up of the Company's roll-to-roll manufacturing line.

5.2 The Private Placement

5.2.1 Overview

The full terms and conditions of the Private Placement are set out in Section 5.2.5.

The Company conducted a Private Placement on 1 March 2021 of 68,922,869 Private Placement Shares towards investors, including certain existing shareholders. The Private Placement was approved by the Company's Board pursuant to an authorization to issue new shares in connection with private placements resolved by an Extraordinary General Meeting in the Company on 19 August 2020. The Private Placement Shares were subscribed for at a Subscription Price of NOK 0.82 per Share, each share having a par value of NOK 0.11. The total gross proceeds from the Private Placement amounted to NOK 56,516,752.58.

The Board considers it was appropriate, and in the shareholders' best interest, that the existing shareholders' preferential rights to subscribe for Private Placement Shares be waived in favor of the subscribers in the Private Placement because of the following: (i) the subscription price in the Private Placement was set at a limited discount on the closing price of the Company's shares, as reported by Oslo Børs, on 1 March 2021, (ii) the Private Placement represents a limited increase of the share capital of approximately 6.6%, (iii) the Private Placement was publicly announced at the beginning of the book-building period, and (iv) the Private Placement was necessary and appropriate to secure timely financing in order to fund the Company's technology and product development and the initial production of the Company's micro batteries, and for general corporate purposes.

The Private Placement Shares cannot be admitted to trading prior to approval and publication of this Prospectus. For the foregoing reason, and also to facilitate a delivery-versus-payment settlement of the Private Placement Shares on or about 4 March 2021, the delivery of Private Placement Shares was settled with existing, unencumbered and already listed shares in the Company, pursuant to a Share Lending Agreement between the Managers, the Company and the Lender.

The share loan was settled by the Managers on 10 March 2021 with the Private Placement Shares, which were delivered immediately upon registration of the associated share capital increase being registered in the Company Registry on 9 March 2021. The admission of the Private Placement Shares to trading on Oslo Børs remained subject to approval and publication of a listing prospectus in accordance with Article 3 of the EU Prospectus Regulation. Therefore,

upon registration of the share capital increase associated with the Private Placement Shares in the Company Registry, the Private Placement Shares were issued to the Lender on a temporary, separate and non-tradeable ISIN number and, immediately after approval and publication of this Prospectus, such shares are transferred to the ordinary ISIN number of the Company's shares that are traded on Oslo Børs.

Prior to the Private Placement, the Company's share capital was NOK 114,535,205.84 divided into 1,041,229,144 Shares, each with a par value of NOK 0.11. Following registration of the share capital increase in connection with the Private Placement, the Company has an issued share capital of NOK 122,116,721.43 divided into 1,110,152,013 Shares, each with a par value of NOK 0.11.

5.2.2 Subscription Price

The Subscription Price of NOK 0.82 per Private Placement Share was determined through an accelerated book building process by the Company's Board in consultation with the Managers. The Subscription Price was announced through Oslo Børs' electronic information system on 2 March 2021.

No expenses or taxes were specifically charged to the subscribers.

5.2.3 Subscription and Payment for the Private Placement Shares

The Private Placement Shares were subscribed for in the minutes of the Board meeting dated 1 March 2021 by the Managers, on behalf of and pursuant to powers of attorneys from the investors. The bookbuilding period ran from and including 1 March 2021 at 16:30 hours (CET) to and including 2 March 2021 at 08:00 hours (CET). The minimum amount of application was EUR 100,000.

The Private Placement was announced on 2 March 2021 through Oslo Børs' electronic information system, following approval of such placement and allocation by the Company's Board on 1 March 2021. The Private Placement Shares were settled with existing shares in accordance with the Share Lending Agreement on or about 4 March 2021 by delivery to the subscribers' VPS account and were tradable immediately upon delivery. The share loan was settled by the Managers to the Lender with the Private Placement Shares upon registration of the associated share capital increase in the Company Registry on 9 March 2021. The Private Placement Shares were delivered to a separate non-tradable ISIN and, upon approval and publication of this Prospectus, will be transferred to the Company's ordinary ISIN NO 0010299068 and be admitted to trading on Oslo Børs. The Private Placement Shares are expected to be tradable on or about 29 March 2021.

The Private Placement did not include any retail tranche or tranche for Company employees and no allotment method was consequently used by over-subscription of such tranches. Multiple subscriptions were not admitted as the Private Placement was formalized by way of an application agreement.

The following investors were allocated more than 5% of the Private Placement Shares:

Name of investor	Number of Private Placement Shares allocated	% of the Private Placement
Robert N. Keith	6,044,373	8.76%
Forte Trønder	5,535,838	8.03%

Forte Norge	4,000,000	5.80%
Andreas Ellingsen	4,000,000	5.80%
Alden AS	3,766,424	5.46%

Alden AS and Robert N. Keith are major shareholders in the Company, cf. Section 10.6 “*Major Shareholders*”. Tigerstaden AS and Middelborg Invest AS are also “*Major Shareholders*”, cf. Section 10.6 and participated in the Private Placement, but were allocated less than 5% of the Private Placement Shares. No members of the Company’s management, supervisory or administrative bodies were allocated Private Placement Shares in the Private Placement.

5.2.4 Admission to trading

The Company’s shares are listed on Oslo Børs under the ticker-code “THIN”.

The listing on Oslo Børs of the Private Placement Shares is subject to the approval of the Prospectus by the Norwegian FSA under the rules of the Norwegian Securities Trading Act. Such approval was granted on 26 March 2021.

The first day of trading of the Private Placement Shares on Oslo Børs, under Oslo Børs ticker symbol “THIN”, will be on or about 29 March 2021. None of the Company’s shares (including the Private Placement Shares) are offered or admitted to trading at any other regulated market than Oslo Børs.

The registrar for the Shares is DNB Bank ASA, Verdipapirservice, Dronning Eufemias gate 30, NO-0191 Oslo, Norway.

5.2.5 Resolutions to issue the Private Placement Shares

The issuance of the Private Placement Shares was approved by the Company’s Board on 1 March 2021 through the following resolution:

The Board resolved that the Company's share capital is increased with NOK 7,581,515.59 from NOK 114,535,205.84 to NOK 122,116,721.43 by issuance of 68,922,869 new shares, each having a par value of NOK 0.11, in a private placement of shares for a subscription price per share of NOK 0.82. The total par value of NOK 7,581,515.59 shall be added to the share capital of the Company, while the remaining NOK 48,935,236.99 is share premium. The new shares may be subscribed for by SEB and SpareBank 1 Markets AS on behalf of the investors, who have been allocated shares in the placement. The existing shareholders' preferential right is deviated from. Subscription for the new shares shall be made in the minutes of this Board meeting. The subscription price shall be paid within 4 March 2021 to the bank account specified by the Company in writing (or such later date as determined by the Board, but no later than 20 March 2021). The new shares shall carry shareholder rights, including right to dividends or other distributions that are declared, from registration of the share capital increase in the Norwegian Register of Business Enterprises. The estimated costs related to the private placement are approximately NOK 4 million, which includes fees to the Managers and the legal advisors assisting on the placement, as well as the costs of a listing prospectus.

By reason of the above share capital increase, Section 4 of the Company’s Articles of Association was amended to read:

“The Company’s share capital is NOK 122,116,721.43 divided into 1,110,152,013 shares each having a par value of NOK 0.11.”

5.2.6 Dilution

The dilutive effect following the issuance of the Private Placement Shares represents an immediate dilution of approximately 6,2% for existing shareholders who did not participate in the Private Placement.

The net asset value in the Financial Statements on 31 December 2020 was negative USD 46,866,000, which translates to approximately negative USD 0.045 per share outstanding prior to the Private Placement. The Subscription Price in the Private Placement is NOK 0.82.

5.3 The Warrant Shares

5.3.1 Overview

The full terms and conditions of Warrants B and Warrants C are set out in Section 5.3.5.

Warrants B were issued in connection with the private placement and subsequent offering in the Company announced at Oslo Børs on 27 April 2020 and resolved at the Extraordinary General Meeting on 20 May 2020, while Warrants C were issued in connection the private placement and subsequent offering announced at Oslo Børs on 23 July 2020 and resolved at the Extraordinary General Meeting on 19 August 2020. In connection with said share issues, the Company issued warrants (*Norwegian: Frittstående tegningsretter*) to subscribers in both the private placements and the subsequent offerings. Each warrant entitles the holder to subscribe for one Share in the Company.

For each Share subscribed for and allotted in the private placement and subsequent offering resolved by the Extraordinary General Meeting on 20 May 2020, each subscriber was granted one warrant with an exercise price of NOK 0.11 per Share, exercisable at any time from the date of grant until 31 December 2020 (“Warrant A”), and one warrant with an exercise price of NOK 0.25 per Share, exercisable at any time from the date of grant until 20 August 2021 (“Warrant B”).

A total of 290 909 090 Warrants A and 290 909 090 Warrants B were issued in connection with such private placement and subsequent offering. As of the date of this Prospectus, 273,073,534 Warrants A and 12,260,250 Warrants B have been duly exercised and a corresponding number of Shares has been issued and subsequently listed on Oslo Børs. Warrants A expired on 31 December 2020 and unexercised Warrants A as of such expiration date lapsed without compensation to the holder and are no longer exercisable. As of the date of this Prospectus, 278,648,840 Warrants B are issued and outstanding in the Company.

The Company has of the date of this Prospectus received notice of exercise of 58,680,765 Warrants B (“**Pending Warrant B Exercises**”),² while 219,968,075 Warrants B remain unexercised but exercisable until 20 August 2021. The total gross proceeds from the issuance of Warrant Shares in respect of the Pending Warrant B Exercises will amount to NOK 14,670,191.25.

² Pending Warrant B Exercises were approved by the Board on 24 March 2021, as stated below, but the associated share capital increase has not been registered in the Company Registry and the shares have not been delivered to the warrant holders as of the date of this Prospectus.

For each Share subscribed for in the private placement and subsequent offering resolved by the Extraordinary General Meeting on 19 August 2020, each subscriber was granted one warrant with an exercise price of NOK 0.25 per Share, exercisable at any time between 31 March 2021 and 30 June 2021 (“Warrant C”).

A total of 400,533,332 Warrants C were issued in connection the with such private placement and subsequent offering. As of the date of this Prospectus, the exercise period for Warrants C has not yet commenced, and all 400,533,332 Warrants C are therefore issued and outstanding.

Up to 278,648,840 Warrants B (including the Pending Warrant B Exercises) and up to 400,533,332 Warrants C may therefore be exercised by the respective expiration dates for the Warrants. In case all the issued and outstanding Warrants B and Warrants C, totalling 679,182,172 Warrants, become timely exercised, the gross proceeds from the issuance of the corresponding number of Warrant Shares will amount to NOK 169.8 million.

As the Warrants are exercisable at any time during the applicable exercise period, the Company is not able to control the timing of the Warrant exercises and the accompanying issuance of Warrant Shares. Other than in respect of the Pending Warrant B Exercises, no commitments have been made by any Warrant holder as to future exercises. The Company notes that approximately 93.86% of the Warrants A were exercised and considers it reasonable that a significant number of Warrants B and Warrants C may be exercised if the share price of the Company’s shares, as reported by Oslo Børs, is higher than the Exercise Price for the Warrants at the time of exercise.

In connection with the issuance of Warrants B and Warrants C, existing shareholders preemptive rights were deviated from in favor of the subscribers in the relevant private placements and subsequent offerings in 2020. At that time, the Board considered it appropriate that the existing shareholders' preferential rights to subscribe for Shares (and Warrants) were waived in favor of the subscribers in the placements because of the immediate need of financing in order for the Company to secure continued operations. The Exercise Price for Warrants B and Warrants C was set at the level necessary in order to ensure that the Warrants would be exercised and for the Company to secure long term financing. The diluting effect on existing shareholders was reduced due to the Company carrying out subsequent offerings of Shares and Warrants in connection with both private placements. In connection with exercise of Warrants B and Warrants C, existing shareholders preemptive rights are automatically deviated from in favor of the Warrant holders.

5.3.2 Exercise Price

Warrants B and C were issued against no consideration. The Exercise Price per Share to be issued upon exercise of the Warrants B and Warrants C is NOK 0.25. The Exercise Price was announced through Oslo Børs’ electronic information system on 27 April 2020 (in respect of Warrants B) and 23 July 2020 (in respect of Warrants C).

No expenses or taxes were specifically charged to the subscribers.

5.3.3 Exercise of Warrants B and Warrants C, and payment and delivery of the Warrant Shares

Warrants B and Warrants C are exercisable at any time within the applicable exercise period, as stated in Section 5.3.1 above, by written notice by the warrant holder to the Company by e-mail (to warrants@thinfilmsystems.com). Such notice shall specify the number and type of Warrants exercised, the aggregate Exercise Price to be paid, the warrant holder's VPS account

to which the Warrant Shares shall be issued, and the contact information for the holder, including full name, organization number (if a legal entity) or personal ID number (if an individual), address, telephone number and e-mail address. The exercise of Warrants is irrevocable and may not be withdrawn.

With respect to future Warrant exercises, the Board will approve warrant exercise and the associated share capital increase in accordance with the following time schedule: (i) approval of Pending Warrant B Exercises on 24 March 2021; (ii) approval of exercised Warrants B and Warrants C in mid-May 2021; (iii) approval of exercised Warrants B and Warrants C as soon as reasonably practicable following the expiration of Warrant C on 30 June 2021; and (iv) approval of exercised Warrants B as soon as reasonably practicable following the expiration of Warrants B on 20 August 2021. Information on the number of Warrant exercises and the corresponding number of Warrant Shares that will be issued will be announced on Oslo Børs NewsWeb after the Board’s approval of the share capital increase in connection with warrant exercise. Payment of the share contribution in connection with issuance of the Warrant Shares will be 7 days following such approval. Upon full payment by all Warrant holders, who have exercised Warrants in connection with the exercise round in question, the Company will register the share capital increase in connection with issuance of Warrant Shares in the Company Registry. Registration of the share capital increase will be made in the ordinary course by the Company Registry, and could therefore be subject to varying processing times. Upon registration of the share capital increase in the Company Registry, the Company will announce such registration on Oslo Børs NewsWeb.

With respect to the Pending Warrant B Exercises, the Board approved such warrant exercises on 24 March 2021, with the process hereafter as set out in the preceding paragraph.

The Company is not aware of any person that intends to subscribe for more than 5% of the Warrant Shares by exercise of Warrants B or Warrants C. However, the following warrant holders were allocated 5% or more of the Warrants B and C, and would, therefore, be able to subscribe for 5% or more of the corresponding Warrant Shares:

Name of investor	Number of Warrants B allocated	% of the total amount of Warrants B issued
Robert N. Keith	45,454,545	15.62%
Alden AS	45,454,545	15.62%
Tigerstaden AS	45,454,545	15.62%
Middelborg Invest AS	18,181,818	6.24%

The following investors were allocated more than 5% of Warrants C:

Name of investor	Number of Warrants C allocated	% of the total amount of Warrants C issued
Killik & Co (on behalf of Robert N. Keith)	83,333,333	20.8%
Middelborg Invest AS	41,750,000	10.42%
Dukat AS	35,833,333	8.94%
Alden AS	35,833,333	8.94%
Tigerstaden AS	35,083,333	8.75%

In addition to the above-mentioned subscribers, the following members of the Company’s management, supervisory or administrative bodies were allocated Warrants B and Warrants C, and could subscribe for Warrant Shares by exercising such Warrants:

Name of investor	Number of Warrants allocated	% of Warrants B allocated	Number of Warrants C allocated	% of Warrants C allocated
Morten Opstad, Chairman	1,966,542	0.67%	846,308	0.21%
Kevin Barber, CEO	909,090	0.31%	-	-
Jon Castor, Board member	909,090	0.31%	90,909	0.02%
Kelly Doss, Board member	454,545	0.15%	333,333	0.08%
Preeti Mardia, Board member	-	-	333,333	0.08%

5.3.4 Admission to trading

Warrants B and C are transferable, but have not been and will not be admitted to trading on a regulated market.

The Warrant Shares will be admitted to trading on Oslo Børs on or about 21 days after exercise is approved by the Board, however, subject to the Warrants being timely paid, registration of the associated share capital increase in the Company Registry and any obligations under the EU Prospectus Regulation being satisfied, including, to the extent required, the approval of a supplement to the Prospectus by the FSA.

Reference is further made to Section 10.2 for more information on “*The Shares*”. The Company’s registrar is stated in Section 5.2.4.

Subject to the above-mentioned conditions being satisfied, the Shares will be registered on the Company’s ordinary ISIN NO0010299068 and be admitted to trading on Oslo Børs under ticker symbol “THIN”.

5.3.5 Resolutions to issue Warrants B and Warrants C

The issuance of Warrants B was approved by the Company’s Extraordinary General Meeting on 20 May 2020 through the following resolution:

- The Company shall issue warrants in accordance with Section 11-12 of the PLCA to investors participating in the private placement and Subsequent Offering in accordance with sections 3 and 4 above. The number of warrants which may be issued shall be two warrants for each share subscribed for and allocated in the Private Placement and Subsequent Offering in accordance with sections 3 and 4 of the minutes of this Extraordinary General Meeting. The first warrant (“Warrant A”) has an exercise price of NOK 0.11 per share and will be exercisable at any time from the date of grant until 31 December 2020. The second warrant (“Warrant B”) has an exercise price of NOK 0.25 per share and will be exercisable at any time from the date of grant until the date 15 months following the date of this Extraordinary General Meeting.*

2. *The maximum number of warrants that may be issued is 581,818,180, including both Warrants A and Warrants B.*
3. *In connection with the issuance of warrants, and the exercise of any of the warrants and the resulting share capital increase in the Company, the existing shareholders waive their preferential right to subscribe for warrants or shares, as the case may be, according to Section 11-13 of the PLCA.*
4. *Each warrant shall entitle the holder to demand the issuance of one share in the Company; provided, however, that in the event the Company's share capital or number of shares is changed by way of a capitalization issue, stock split, stock consolidation etc., the maximum number of warrants (see subsection 2 above) that may be issued in accordance with section 2, and the consideration for the shares to be issued in the Company upon exercise of the warrants, shall be adjusted accordingly and rounded downwards to the nearest whole number.*
5. *The warrants for participants in the private placement set out in section 3 must be subscribed for on or before 22 May 2020 (or such later date as determined by the Board of Directors, but no later than 15 July 2020). The warrants for participants in the subsequent offering set out in section 4 must be subscribed for on or before the expiration date of the subscription period in the Subsequent Offering.*
6. *The warrants will be granted for no charge.*
7. *The warrants are transferable, however, will not be admitted to trading on Oslo Børs.*
8. *Any shares that are issued by the Company under this resolution shall carry rights to dividends declared subsequent to the subscriber having paid the subscription price and the associated share capital increase having been registered in the Register of Business Enterprises. All other shareholder rights associated with these shares, hereunder those referenced in Section 11-12 (2) no.9 of the PLCA, shall attach from the date of issuance of the said shares.*

The issuance of Warrants C in connection with the private placement was approved by the Company's Extraordinary General Meeting on 19 August 2020 through the following resolution:

1. *The Company shall issue Warrants in accordance with Section 11-12 of the PLCA to investors participating in the Private Placement in accordance with section 3 above. The number of Warrants which may be issued shall be one Warrant for each share subscribed for and allocated in the Private Placement in accordance with section 3 of the minutes of this Extraordinary General Meeting. The warrants have an exercise price of NOK 0.25 per share and will be exercisable at any time from 31 March 2021 until 30 June 2021.*
2. *The number of Warrants to be issued is 333,866,666.*
3. *In connection with the issuance of Warrants, the exercise of any of the Warrants and the resulting share capital increase in the Company, the existing shareholders waive*

their preferential right to subscribe for Warrants or shares, as the case may be, according to Section 11-13 of the PLCA.

4. *Each Warrant shall entitle the holder to demand the issuance of one share in the Company; provided, however, that in the event the Company's share capital or number of shares is changed by way of a capitalization issue, stock split, stock consolidation etc., the maximum number of Warrants (see subsection 2 above) that may be issued in accordance with this section 5.1, and the consideration for the shares to be issued in the Company upon exercise of the Warrants, shall be adjusted accordingly and rounded downwards to the nearest whole number.*
5. *The Warrants for participants in the Private Placement set out in section 3 must be subscribed for on or before 21 August 2020 (or such later date as determined by the Board of Directors, but no later than 30 September 2020).*
6. *The Warrants will be granted for no charge.*
7. *The Warrants are transferable, however, will not be admitted to trading on Oslo Børs.*
8. *Any shares that are issued by the Company under this resolution shall carry rights to dividends declared subsequent to the subscriber having paid the subscription price and the associated share capital increase having been registered in the Register of Business Enterprises. All other shareholder rights associated with these shares, hereunder those referenced in Section 11-12 (2) no.9 of the PLCA, shall attach from the date of issuance of the said shares.*

The issuance of Warrants C in connection with the subsequent offering was approved by the Company's Extraordinary General Meeting on 19 August 2020 through the following resolution:

1. *The Company shall issue Warrants in accordance with Section 11-12 of the PLCA to investors participating in the Subsequent Offering in accordance with section 4 above. The number of warrants which may be issued shall be one warrant for each share subscribed for and allocated in the Subsequent Offering in accordance with section 4. The Warrants have an exercise price of NOK 0.25 per share and will be exercisable at any time from 31 March 2021 until 30 June 2021.*
2. *It shall be issued minimum 6,666,666 Warrants and maximum 66,666,666 Warrants.*
3. *In connection with the issuance of Warrants, the exercise of any of the Warrants and the resulting share capital increase in the Company, the existing shareholders waive their preferential right to subscribe for warrants or shares, as the case may be, according to Section 11-13 of the PLCA.*
4. *Each Warrant shall entitle the holder to demand the issuance of one share in the Company; provided, however, that in the event the Company's share capital or number of shares is changed by way of a capitalization issue, stock split, stock consolidation etc., the maximum number of warrants (see subsection 2 above) that may be issued in accordance with section 5.2, and the consideration for the shares to be issued in the Company upon exercise of the warrants, shall be adjusted accordingly and rounded downwards to the nearest whole number.*

5. *The Warrants for participants in the Subsequent Offering set out in section 4 must be subscribed for, at the latest, on the expiration date of the subscription period in the Subsequent Offering.*
6. *The Warrants will be granted for no charge.*
7. *The Warrants are transferable, however, will not be admitted to trading on Oslo Børs.*
8. *Any shares that are issued by the Company under this resolution shall carry rights to dividends declared subsequent to the subscriber having paid the subscription price and the associated share capital increase having been registered in the Register of Business Enterprises. All other shareholder rights associated with these shares, hereunder those referenced in Section 11-12 (2) no.9 of the PLCA, shall attach from the date of issuance of the said shares.*

5.3.6 Dilution

The dilutive effect following the issuance of Warrant Shares in connection with the Pending Warrant B Exercises represents an immediate dilution of approximately 4%, taking into account the share capital increase in connection with the Private Placement, for existing shareholders who did not exercise Warrants B in connection with the Pending Warrant B Exercises.

Assuming certain percentages of the currently outstanding Warrants B and Warrants C are exercised, the dilutive effect following the issuance of the Warrant Shares will represent an immediate dilution compared to the Company's share capital, taking into account the Private Placement Shares, for the shareholders who do not exercise Warrants B or Warrants C as follows:

	25%	50%	75%	100%
Warrants B	5.9%	11.2%	15.8%	20.1%
Warrants C	8.3%	15.3%	21.3%	26.5%
Total	13.3%	23.4%	31.5%	38%

As stated in Section 5.2.6, the net asset value in the Financial Statements on 31 December 2020 was negative USD 46,866,000, which translates to approximately USD 0.042 per share outstanding taking into account the Private Placement Shares and USD 0.026 per share outstanding taking into account the Private Placement Shares and the Warrant Shares. The Exercise Price in connection with Warrants B and Warrants C is NOK 0.25.

5.4 Shareholder's rights relating to the New Shares

The New Shares are ordinary Shares in the Company, each having a par value of NOK 0.11. The New Shares are issued electronically in registered form in accordance with the Norwegian Public Limited Companies Act.

The rights attached to the New Shares will be the same as those attached to the Company's existing Shares.

5.5 LEI number

The Company's legal entity identifier (LEI) is 5493007QXMCG0WPKFC96.

5.6 Lock-up, underwriting, stabilization and market-making

No lock-up agreements have been entered into in connection with the New Shares.

The Company has not entered into any underwriting agreement, stabilization agreements, market-making agreements or similar agreements for trading of its shares on Oslo Børs. The Shares are not listed or traded on any other regulated market or stock exchange than Oslo Børs.

5.7 Expenses and net proceeds

Transaction costs and all other directly attributable costs in connection with the Private Placement that will be borne by the Company is estimated to approximately NOK 4 million, including Prospectus costs and fees to the Managers and legal advisors, thus resulting in net proceeds of approximately NOK 52.3 million from the Private Placement.

The costs to the Managers consisted of a base fee of 5% of the gross proceeds of the Private Placement, amounting to approximately NOK 2.8 million. The base fee was split equally between the two Managers.

The total costs related to the Warrant Shares will depend on the number of Warrants that ultimately are exercised and the timing of same. Assuming full exercise of Warrants B and Warrants C, a reasonable cost estimate would be NOK 500,000, resulting in net proceeds from issuance of the Warrant Shares of about NOK 169.3 million.

The Company will not charge any expenses directly to any investor in connection with the New Shares.

5.8 Advisors

Skandinaviska Enskilda Banken AB, Filipstad Brygge 1, P.O. Box 1843 Vika, 0123 Oslo, and SpareBank 1 Markets AS, Olav Vs gate 5, 0161 Oslo, (the “Managers”) have acted as managers in connection with the Private Placement.

Advokatfirmaet Ræder AS, Dronning Eufemias gate 11, P.O. Box 2944 Solli, 0191 Oslo, Norway serves as the Company’s Norwegian legal adviser in connection with the Private Placement and the Warrant Shares.

Advokatfirmaet BAHN AS, Tjuvholmen allé 16, 0252 Oslo, acted as legal advisor to the Managers, at the cost of the Company.

5.9 Jurisdiction and choice of law

The New Shares have been issued in accordance with the rules of the Norwegian Public Limited Companies Act.

This Prospectus, the Private Placement, and the New Shares are subject to Norwegian law, unless otherwise indicated herein. Any dispute arising in respect to this Prospectus, the Private Placement, and the New Shares, shall be referred to the ordinary courts of Norway and is subject to the exclusive jurisdiction of Oslo City Court as legal venue.

5.10 Interest of Natural and Legal Persons involved in the Private Placement or issuance of Warrant Shares

One existing shareholder in the Company, Alden AS, provided SEB Corporate Finance, Skandinaviska Enskilda Banken AB, on behalf of the Managers, with a share loan in accordance with the Share Lending Agreement to facilitate delivery of listed shares to the investors in the Private Placement on a payment versus delivery basis on or about 4 March 2021. The share loan was settled by the Managers upon delivery of the Private Placement Shares on 10 March 2021. Listing of the the Private Placement Shares on Oslo Børs are subject to the approval and publication of this Prospectus.

An existing shareholder in the Company, Acapulco Advisors AS, had a service agreement with the Company, pursuant to which Acapulco Advisors AS provided ongoing investor relations services and received a service fee, part of which was calculated on the basis of the level of proceeds raised in the Private Placement. This part of the fee was calculated to amount to NOK 371,249. In addition to ongoing investor relations services, Acapulco Advisors AS has assisted the Company in relation to the selection of, and communication with, the Managers in respect of the Private Placement.

The Managers have received a success fee of a fixed percentage of the gross proceeds raised in the Private Placement and, as such, have had a direct economic interest in the success of the Private Placement. This fee consisted of a base fee of 5% of the gross proceeds of the Private Placement, amounting to approximately NOK 2.8 million. The base fee was split equally between the two Managers.

The Company is not aware of any other interest (including conflict of interests) of any natural and legal persons involved in the Private Placement or issuance of the New Shares.

6 THE COMPANY AND ITS BUSINESS

6.1 Principal Activities

Thinfilm is focused on becoming a premier provider of energy storage solutions designed for wearable devices and connected sensors. In January 2020, the Company announced a strategic shift from the development of NFC products and services to the design, development, and production of energy storage products based on SSLB technology. As of the date of this Prospectus, the Company's principal business activities include the design, development, production, and sale of battery solutions based on Thinfilm's solid-state lithium battery (SSLB) technology. The Company's design and development activities take place at its global headquarters located at 2581 Junction Avenue, San Jose, California, USA. The Company intends to scale the manufacturing of SSLB products in its proven flexible electronics fabrication facility located at its San Jose, California headquarters.

The Company believes that energy storage innovation is critical to enabling future generations of wearable devices and connected sensors. Modern portable electronic devices are a combination of a small number of essential components: input collection (user input and/or sensing), memory and processing, wireless communication, display (optional), and a battery. Of these key elements, batteries have experienced a relatively slow pace of technology innovation compared to other critical system components. Today's electronic devices typically rely on batteries using chemistries developed decades ago, and fundamental electrochemical limitations hinder improvement in certain characteristics essential for the design of thinner, safer, longer-lasting, and more comfortable wearable devices, including medical devices.

To address this opportunity, Thinfilm's strategy is to develop a new class of premium microbatteries based on SSLB technology and market these to companies developing portable electronics for use in existing market segments as well as emerging applications. Thinfilm's rechargeable batteries are designed to overcome certain limitations of traditional rechargeable batteries that are currently used in wearable electronics and distributed sensor applications. Specifically, Thinfilm SSLB products are designed to be fundamentally safe (without risk of excessive heat buildup, fire, or explosion), ultrathin, and believed to be capable of storing more energy in a fixed volume compared to others in their class.

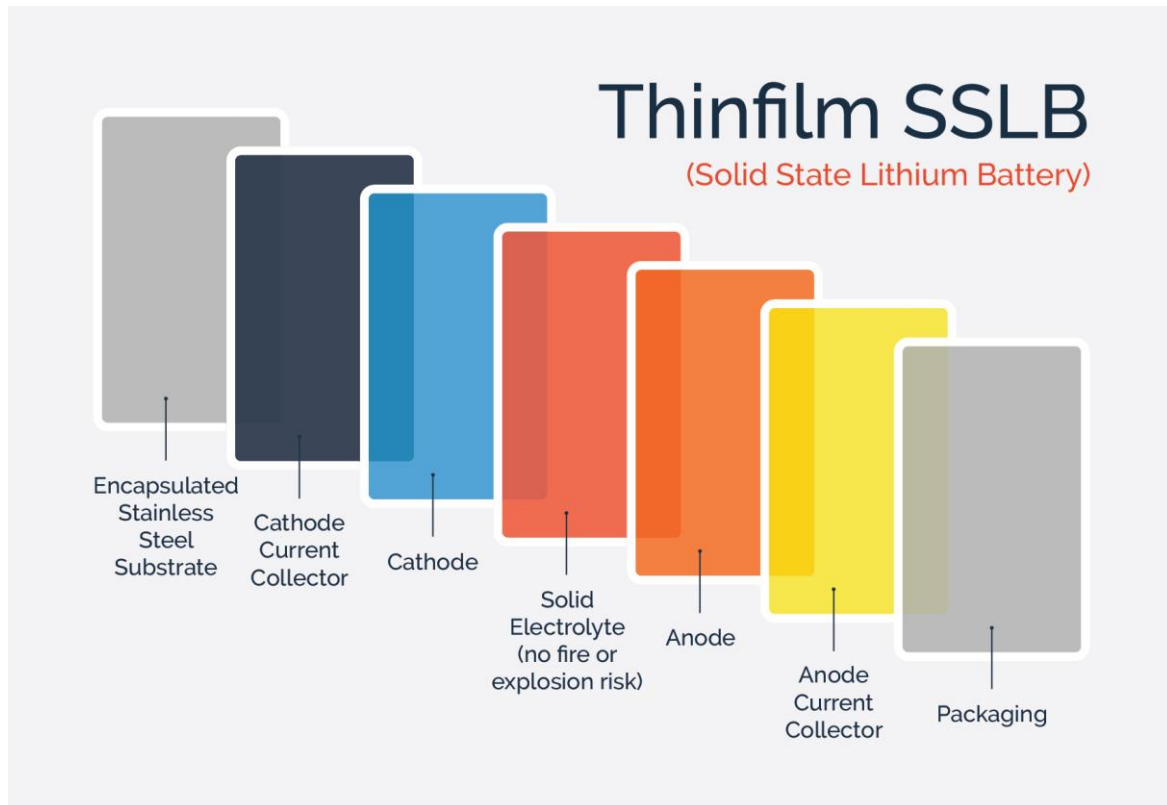
Thinfilm markets its rechargeable energy storage products to companies involved in the design and production of portable electronic devices and may also engage in paid joint development activities when the Company determines that such activities support the Company's business objectives.

Once commercial production of SSLB products has commenced, the Company expects the sales of SSLB devices to represent its primary source of revenue. Alongside product sales, the Company also intends to pursue other sources of revenue. Due to what Thinfilm believes is a unique manufacturing process based on stainless steel substrates, the Company believes that it has a positively differentiated capability to manufacture batteries in custom shapes and sizes, enabling superior energy storage options for thin and comfortable wearable form factors. The Company therefore expects to pursue additional revenue related to the development of custom products for space-constrained end products for which typical rectangular or circular shapes are impractical or undesirable and when Thinfilm's manufacturing platform can provide a superior alternative. Furthermore, the Company may also participate in government or industry grant processes when these activities support or extend Thinfilm's strategy.

6.1.1 Solid State Lithium Battery (SSLB) technology

Thinfilm’s microbattery products are based on solid-state lithium battery (SSLB) technology. The technology was originally pioneered in the 1990s by Oak Ridge National Laboratory in Tennessee, USA in order to enable rechargeable batteries with high volumetric energy density³, good cycling capability, high peak current output, improved performance at sub-freezing temperatures, and superior safety⁴ compared to alternatives.

The core advantage of SSLB technology is the use of a solid electrolyte that is stable and highly reliable. “Solid state” refers to the fact that a critical layer of the battery stack – the *electrolyte* – consists of a solid material. This contrasts with the use of a liquid or gel electrolyte in typical lithium-ion or lithium-polymer rechargeable batteries.



Battery cells based on solid electrolytes can provide several advantages over those based on liquid electrolytes, including superior safety, more extensive cell shape options, and improved performance and reliability. Safety has been a critical issue for rechargeable lithium-ion batteries used in portable electronics. The US Federal Aviation Administration reported increasing numbers of lithium-ion battery incidents each year between 2013 and 2018⁵, reaching a level of approximately one incident per week in 2020. Unlike the liquid and gel polymer electrolytes responsible for these incidents, the solid electrolyte material used in SSLB products does not cause smoke, fire, excessive heat, or explosion and is not susceptible to leakage. These safety advantages are critical for on-skin and near-skin wearable applications.

³ *Volumetric energy density* is typically measured in units of energy storage per unit volume, often measured in units defined as *watt-hours per liter*

⁴ “Solid state batteries inch their way toward commercialization”, *Chemical & Engineering News* 20 November 2017, <https://cen.acs.org/articles/95/i46/Solid-state-batteries-inch-way.html>

⁵ “Events with smoke, fire, extreme heat or explosion involving lithium batteries”, US Federal Aviation Administration, https://www.faa.gov/hazmat/resources/lithium_batteries/media/Battery_incident_chart.pdf

Beyond safety, the solid electrolyte has superior performance in sub-freezing temperatures. Liquid electrolyte performance decreases at subfreezing temperatures, effectively shortening battery life, while solid electrolytes retain a superior ability to deliver charge⁶. In addition, Thinfilm’s SSLB manufacturing process enables shapes beyond standard rectangular and circular shapes, allowing for batteries that fit the exact shapes and sizes of sleeker, form-fitting wearable devices to deliver superior battery life and user comfort. Finally, Thinfilm SSLB devices are designed to operate across 1000+ charge/discharge cycles. In contrast, lithium-ion batteries are typically rated for only 300-500 cycles. To support wireless communication, Thinfilm devices are designed to support high peak currents that satisfy the power requirements of Bluetooth, Wi-Fi, and low-power wide area network (LPWAN) technologies.

Since the inception of SSLB technology, multiple companies worldwide have attempted to commercialize SSLB technology for the microbattery market. However, limited commercialization has been achieved to date, on a limited basis and at a relatively small scale, leading to usage of SSLB microbatteries primarily in niche applications including backup power for real-time clocks. The Company has concluded that despite the fundamental advantages of SSLB technology, the wide availability of SSLB microbatteries has been limited due to low manufacturing capacity, high costs, and limited energy storage capacity.

To unlock the advantages and potential of SSLB technology in the microbattery space with meaningful commercial scale, Thinfilm believes that its installed and operational factory, encompassing both sheet- and roll-based production equipment, uniquely positions the Company to efficiently commercialize milliamp-hour class microbatteries for wearable devices and connected sensors.

6.1.2 Sheet- and roll-based electronics manufacturing on stainless steel substrates

Flexible electronics is a branch of electronics manufacturing that combines traditional semiconductor and additive manufacturing techniques, to produce electronic components on flexible substrates. Thinfilm has a core technology focus and a significant history of developing intellectual property (IP) in the area of flexible and roll-based electronics manufacturing.

Thinfilm’s approach to both sheet- and roll-based flexible electronics manufacturing leverages the Company’s demonstrated expertise in manufacturing electronic devices on stainless steel substrates, which have advantages compared to conventional substrate materials such as silicon, ceramic, polyimide, or glass.

In January 2020, the Company announced a strategy of leveraging its San Jose, California factory to manufacture innovative solid-state lithium batteries (SSLBs) on stainless steel substrates. Steel is a preferred substrate for SSLB production due to its abundance, mechanical robustness, flexibility, high-temperature performance, and intrinsic moisture barrier properties. The mechanical and thermal properties of stainless steel, when suitably encapsulated using Thinfilm’s patented techniques, are particularly well suited to SSLB production. Mechanical robustness enables large-area batteries without experiencing cracking possible in devices based on silicon wafers, while the flexibility of ultra-thin steel enables roll-based production and scale up. Furthermore, the thermal performance of steel is well suited for high-temperature processes that can increase the energy density of the batteries.

In order to produce a new generation of safe, thin, and scalable SSLB products, Thinfilm is applying its IP and knowhow in the field of flexible electronics manufacturing on stainless steel

⁶ “Why Electric Cars Struggle in the Cold – and How to Help Them”, Wired, 30 January 2019, <https://www.wired.com/story/electric-cars-cold-weather-tips/>

substrates and generating new, complementary IP specific to SSLB manufacturing. In April 2020, the Company announced the filing of multiple provisional patent applications directly related to SSLB devices. In addition to manufacturing innovation, Thinfilm has also filed patents based on inventions in core battery technology, including solid-state battery materials and cell stack design. These core innovations are the work of Thinfilm’s technical team, which has been expanded to include solid-state battery expertise. Thinfilm is preparing additional patent filings in new and adjacent areas to expand the Company’s IP portfolio in SSLB design and manufacturing.

6.1.3 Cell stacking

In addition to the development of individual cells on stainless steel substrates, the Company is developing proprietary cell stacking techniques that combine multiple cells into a single, multilayer battery. Because individual Thinfilm SSLB cells are fundamentally thin, a vertical stack of multiple Thinfilm cells can store significantly more energy within the volume of competitors’ single-layer products.

A stack of multiple layers of SSLB cells can achieve up to ten times the areal energy density of competing SSLB cells within the same or less overall thickness. Each cell, when layered, serves to increase the overall energy storage capacity of the battery, enabling longer battery life. By way of example, a ten-layer stack of Thinfilm SSLB cells would remain as thin or thinner than a competing SSLB product with a single layer, 750-micron thickness.

6.1.4 Product overview

To effectively serve its target markets, Thinfilm’s initial go-to-market approach is built around the Company’s product platform announced on 26 January 2021. At that time, Thinfilm also announced the tape out of the first design, based on customer requirements, built on that product platform. The Company expects that while its customers in target markets have common requirements for the expected energy density, thinness, reliability, and safety advantages of Thinfilm SSLB technology, customers designing ultra-small, conforming, or other specialized devices will request customization services in order to specify a fit-for-purpose battery addressing design-specific requirements such as shape, size, and thickness. The Company’s product platform is designed to facilitate accelerated evaluation and development of product variants that satisfy specific customer requirements.

From an electrical standpoint, Thinfilm SSLB products are designed to be integrated into electronic systems in place of rechargeable lithium-ion or lithium-polymer batteries with minimal to no required changes to system-level design. To this end, Thinfilm SSLB products are designed to operate at voltages comparable to existing rechargeable lithium-ion batteries and to be charged by commonly available charging circuits. As a consequence, the Company does not believe that it is dependent on the creation of a new ecosystem of electronic components in order to effectively market its SSLB products. Thinfilm does, however, intend to collaborate with key participants in the electronic design ecosystem to promote the use of Thinfilm SSLB products in target markets.

6.2 Principal Markets

Thinfilm has identified target market segments that value safety, energy density, ultrathin form factors, and extended charge/discharge cycling capability relative to currently available microbattery alternatives and high energy storage capacity compared to solid-state microbattery alternatives. In general, Thinfilm pursues opportunities in established and growing markets

where the pace of innovation demands continual improvement in component performance and reduction in component size.

There have not been any material changes to the Company’s regulatory environment since 31 December 2019.

6.2.1 Wearable Devices and Medical Wearables

Thinfilm has selected the wearable devices market, including the medical/healthcare wearables market, as an initial go-to-market focus due to its size, growth rate, and alignment to the core benefits of Thinfilm SSLB technology. IDTechEx forecasts the wearables market to grow to \$92 billion by 2024 at a 9.5% CAGR⁷ and the value of the market addressable by rechargeable batteries, including thin & flexible devices, to grow from \$3 billion in 2020 to \$3.5 billion in 2024⁸. Specifically, the Company plans initial focus within the hearing aids, earbuds, and wearable medical devices markets where form factor constraints create demand for the benefits of SSLB technology. Wearable medical applications include diabetes monitoring (including continuous glucose monitoring), cardiac monitoring, electronic skin patches, temperature sensing, sweat analysis, and motion sensing.

Thinfilm’s analysis of the wearables market concludes that successful batteries must deliver on safety, form factor, product lifetime (including extended charge/discharge cycling), charging time, wireless functionality, battery life, and commercial viability. Safety is particularly critical in medical, on-body, and near-body applications where the risk of excessive heat, fire, explosion, or electrolyte leakage introduces significant liability. Form factor options, including ultrathin devices and custom shapes, are critical to maximizing user comfort in all wearable applications, particularly on-skin and near-skin products. Batteries should reliably store as much energy as possible in the smallest possible form factor while delivering consistent performance across the lifetime, which in certain applications may include several years of frequent charging. In addition to supporting accelerated recharging, batteries must support peak discharge currents sufficient to enable wireless data transmission operations.

According to Dr. Xiaoxi He of industry analyst IDTechEx, “batteries are the main bottleneck of wearables.” She states that current battery options are “bulky, heavy, rigid” and suffer from low energy storage capacity despite their large volumes.⁹ Thinfilm believes that its safe, robust, thin SSLB products are well positioned to address the key requirements of the wearables and medical wearables industry.

6.2.2 Connected Sensors

The connected sensors market represents a broad range of applications broadly considered to be part of the “Internet of Things”. ABI Research estimates that the number of connected devices will continue to grow rapidly, from approximately 30 billion in 2020 to 45 billion in 2023¹⁰. Each year, ABI forecasts the sale of five billion new connected devices that can enable such applications as smart parking, bicycle sharing, and asset position (track-and-trace) and condition monitoring. In addition to smart mobility applications, connected sensors can be deployed in smart home, smart (commercial) building, smart factory, and smart city applications to detect, record, and share data on location, temperature, humidity, noise and

⁷ “Wearable Technology Forecasts, 2019-2029”, IDTechEx, July 2019

⁸ “Flexible, Printed and Thin Film Batteries 2019-2029: Technologies, Markets and Players”, IDTechEx, October 2018

⁹ “Flexible, Printed and Thin Film Batteries 2019-2029: Technologies, Markets and Players”, IDTechEx, October 2018

¹⁰ “Moving into the Billions: Cellular Technologies in the Internet of Things”, ABI Research, November 2019

activity levels, and air quality. Sensor nodes may be connected to the network via short-range technologies such as Bluetooth and WiFi or longer-range radios and a potentially broad range of wireless sensors based on 5G wireless technology. ABI forecasts nearly 4 billion low-power wide area networking connections, driven primarily for asset tracking, for the smart factory by 2030.¹¹

Thinfilm’s analysis of the connected sensors market concludes that successful batteries must deliver sufficient power to support short- and long-range wireless communication, tolerate frequent recharging based on energy harvesting techniques, and provide a long service lifetime. At the system level, connected sensors need batteries that can operate in two distinct modes: a background data collection mode, where the current draw from the battery is consistently small, and a communication mode, where wireless radios are activated and higher currents are required. Primary (non-rechargeable) lithium-based batteries can support background standby and sensing operations but often lack the peak current output capability required to enable wireless transmission of the collected data through the network. In contrast, Thinfilm has designed its rechargeable SSLB products to have a very low self-discharge current to minimize wasted energy in low-power standby or sensing modes, while providing the necessary peak electrical currents to power wireless transceiver operations. Furthermore, Thinfilm has designed its products to support a larger number of charge/discharge cycles to enable a longer in-service lifetime compared to typical lithium-ion rechargeable batteries.

6.2.3 Additional Markets

Beyond Thinfilm’s initial focus in wearable devices and connected sensors, the Company sees opportunities in defense applications and in-mold electronics (IME). Industry analyst IDTechEx estimates a \$1.7 billion market for wearable defense electronics¹² related to ‘smart soldier’ initiatives and forecasts a \$1 billion market for in-mold electronics¹³. The Company has identified promising alignment between its SSLB technology and the needs of these markets and plans to engage selectively to efficiently access appropriate opportunities.

In-mold electronics can benefit from SSLB products due to the strict form factor requirements of devices using in-mold manufacturing techniques and IME process requirements that exceed the thermo-mechanical limits of lithium-ion pouch batteries. Where batteries are completely encapsulated by the molded material, the application favors reliable rechargeable batteries capable of many charge/discharge cycles due to the inability to access the battery for service or replacement.

6.3 Competitive Position

As a manufacturer of solid-state lithium battery products, the Company competes in part with companies that develop technology and/or manufacture products based on thin battery and/or solid-state lithium battery technology.

Thinfilm believes that it has a unique in-house sheet- and roll-based manufacturing platform, which makes the Company positioned to manufacture its own high-performance microbattery products at commercially relevant production capacity and at production-grade yields. Thinfilm therefore differentiates itself from other companies that, to the Company’s knowledge, have promoted solid-state lithium battery technology for microbattery applications. The

¹¹ “Unlocking the Value of Industry 4.0”, ABI Research, October 2019

¹² 2020 market size estimate, “Wearable Technology Forecasts, 2019-2029”, IDTechEx, July 2019

¹³ 2029 market size estimate, “IDTechEx Research Analyzes In-Mold Electronics: Starting Simple to Reach 1 Billion Dollars”, IDTechEx press release, 18 Feb 2020

Company believes that competitors generally rely on third-party ‘foundry’ manufacturing in multipurpose facilities using substrates and equipment that are not well suited to scale production of SSLB products for wearable and connected sensor applications. As the Company is developing its products to meet customer needs that are not effectively addressed by existing technologies, the Company expects to pursue a value-oriented pricing strategy based on what is believed to be a premium positioning of its energy storage products. The Company expects to compete favorably on a cost-performance basis compared to other rechargeable microbattery technologies in high-volume applications.

Therefore, Thinfilm’s competitive position in solid-state lithium battery development and production rests on three main pillars:

- 1) Patented IP and manufacturing process know-how, especially in the areas of barrier technology and sheet- and roll-based manufacturing on stainless steel substrates, and applications thereof. The advantages of steel substrates are explained previously in this Prospectus.
- 2) Validated capability to manufacture electronic devices on both in-house sheet- and roll-based equipment to enable rapid process and product development and to scale production.
- 3) Installed, in-house manufacturing scale to serve target markets on the order of tens of millions of milli-amp hours annual capacity at low variable costs.

6.4 Industrialization Strategy - key milestones

To manufacture SSLB products and scale volume production, the Company utilizes its own flexible electronics manufacturing facility located at 2581 Junction Avenue, San Jose, California, USA. The facility, originally owned by Qualcomm, was leased for 12 years beginning in October 2016. This specialized fabrication facility, which earned the 2018 Technical Development Manufacturing award from leading industry analyst firm IDTechEx¹⁴, features high-quality cleanrooms and a chemistry lab.

The Company’s specialized San Jose fabrication facility takes advantage of Thinfilm’s expertise in manufacturing electronic devices on stainless steel substrates. The Company believes that the use of a steel substrate can result in products that are thinner, more robust, and more scalable than competing devices built on silicon, ceramic, polyimide, or glass substrates. Stainless steel substrates are made from abundant, inexpensive materials and can be encapsulated with proven metal diffusion barrier materials to support device fabrication with high-temperature processes that help increase energy density. To support the most demanding end-product form factors, the steel can also be cut into various shapes and thinned. The flexibility of steel enables roll-based production and its durability can improve product reliability by virtually eliminating failures due to substrate cracking.

The facility is outfitted with two manufacturing lines: the first based on 300x300mm sheet processing and the second based on 320mm-wide roll-to-roll processing. While both lines have been previously used to manufacture radio frequency (RF) circuits in support of Thinfilm’s previous product initiatives, they are particularly well suited to developing and scaling production of Thinfilm SSLB products. The combination of sheet- and roll-based processing

¹⁴ <https://www.printedelectronicsworld.com/articles/15843/idtechex-printed-electronics-usa-2018-award-winners>

provides a combination of accelerated R&D and prototyping capability alongside volume production, enabling flexible scaling based on demand.

Thinfilm’s San Jose clean room occupies approximately 20,000 square feet of the headquarters facility and can be expanded if required. At present, the Company estimates that the factory has installed capacity to manufacture 10s of millions of mAh-class cells on an annual basis. Management believes this current capacity is sufficient to support the Company’s business plan well beyond the point of cashflow breakeven. As warranted by future demand, the factory is capable of further expansion to significantly increase capacity with modest capital expenditures.

Since Thinfilm’s announcement of its SSLB strategy in January 2020, the Company has been consistently focused on the development of its new SSLB technology. As a result, trend information regarding production, inventory, and sales of SSLB products is not currently available. Since the Company’s most recent financial reports, issued 24 February 2021 for the period ended 31 December 2020, the Company has continued to develop its SSLB technology in order to create customer validation samples of its SSLB battery technology, with no change to the Company’s plan to achieve initial product revenue in the fourth quarter of 2021. At this time, there are no known trends, uncertainties, demands, commitments, or events known to the Company that would lead to a revision of the Company’s product sales or revenue plans.

The Company’s industrialization strategy is intended to aggressively accelerate from process and product development to commercialization and production scaling. The Company expects to begin commercial product shipments during the second half of 2021. While the pace of progress is partially dependant on the extent of the impact of COVID-19 on the ability of Thinfilm employees to access facilities and conduct necessary development activities, the ability of suppliers and supply chain partners to support the Company’s activities in a timely fashion, and the timing of customer commercialization cycles for devices containing Thinfilm SSLB products, the Company currently targets the following industrialization and commercialization milestones:

- Q3 2021: initial product ready based on Thinfilm product platform
- Q4 2021: first SSLB product revenue
- End-2022: cashflow breakeven
- 2023+: increasing volumes drive strong cash generation

6.5 Intellectual Property Rights (IPR)

The Company maintains a substantial patent portfolio in order to protect the essential technologies of the Company and in order to ensure that competitors are sufficiently prevented from utilizing or developing technology that would threaten the Company’s commercial assets and market position. The Company and its business are dependent on its patent portfolio. The portfolio consists partly of granted patents and partly of pending patent applications. Pending patent applications may be subject to amendments before being granted, or may, in worst case, not be granted.

6.5.1 Intellectual property portfolio

Thinfilm has an intellectual property portfolio encompassing registered and pending patents as well as extensive know-how related to key manufacturing processes relevant to SSLB production and assembly. Patents are registered or pending in several countries and regions, in most cases including the US, Japan, and the EU. Certain patents are also registered in Korea, China, and other jurisdictions. All patents are in the name of the Company.

Thinfilm's existing portfolio of Intellectual Property contains multiple patent families and related trade secrets and knowhow that help enable the production of advanced, differentiated energy storage products on stainless steel substrates. Such key intellectual property includes:

- Barrier materials and methods of depositing the same
- Processing on sheet- and/or roll-based steel substrates
- Solid-state lithium battery (SSLB) materials and manufacturing processes
- Stacking methods for SSLB production

In April 2020, Thinfilm disclosed the filing of multiple provisional patent applications related to the Company's work in developing SSLB products on stainless steel substrates. Specifically, the patent filings represent key Thinfilm intellectual property related to the encapsulation, assembly, and stacking of SSLB products based on stainless steel substrates.

As of the date of this Prospectus, the Company is actively developing further Intellectual Property related to solid-state lithium battery manufacturing. Certain newly developed IP is expected to build on Thinfilm's established materials and processing expertise to address the manufacture of SSLBs. In addition to IP built on Thinfilm's established expertise, the Company intends to develop entirely new families of IP focused on the design and manufacture of innovative solid-state lithium battery products and, for this purpose, has recently added SSLB expertise to its technical team.

6.6 Discontinuation of Previous Product Lines

As discussed in Thinfilm's financial reporting, public announcements, and strategy presentations, the Company is no longer actively developing Near Field Communication (NFC) hardware or software products, or related IP. With respect to the Company's Electronic Article Surveillance (EAS) label business, the Company has monetized substantially all of its EAS inventory during the first quarter of 2020.

6.7 Material Contracts Outside the Ordinary Course of Business

On 12 September 2019, the Company announced an equipment term loan facility with Utica Leaseco, LLC ("Utica") entered into by the US subsidiary, Thin Film Electronics, Inc., for financing of up to \$13.2 million. As of 30 September 2019, Thinfilm had secured funding for the full amount of \$13.2 million. The financing under the Master Lease Agreement with Utica established four-year term loans that funded in two tranches of \$5.6 million and \$7.6 million on 11 September 2019 and 17 September 2019, respectively. Interest-only monthly payments were due for the first six months, followed by three months of interim payments, and thereafter a four-year amortization period during which monthly principal and interest payments are due. As a result of the financial impact of COVID-19 on Thinfilm's cash position, Management has renegotiated the payback terms of the loans, in principle, established under an amendment to the Master Lease Agreement and that was signed during the second quarter of 2020. The negotiated agreement extends interest only payments through November 2020. The cash savings during the aforementioned period will be spread over the remaining amortization of the loan. In connection with the new arrangement, the Company has pledged additional collateral to secure the amended payment terms. In addition to the existing collateral pledge, which includes the roll-to-roll production line equipment and certain sheet-line tools, Thinfilm has pledged all remaining unsecured equipment located in the San Jose, California facility. Further,

Utica has taken a first security position in certain of Thin Film Electronics ASA’s intellectual property. Thinfilm Group is using the proceeds from the loans as well as the short term cash savings resulting from the renegotiation of payment terms for working capital to fund ongoing operations and to support its execution of strategic initiatives. The Company entered into the second amendment to the lease agreement in December 2020. Under the terms of the amended agreement, the lessor agreed to accept modified payments through June 2021. In July 2021, regular payments will resume and will include a lump sum “true up” payment for each schedule to repay the difference of the amounts due and the reduced payments permitted under this second amendment.

During the last two years and up until the date of this Prospectus, neither Thinfilm nor any Group company has entered into any other material contracts outside of the ordinary course of business. The Company or any Group company has not entered into any other contract which contains a provision under which any member of the Group has any obligation or entitlement which is material to the Group as of the date of the Prospectus.

6.8 Regulatory disclosures

In addition to annual and interim reports, and associated announcements, the Company has made the following public disclosures pursuant to the requirements of the Norwegian Securities Trading Act over the last 12 months that are relevant as of the date of this Prospectus:

Capitalization issues and other corporate actions

Date	Title	Description
25 March 2020	THIN – Notice of Extraordinary General Meeting 15 April 2020	The Company announced an Extraordinary General Meeting to be held on 15 April, to approve, inter alia, share capital reduction, and intent of a private placement.
28 April 2020	Thin Film Electronics ASA has secured and proposes a private placement of shares raising NOK 25 million on amended terms	Announcement of a private placement of NOK 25 million. The Board received on 27 April 2020 an offer from a consortium of investors, who had provided a commitment to subscribe for shares for a total subscription amount of NOK 20 million, subject to certain conditions as to price and warrants. The offered and committed subscription price per share was NOK 0.11, equaling the par value of the share following the share capital reduction approved by the Extraordinary General Meeting held on 15 April 2020. In addition, the Company had received binding commitments for at least NOK 5 million on the same terms from certain other investors, including from members of the Board and management. Given the critical financial situation of the Company, the Board recommended to the Company’s shareholders that the offer was approved as it constituted the only meaningful

		investment offer on the table. The Company further announced a contemplated subsequent offering at the same subscription price as in the private placement of maximum NOK 7 million. The Company had also secured interim financing to bridge the Company to the upcoming extraordinary general meeting.
28 April 2020	New face value 29.04.2020	The Company announced that the Company's shares would be traded with new face value as of 29 April 2020, following reduction of par value being NOK 0.11.
29 April 2020	THIN – Notice of Extraordinary General Meeting 20 May 2020	Announcement of Extraordinary General Meeting on 20 May 2020, regarding the approval of a private placement, subsequent offering and issuance of warrants, as announced on 28 April 2020.
14 May 2020	Thin Film Electronics ASA – Share Issue	Announcement of issuance of 5,859,357 shares under Board authorization, at NOK 0.11 per share, equaling the subscription price in the private placement announced on 28 April 2020, in order to secure the commitment by the consortium of investors participating in the private placement.
27 May 2020	THIN – Change in CFO position	Announcement that Mallorie Burak would step down as CFO in the Company with effect from 28 May 2020, and that David Williamson had been appointed as acting CFO with effect from such date.
12 June 2020	Thin Film Electronics ASA – Approved prospectus and start of subscription period in the Subsequent Offering	The Company announced that a prospectus had been approved in connection with the listing of shares issued in the private placement and the listing and offering of shares offered in the subsequent offering, both announced on 28 April 2020. Such prospectus was included in the announcement and was made available on the Company's website. Further, it was announced that the subscription period in said subsequent offering was scheduled to start on 15 June 2020.
30 June 2020	Thin Film Electronics ASA – Result of Subsequent Offering	The Company announced the result of the Subsequent Offering, disclosing that the offering was more than 6 times oversubscribed, including subscriptions from eligible shareholders, over-subscriptions and subscriptions without subscription rights.

13 July 2020	Thin Film Electronics ASA – Guidelines for Warrant Exercise	Announcement of the guidelines for the exercise of Warrants A and Warrants B, as issued in connection with the private placement and subsequent offering announced on 28 April 2020.
23 July 2020	Thin Film Electronics ASA has secured additional funding by way of a committed private placement of shares raising NOK 50 million	Announcement of the Private Placement of approx. NOK 50 million. The Board received on 22 July 2020 an offer from certain investors, who had provided a commitment to subscribe for shares for a total subscription amount of approx. NOK 50 million, subject to certain conditions as to price and warrants. The Private Placement would be proposed to and remained subject to approval by the general meeting. The Company further announced that the Board would propose to carry out a Subsequent Offering at the same subscription price as in the Private Placement of maximum NOK 10 million.
27 July 2020	Thin Film Electronics ASA – Notice of Extraordinary General Meeting 19 August 2020	Announcement of Extraordinary General Meeting to be held on 19 August 2020 to, inter alia, approve the Private Placement, Subsequent Offering and issuance of Warrants C.
19 August 2020	Thin Film Electronics ASA – Nomination Committee’s proposal to the Extraordinary General Meeting	Announcement of the Nomination Committee’s proposal to the Extraordinary General Meeting regarding a resolution to grant incentive subscription rights to the members of the Board, including an initial grant of an aggregate 13,800,000 subscription rights to the board members.
19 August 2020	Thin Film Electronics ASA – Extraordinary General Meeting Held	The Company announced that the Extraordinary General Meeting approving, inter alia, the Private Placement and Subsequent Offering had been held, and that all the proposals in the notice (with certain technical non-material clarifications) had been approved.
21 August 2020	Thin Film Electronics ASA – Warrant Exercise	Announcement of exercise of 3,292,217 Warrants A and 552,673 Warrants B, and the associated increase of the Company’s share capital. Upon registration of said share capital increase, the Company’s share capital would be 76,238,094.24 divided into 693,073,584 shares, each having a par value of NOK 0.11.

29 August 2020	Thin Film Electronics ASA – Approved prospectus and start of subscription period in the Subsequent Offering	The Company announced that a prospectus had been approved in connection with the listing of shares issued in the private placement and the listing and offering of shares offered in the subsequent offering, both announced on 23 July 2020. Such prospectus was included in the announcement and was made available on the Company’s website. Further, it was announced that the subscription period in said subsequent offering was scheduled to start on 1 September 2020.
16 September 2020	Thin Film Electronics ASA – Result of Subsequent Offering	The Company announced the result of the Subsequent Offering, disclosing that the offering was more than 9 times oversubscribed, including subscriptions from eligible shareholders, over-subscriptions and subscriptions without subscription rights.
22 September 2020	Thin Film Electronics ASA – Warrant Exercise	Announcement of exercise of 30,633,837 Warrants A and 1,117,217 Warrants B, and the associated increase of the Company’s share capital. Upon registration of the share capital increase (and taking into account the share capital increase following the result of the Subsequent Offering resolved at the Extraordinary General Meeting dated 19 August 2020), the Company's share capital would be NOK 87,064,043.44 divided into 791,491,304 shares, each share having a par value of NOK 0.11.
3 November 2020	Thin Film Electronics ASA – Warrant Exercise	Announcement of exercise of 2,155,367 Warrants A and 1,846,282 Warrants B, and the associated increase of the Company’s share capital. Upon registration of the share capital increase, the Company's share capital would be NOK 87,504,224.83 divided into 795,492,953 shares, each share having a par value of NOK 0.11.
30 November 2020	Thin Film Electronics ASA – Warrant Exercise	Announcement of exercise of 182,619,709 Warrants A and 7,435,524 Warrants B, and the associated increase of the Company’s share capital. Upon registration of the share capital increase, the Company's share capital would be NOK 108,410,300.46 divided into 985,548,186 shares, each share having a par value of NOK 0.11.
16 December 2020	Thin Film Electronics ASA – Reminder of	The Company announced that the deadline for exercising Warrants A is 31 December

	Expiration Date for Warrants A	2020, and that any unexercised Warrants A will have no value and expire without compensation to the holder after this date. Further, the Company announced that following the exercise round announced on 30 November 2020, 75.17% of the total issued Warrants A had been exercised.
18 December 2020	Thin Film Electronics ASA – Warrant Exercise	Announcement of exercise of 12,800,714 Warrants A and 327,545 Warrants B, and the associated increase of the Company's share capital. Upon registration of the share capital increase, the Company's share capital would be NOK 109,854,408.95 divided into 998,676,445 shares, each share having a par value of NOK 0.11. Further it was announced that, following this warrant exercise, 79.57% of the total issued Warrants A had been exercised.
6 January 2021	Thin Film Electronics ASA – Warrant Exercise	Announcement of exercise of 41,480,126 Warrants A and 1,072,573 Warrants B, and the associated increase of the Company's share capital. Upon registration of the share capital increase, the Company's share capital would be NOK 114,535,205.84 divided into 1,041,229,144 shares, each share having a par value of NOK 0.11.
2 March 2021	Thin Film Electronics ASA – Private placement successfully completed	Announcement that the Company, on 1 March 2021, carried out a private placement of 68,922,869 new shares at a subscription price per share of NOK 0.82, raising gross proceeds of approximately NOK 57 million which it was announced would be used to fund the scale up of the production of the Company's micro batteries and for general corporate purposes. The Company further announced that the shares would be settled with existing and unencumbered shares in the Company, pursuant to a share lending agreement entered into between a certain existing shareholder, Skandinaviska Enskilda Banken AB and SpareBank 1 Markets AB as Managers, and the Company, and that the listing of the new shares would be subject to the publication of a listing prospectus.
25 March 2021	Thin Film Electronics ASA – Warrant Exercise	Announcement of exercise of 58,680,765 Warrants B and the associated increase of the Company's share capital. Upon registration of the share capital increase, the

Company's share capital would be NOK 128,571,605.58 divided into 1,168,832,778 shares, each share having a par value of NOK 0.11.

Inside information

Date	Title	Description
14 April 2020	Thinfilm announces multiple solid-state lithium battery patent filings	Announcement of filing of multiple provisional patent applications related to the encapsulation, assembly, and stacking of SSLB products based on stainless steel substrates. Thinfilm also made patent filings based on inventions in core battery technology, including solid-state battery materials and cell stack design.
15 June 2020	Thinfilm Achieves Key Milestone in Solid-State Lithium Battery	The Company announced that it successfully had completed the deposition of critical layers of its SSLB stack on Thinfilm steel substrates and that initial electrical testing had met and exceeded internal expectations.
10 July 2020	Thinfilm Announces First Complete Solid-State Lithium Batteries on Steel Substrates	Announcement of the successful fabrication of functional batteries on the Company's stainless steel substrates. Initial characterization testing had demonstrated expected energy densities, thereby enabling differentiated product performance compared to alternatives. Further, the Company announced that, following completion of the above-mentioned milestone, it planned to accelerate the transfer of the remaining essential tool from its process technology development partner to the Company's San Jose facility in order to speed development cycle times and guard against potential delays related to the ongoing pandemic.
3 August 2020	Thinfilm Updates Solid-State Battery Manufacturing Progress	Announcement of the Company's successful completion of the accelerated consolidation of remaining SSLB process equipment in the Company's San Jose facility, as well as the fact that the Company had successfully completed and passed its recent quality system audit, thereby renewing the Company's ISO 9001:2015 certification with an updated scope including the development, manufacturing and sales of solid-state lithium batteries.
15 October 2020	Thinfilm Announces First Multi-Cell Solid-State Battery	The Company announced that it had made progress in device manufacturing and packaging innovation in support of its

		microbattery products based on solid-state lithium battery (“SSLB”) technology. It was further announced that the Company had successfully demonstrated the first multi-cell battery based on its SSLB technology.
26 January 2021	Thinfilm Announces Solid-State Battery Commercialization Progress	The Company announced that it had launched development of its innovative product platform and had completed the design of the first product optimized for its initial target markets. The microbattery product was announced to be optimized for form-factor-constrained applications such as hearing aids, earbuds and wearable medical devices. The Company further announced that it targets initial revenue shipments by the end of 2021.
25 February 2021	Thinfilm and Energous Announce Partnership to Enable Ultrathin, Reliable, Wirelessly Rechargeable Devices	The Company announced a partnership with Energous Corporation to simplify the integration of Energous WattUp RF wireless charging and Thinfilm solid-state lithium microbattery technology in form-factor-sensitive applications, such as hearables, wearables and connected sensors. Further it was announced that the two companies planned to promote their technologies to customers in markets where designers face form factor constraints as well as consumer pressure for convenience and reliability.
16 March 2021	Thinfilm Adds Norway-Based Investor Relations Professional	The Company announced the hiring of Ståle Bjørnstad, who will support the Company’s investor relations activities and who will be based in Norway.

Further, in the period from 15 February 2020 and up to the date of the Prospectus, six announcements have been issued by Thinfilm in relation to changes in shareholdings by primary insiders, and eight announcements on behalf of large shareholders in respect to transactions in the share causing a statutory threshold to be reached or passed by such shareholders.

7 BOARD OF DIRECTORS, MANAGEMENT AND EMPLOYEES

7.1 Board of Directors and management, other corporate committees

7.1.1 Board of Directors

The Company's Articles of Association provide that the number of directors shall be between three (3) and nine (9) members, as decided by the Company's general meeting.

At the general meeting of shareholders, the Board members are normally elected to serve for a term of one or two years from the time of election. There are presently four (4) Board members including the Chairman. Morten Opstad (Chairman), and members of the Board of Directors Jon S. Castor and Kelly S. Doss are elected for the period until the Annual General Meeting in 2021. Further, Preeti Mardia, a current member of the Board of Directors, was re-elected for a new term of two years at the Annual General Meeting on 3 June 2020.

Morten Opstad, Chairman

Mr. Opstad has served as Chairman of the Board in Thinfilm since 2 October 2006. He is a partner in the lawfirm Advokatfirmaet Ræder AS in Oslo. He has rendered legal assistance with respect to establishing and organizing several technology and innovation companies within this line of business. He is also Chairman of the Board in IDEX Biometrics ASA, a publicly listed technology company. His directorships over the last five years include current Board positions in Nikki AS (Chairman), Marc O Polo Norge AS (Chairman), Dobber Corporation AS (Chairman), K-Konsult AS (Chairman), Forenede Industrier Finans AS (Board member), Hammerfestgaten 1 AS (deputy), and Chaos Capital AS (deputy). He previously served as Chairman of the Board of Directors in Cxense ASA and Advokatfirmaet Ræder AS, in addition to previous directorships in Fileflow Technologies AS, Solli Consultants I AS and A.Sundvall ASA. Mr. Opstad has a legal degree (Cand.Jur.) from the University of Oslo from 1979. He was admitted to the Norwegian Bar Association in 1986. Mr. Opstad is a Norwegian citizen and has a business address at Dronning Eufemias gate 11, NO-0191 Oslo, Norway.

Preeti Mardia, Board member

Ms. Mardia has been a Board member in Thinfilm since 8 May 2013. She has executive and non executive Board experience across diverse sectors including Semi-conductors, Telecoms, Aerospace, and Food Industries. Ms. Mardia is a Non-Executive Board Director for GFinity Plc a publicly listed UK company. Previous senior executive positions include IDEX Biometrics ASA, Moseley Wireless Group Inc., Filtronic Plc and Cadbury Schweppes Plc. She has technology and operational expertise in world-class high volume manufacturing and scaling businesses to commercial success. She has a degree in Food Science & Technology and Masters degree in Executive Management from Ashridge, UK. Ms. Mardia is a British citizen and maintains a business address at Fridtjof Nansens plass 4, 0160 Oslo, Norway.

Jon S. Castor, Board member

Mr. Castor has been a Board member in Thinfilm since 28 May 2019. Mr. Castor is an entrepreneur and active independent private and public company director. His 25 years of senior leadership experience has included building both classic Silicon Valley venture funded startups and two new divisions for Fortune 500 companies. He also has considerable private and public company M&A experience, including leading the team of a venture he co-founded through a double exit. Mr. Castor's industry experience includes ICs, systems, and software, digital media, consumer electronics and services, and multiple forms of advanced and renewable power generation. Mr. Castor's Silicon Valley venture successes include Omneon, where the team built the world leader in broadcast video servers, and TeraLogic, a pioneering HDTV

venture supported by Sony, Mitsubishi, and Samsung, where he was co-founder and CEO. His directorships over the past five years include current board memberships with private venture backed companies GEO Semiconductor, Codavel and Displax. Mr. Castor has also held multiple prior board positions, including with Omneon and TeraLogic, public companies Genesis Microchip, Adaptec, Zoran, and California Micro Devices, and private venture backed firms Leo, Muzzley, and VisualOn. He holds an MBA from Stanford's Graduate School of Business, and a BA with Distinction from Northwestern University. Mr. Castor is a US citizen, and maintains a business address at 2581 Junction Avenue, San Jose, California 95134, USA.

Kelly S. Doss, Board member

Ms. Doss has served on the Board of Thinfilm since 28 May 2019. Ms. Doss is a senior marketing executive and brand consultant. She has over 25 years of experience in global brand management with a strong track record of delivering breakthrough revenue and sales growth in various channels of distribution. She has considerable expertise across the marketing, innovation, and operational functions in both the alcohol, beverage and beauty categories. Her industry experience includes 15 years in the global spirits category leading marketing for Beam Suntory in both EMEA (based in Madrid) and North America, and 10 years in the beauty industry across hair care and skin care. Over the course of her career, leading cross-functional teams, she has launched well over 100 new products & multiple global packaging restages. Ms. Doss holds a Masters in International Management from the Thunderbird School of Global Management, and a BA with honors from the University of Michigan. Ms. Doss is a US citizen, and maintains a business address at 2581 Junction Avenue, San Jose, California 95134, USA.

The composition of the Board complies with Oslo Børs' terms of listing and the applicable independency requirements. The Board also meets the statutory gender requirements.

7.1.2 Management

Kevin Barber, Managing Director (CEO)

Mr. Barber has served as the Managing Director (CEO) since 26 November 2018, and is situated in Thinfilm's headquarters in San Jose, California. He is responsible for driving worldwide strategic growth, scaling product innovation and manufacturing operations while increasing market penetration and identifying new business opportunities. Prior to joining Thinfilm, from January 2011 through November 2018, Mr. Barber was Senior Vice President and General Manager; Corporate officer at Synaptics, where he drove the strategy, business development, M&A, growing revenue fourfold to more than 1 billion USD annually. Previously, Mr. Barber was CEO of ACCO Semiconductor, a venture capital funded startup. Prior to ACCO, he served as Senior Vice President, General Manager Mobile Business at Skyworks Solutions, where he led the strategy - achieving top RF power amplifier market share in the high growth mobile market. Before joining Skyworks, Mr. Barber served as Senior Vice President, Operations at Conexant, where he led strategic efforts of global manufacturing scale, technology development, and supply chain management, enabling Conexant to become a leader in diverse markets. His directorships over the last five years include a current board position in Intevac (director/member of audit committee and chairman of compensation committee). Mr. Barber holds a Bachelor of Science degree in Electrical Engineering from San Diego State University and a Master's degree in Business Administration from Pepperdine University. Mr. Barber is a US citizen and maintains a business address at 2581 Junction Avenue, San Jose, California 95134, USA.

David Williamson, Acting Chief Financial Officer (CFO)

Mr. Williamson joined Thinfilm in February 2020, and was appointed Acting Chief Financial Officer (CFO) in May 2020, and is situated in Thinfilm's headquarters in San Jose, California.

He is an experienced financial executive with years of vice president and senior controller experience at large public international companies in addition to successful venture backed companies. Prior to joining Thinfilm, Mr. Williamson, inter alia, provided financial services to companies in high tech and was Assistant Corporate Controller in InvenSense, Inc, which was acquired by TDK Corporation in 2017. Mr. Williamson has established a reputation for building world-class teams and for aligning financial and business metrics to support business strategy and growth. He holds a Bachelor of Science in Accounting from the San Jose State University and a Master of Business Administration from the University of Phoenix. He is a US citizen and maintains a business address at 2581 Junction Avenue, San Jose, California 95134, USA.

Dr. Arvind Kamath, EVP Technology Development & Manufacturing

Dr. Kamath joined Thinfilm in January 2014 from Kovio Inc. in San Jose where he served as Senior Director, Technology Development. At Thinfilm he has built and led several teams in the areas of Technology Development, Engineering and Operations. Most recently he was responsible for the flexible substrate roll to roll PDPS (Printed Dopant Polysilicon) manufacturing scale-up and led the teams that built a global ecosystem to enable this. At Kovio his primary responsibility was in leading materials, process and integration of a revolutionary silicon ink based printed electronics platform from initial feasibility to qualified product and yield. Prior to Kovio, Dr. Kamath worked at LSI Logic R&D, Santa Clara in various managerial and individual contributor roles. This spanned process engineering, group management, R&D operations and SRAM integration and yield enhancement. Dr. Kamath earned a B.Tech degree in Metallurgical Engineering from the Indian Institute of Technology, Chennai and a Ph.D in Materials Science and Engineering from the microelectronics program at The University of Texas at Austin. Dr. Kamath is a US citizen, and maintains a business address at 2581 Junction Avenue San Jose, CA 95134, USA.

Louis Golato, VP of Operations

Louis Golato joined Thinfilm in December 2020 and leads manufacturing scale-up activities related to roll-based solid-state lithium battery manufacturing. Golato brings decades of experience leading factory ramp-up and manufacturing operations in the energy storage and semiconductor industries. Most recently, he served as vice president, manufacturing and operations at grid-scale energy storage company VionX Energy and previously served in executive roles at Stion Corporation and A123 Systems, where he was responsible for launching multiple lithium-ion battery factories worldwide. Golato earned a Bachelor of Science degree in Business Administration from Bryant University. Mr. Golato is a US citizen, and maintains a business address at 2581 Junction Avenue San Jose, CA 95134, USA.

7.2 Conflicts of Interest

The Chairman of the Board, Morten Opstad, is a partner in the Norwegian lawfirm Advokatfirmaet Ræder AS, which in the past has rendered and currently renders legal services for Thinfilm. Mr. Opstad and the Board are attentive to the fact that this, arguably, could represent a potential conflict of interest and monitor the situation closely to ensure that no conflict of interest materializes. No commitment has been made by the Board in relation to the use of Advokatfirmaet Ræder AS for future legal services and the Board selects the Company's professional advisors with the Company's best interests as the overriding priority. The legal services rendered by Advokatfirmaet Ræder AS are to a large degree performed by other lawyers than Mr. Opstad. Mr. Opstad will abstain from voting on any Board matters concerning the Company's affiliation with Advokatfirmaet Ræder AS.

The Company has had in place an agreement with Morten Opstad, the Chair of the Board, for remuneration for executive services beyond his board functions and role as Chair of the Board. This agreement was amended as part of the refinancing and funding of the Company in 2020, such amendment effective as of 1 January 2020. Under this amendment agreement, Morten Opstad receives an annual fee of NOK 550,000 plus VAT for such executive services. Any additional fees for serving as Chair will be subject to approval by the Annual General Meeting of shareholders. Morten Opstad received an additional NOK 700,000 plus VAT as fees for his special services in connection with the funding processes in the Company in 2020.

Members of the Board and management hold a number of Shares and/or Subscription Rights/Warrants in the Company. The following table sets forth the number of such equity instruments held or controlled by the members of the Board and management as at the date of this Prospectus. The numbers include rights held or controlled by the respective persons' close associates, as that term is defined in the Norwegian Securities Trading Act.

Name/position	Shares	Warrants B	Warrants C	ADRs	Incentive Subscription Rights
Morten Opstad, Chairman	4,938,847	1,966,542	846,308	-	6,941,527
Preeti Mardia, Board member	342,053	-	333,333	-	3,470,763
Jon Castor, Board member	1,909,089	909,090	90,909	-	7,341,527
Kelly Doss, Board member	1,242,423	454,545	333,333	-	3,670,763
Kevin Barber, CEO	1,818,180	909,090		-	43,979,286
David Williamson, Acting CFO	-	-		-	5,338,146
Arvind Kamath, EVP Technology Development & Manufacturing	-	-		-	15,994,701

Other than the foregoing, and to the best of the Company's knowledge, there are no potential conflicts of interests between any duties to the Company and private interest or other duties of the members of the Board or management. There are no family relationships among the directors, management or key employees.

There is no arrangement or understanding in existence with major shareholders, customers, suppliers or others, pursuant to which members of the Board or management were selected for their respective positions.

7.3 Convictions for fraudulent offences, bankruptcy, etc.

None of the members of the Company's Board or management have during the last five years preceding the date of this Prospectus:

- Any convictions in relation to indictable offences or convictions in relation to fraudulent offences;

- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company; or
- been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his or her capacity as a founder, director or senior manager of a company.

8 FINANCIAL INFORMATION

8.1 Overview and basis of presentation

The financial information has been extracted from the Group’s audited consolidated financial statements as of and for the year ended 31 December 2019 (the “**Financial Statements**”), and the unaudited consolidated statements as of and for the six months’ periods ending on 30 June 2019 and 30 June 2020, and 31 December 2019 and 31 December 2020 (the “**Interim Financial Statements**”, together referred to as the “**Financial Information**”). The Financial Information is incorporated herein by reference (see Section 14.5 “*Incorporation by reference*”).

What is the key financial information regarding the issuer?

Financial Statements

Profit and loss	First six months		Second six months		Full Year	
	2020	2019	2020	2019	2020	2019
Amounts in USD (1,000)						
Total revenue	495	1 096	18	85	513	1 181
Gross margin	488	587	10	(2 585)	498	(1 998)
Loss before interest, tax, depreciation (EBITA)	(5 561)	(20 516)	(30 370)	(10 245)	(35 931)	(30 761)
Net loss for the period	(8 083)	(22 597)	(31 030)	(55 849)	(39 113)	(78 446)
Loss per share, basic and diluted (USD)	(0,07)	(0,39) *	(0,05)	(0,95) *	(0,10)	(1,34)

* adjusted for 2019 reverse stock split

Financial position	30 June 2020	30 June 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Total assets	5 897	56 684	7 729	12 238	7 729	12 238
Total equity	(25 002)	35 692	(46 866)	(19 660)	(46 866)	(19 660)
Net financial debt	13 200	-	12 954	13 200	12 954	13 200

Cash flow	First six months		Second six months		Full Year	
	2020	2019	2020	2019	2020	2019
Amounts in USD (1,000)						
Net cash flows from operating activities	(5 869)	(19 028)	(6 016)	(10 026)	(11 885)	(29 054)
Net cash flow from investing activities	(40)	(4 662)	(270)	(257)	(310)	(4 919)
Net cash flows from financing activities	700	474	8 413	9 783	9 113	10 257

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and the Norwegian Accounting Act, and audited by Deloitte AS, the Group’s independent auditor, see Section 14.2 “*Auditor*”.

The unaudited reports for the six-month’s periods ending 30 June and 31 December 2019 and 30 June and 31 December 2020 have been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”).

The amounts are presented in USD, rounded to the nearest thousand unless otherwise stated. USD is the reporting as well as the functional currency of the Group and the Company.

8.2 Auditor and information subject to audit

The Company’s auditor Deloitte AS, ref. Section 14.2, has audited the Financial Statements. The auditor’s reports are included in the Financial Statements. The auditor’s opinion for 2019 was qualified as follows because the Company had insufficient working capital for a 12 month

period and there existed significant uncertainty regarding the ability for the Company and the consolidated entity to continue as going concerns:

The Group and the parent historically operated at a loss and are in immediate need of cash. There is no assurance that management will be successful in raising funds. Failure to obtain funding would adversely affect the ability to continue as a going concern and consequently the Group and the parent might enter into liquidation. As stated in Note 2 in the financial statements of the Group and in Note 1 in the financial statements of the parent and in the Board of Directors report, the liquidity situation, along with other matters as set forth in the notes and the Board of Directors report, the liquidity situation, along with other matters as set forth in the notes and the Board of Directors' report, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

These concerns are reflected and elaborated in 0 “Risk factors” and 6 “Company and its business”.

Deloitte AS has not audited Interim Financial Statements.

8.3 Significant changes since 31 December 2020

In the opinion of the Company's management, there have been no material changes in the Company's financial position, the Company's financial performance, or recent trends as regards the operations of the Company, since 31 December 2020 to the date of this Prospectus.

8.4 Investments

Thinfilm has no financial investments or off-balance sheet assets. Cash is held in the bank.

Thinfilm made significant investments in both 2017 and 2018 as well as the first three months of 2019, mostly related to equipment for the new roll-based production line at the San Jose site. The roll-to-roll line comprises of 20 modules and the Company has at the date of this Prospectus ordered all modules and received 17. The Company is well positioned to execute on its new strategy with minimal investment in equipment.

The future development and commercialization activities will be conducted by the Group, its production partners and various technical and academic laboratories and institutions. The future programs are committed only insofar as the staff has been employed and hired. There is little or no basis for estimating whether the results of future development projects will satisfy the criteria for capitalization.

Thinfilm intends to fund the future development activities through its own sources, supplemented by equity and/or debt financing if and when obtained.

8.5 Dividend Policy

Thinfilm has no established dividend policy in place except to state that the Company's aim and focus is to enhance shareholder value and provide an active market in its Shares.

Thinfilm has not yet declared or paid any dividends on its shares. The Company does not anticipate paying any cash dividends on its shares in the next few years. Thinfilm intends to retain future earnings, if any, to finance operations and the expansion of its business. Any future determination to pay dividends will depend on the Group's and the Company's financial condition, results of operations and capital requirements.

9 CAPITAL RESOURCES AND INDBETEDNESS

9.1 Capitalization and Indebtedness

The Group is funded by equity and supplier credit, and short term financing. The unsecured current debt, which comprises financial liabilities as reported in the balance sheet, consists of accounts payable, accrued expenses and similar working capital items.

On 12 September 2019, the Company announced an equipment term loan facility with Utica Leaseco, LLC ("Utica") entered into by the US subsidiary, Thin Film Electronics, Inc., for financing of up to USD 13.2 million. As of 30 September 2019, Thinfilm had secured funding for the full amount of USD 13.2 million. The debt facility is described in more detail in Section 6.7. The Group is using the proceeds from the loans as well as the short term cash savings resulting from the renegotiation of payment terms for working capital to fund ongoing operations and to support its execution of strategic initiatives.

The Company had approximately USD 3,446,000 of unsecured debt for trade and other payables as of 31 December 2020.

Since 31 December 2020, new equity from warrants issued in conjunction with the 20 May 2020 private placement and subsequent offering, have been exercised injecting NOK 6 million into the Company. The Private Placement described in this Prospectus has raised gross proceeds of approximately NOK 56.5 million. The normal operations have consumed cash by payment of normal operating expenses and interest expense.

There are no other material changes to the capitalization and indebtedness of the Group.

9.1.1 Capitalization and indebtedness

The following table shows the Group's capitalization and indebtedness as of 31 December 2020 and significant changes since 31 December 2020 (per 1 January 2021) (unaudited):

Capitalisation and indebtedness
In thousands of USD

		<u>31 December 2020</u>	<u>Adjustments after</u> <u>31 December 2020</u>	<u>As Adjusted</u>
Total Current Debt and liabilities	Note	32,711	421	33,132
Guaranteed				
Secured - Current portion	1, 2	3,245	597	3,842
Unsecured	3	3,446	(176)	3,270
Warrant liability		26,020	-	26,020
Total Non-Current debt (excluding portion of long-term debt)	1	21,884	(801)	21,083
Guaranteed				
Secured - Non-current portion	2	9,709	(597)	9,112
Unsecured (financial lease)	4	12,175	(204)	11,971
Shareholder's equity		(46,866)	4,468	(42,398)
a.....Share capital.....	5	12,014	1,614	13,628
b.....Legal Reserve.....		-	-	-
c.....Other Reserves.....	6	(58,880)	2,854	(56,026)
Total debt and shareholder's equity		7,729	4,088	11,817

Notes: The adjustments since December 31, 2020 consist of the following:

1. The decrease in the "non-current portion" of secured debt is offset by an equal increase in the "current portion".
2. The debt is secured by certain manufacturing assets at the Company's San Jose facility that have been impaired to \$0.00.
3. The change in unsecured debt is USD 176 thousand due to reduction in trade payables and accrued expenses.
4. The decrease of USD 204 thousand in Unsecured (financial lease) is the result of normal monthly amortization relating to the company's building lease in San Jose, California.
5. The increase in "Share capital" of USD 1,614 thousand is due to payment of share contribution in connection with exercises of Warrants A and Warrants B and the Private Placement described in this Prospectus.
6. The decrease in "Other reserves" of USD 2,854 thousand represents net losses incurred year-to-date offset by an increase in capital paid in excess of par.

Net financial indebtedness

In thousands of USD

		<u>31 December 2020</u>	<u>Adjustments after</u> <u>31 December 2020</u>	<u>As Adjusted</u>
Total Current Debt and liabilities	Note			
A. Cash.....	1	5,790	3,720	9,510
B. Cash equivalent (Detail).....		-		-
C. Trading securities.....		-		-
D. Liquidity (A) + (B) + (C).....		5,790	3,720	9,510
E. Current financial receivables.....		-	-	-
F. Current bank debt.....	2	3,245	597	3,842
G. Current portion on non current debt.....				-
H. Other current financial debt.....				-
I. Current Financial Debt (F)+(G)+(H)		3,245	597	3,842
J. Net Current Financial Indebtedness (I) - (D) -(E).....		(2,545)	(3,123)	(5,668)
K. Non current Bank loans.....	2	9,709	(597)	9,112
L. Bonds issued.....		-		-
M. Other non current loans.....	3	12,175	(204)	11,971
N. Non current Financial Indebtedness (K)+(L)+(M).....		21,884	(801)	21,083
O. Net Financial Indebtedness (J)+(N).....		19,339	(3,924)	15,415

Notes: The adjustments since December 31, 2020 consist of the following:

1. The increase in Cash of USD 3,720 thousand is a result of funding the losses offset by receiving a total of USD 7,027 thousand proceeds from paid share contribution in connection with exercises of Warrants A and Warrants B and the Private Placement described in this Prospectus.
2. The decrease of USD 597 thousand in the "non-current portion" of secured debt is offset by an equal increase in the "current portion". The debt is secured by certain manufacturing assets at the Company's San Jose facility that have been impaired to \$0.00.
3. The decrease of USD 204 thousand in "other non current loans" reflects the normal amortization of the financial lease associated with the Company's facility in San Jose, California.

9.2 Working capital statement

The Company is of the opinion that it does not have sufficient working capital for its present requirements and is actively undertaking initiatives to raise funds necessary for continued operation. As of 31 January 2021, the Company had a cash balance of approximately USD 6,551,000 (including restricted cash of USD 1,654,000), which is sufficient to fund the Company into Q2 2021. Following the successful completion of the Private Placement and the potential receipt of payment for shares issued based on Warrant B exercise requests received by the Company but not yet approved by the Board as of the date of this Prospectus, the Company believes it will have sufficient working capital to continue operations into Q3 2021.

Beyond funds raised in this Private Placement, the Company believes it will require additional funds in the range of USD 21 – 23 million to support the business plan into the first quarter of 2022. As of the date of this Prospectus, total outstanding, unexercised Warrants B and C together have a total fundraising capacity of approximately NOK 169.8 million (approximately USD 19.6 million based on exchange rates as of the date of this Prospectus). At the time of issuance of this Prospectus, all outstanding warrants have an exercise price of NOK 0.25 are considered to be 'in the money', thereby making exercise financially attractive to warrant holders. The previous Warrants A exercise period, which concluded on 31 December 2020, resulted in the exercise of nearly 95% of total issued Warrants A. Beyond the potential exercise of warrants, sources of funding may include new and existing investors, including institutional investors in the United States and Europe, potential Joint Development Agreements with

customers, and potential revenues from initial product shipments. The Company continually evaluates potential sources of investment to prioritize potential sources that provide the best possible alignment to the Company's goals and capital requirements.

However, if the Company is not able to successfully complete future fundraising as planned, significant uncertainty would exist as to whether the Company will continue as a going concern. Should this occur, the board may evaluate further strategic options including the restructuring, sale, or dissolution of the Company.

10 CORPORATE INFORMATION AND DESCRIPTION OF SHARE CAPITAL

10.1 Company corporate information

The Company's legal name is Thin Film Electronics ASA. In less formal circumstances and in the context of marketing, the Company/Group is often referred to as "Thinfilm". The Company is organized as a public limited liability company in accordance with the Norwegian Public Limited Companies Act, and is registered with the Company Registry under company organization no. 889 186 232.

The Company's registered office is at Fridtjof Nansens plass 4, 0160 Oslo, Norway. The Company can be reached on telephone + 47 22 42 45 00.

The Company was incorporated on 22 December 2005 with the name Thin Film NewCo ASA, which name was changed to Thin Film Electronics ASA on 11 May 2006. The Company's website can be found at <https://thinfilmsystems.com/>. Except as incorporated by reference, see Section 14.5, the information on the Company's website is not part of the Prospectus.

10.2 The Shares

The Company's Shares have been listed and traded on Oslo Børs since 27 February 2015. Prior to this, since 30 January 2008, the Company's Shares had been listed on Oslo Axess.

In addition, Thinfilm has established a sponsored Level 1 American Depositary Receipt ("ADR") program. On 24 March 2015, Thinfilm's ADRs were available for trading in the United States on the OTCQX International under the symbol "TFECY". Thinfilm's ADR was moved to OTCQB with effect on 23 June 2020.

The Company's Shares are not listed on any other stock exchange, regulated market or other equivalent markets and no such other listing is sought or contemplated.

Prior to the Private Placement, the Company's share capital was NOK 114,535,205.84 divided into 1,041,229,144 Shares, each with a par value of NOK 0.11. Following registration of the share capital increase in connection with the Private Placement, the Company has an issued share capital of NOK 122,116,721.43 divided into 1,110,152,013 Shares, each with a par value of NOK 0.11.

The Company only have one class of shares and all Shares have equal rights, including voting rights and right to the Company's capital, in the event of liquidation and to receive dividends, unless all the shareholders approve otherwise. The Shares are issued under Norwegian law and pursuant to the Norwegian Public Limited Companies Act. All Shares have been fully paid. See Section 11 "*Shareholder Matters and Company and Securities Law*" for further details of the rights relating to the Shares. The Company's Articles of Association as of the date of this Prospectus are incorporated hereto by reference, see Section 14.5 "*Incorporation by reference*".

There are no dividend restrictions or specific procedure for non-Norwegian resident shareholders in the Norwegian Public Limited Companies Act or otherwise applicable for the Company.

The New Shares will receive rights to receive dividends from the time at which the associated share capital increase is registered in the Company Registry.

The New Shares are freely transferable according to Norwegian law and the Company's Articles of Association. There are no voting restrictions in the Company. The Articles of Association of the Company does not contain any provisions restricting foreign ownership of Shares.

The Company is not aware of any shareholder agreements or other similar understandings among its shareholders that may result in a change of control in ThinFilm. To the best of the Company's knowledge and belief, no shareholders, or group of shareholders, control the Company, directly or indirectly. The Shares have not been subject to any takeover bids by third parties during the current or last financial year.

10.3 Board Authorization to issue Shares

At the Annual General Meeting on 3 June 2020, the Board was granted an authorization to issue shares in connection with the 2020 Employee Share Purchase Plan. The authority allows issue of new shares for up to NOK 644,529.39 in total nominal value, corresponding to 10% of the registered capital as of the date of the Notice of the Annual General Meeting, in connection with the award of shares to employees under the 2020 Employee Share Purchase Plan in return for the employees accepting a corresponding reduction in their cash employee remuneration. The Board authorization was first approved at the 15 April 2020 Extraordinary General Meeting, but for registration purposes was ratified and restated at the 3 June 2020 Annual General Meeting. The number of shares that may be awarded to the employee shall be calculated based on the volume-weighted average price of the share over the 10 trading days immediately preceding the subscription date. The authorization is valid until the Annual General Meeting in 2021, but not later than 30 June 2021. As of the date of this Prospectus, the authorization has not been used.

There are no other board authorizations to issue shares in effect as of the date of this Prospectus.

10.4 Subscription Rights, Warrants and other financial instruments

10.4.1 Subscription Rights

On 19 August 2020, the Extraordinary General Meeting resolved a right to issue subscription rights to employees of the Group and to individual consultants under a new 2020 Subscription Rights Incentive Plan (the "2020 Plan").

The maximum number of subscription rights that may be granted under the 2020 Plan is 173,824,687 subscription rights, which equals 10% of the Company's fully diluted share capital as of the date of the Extraordinary General Meeting on 19 August 2020 ("fully diluted" includes Shares and Warrants C that could be issued in the subsequent offering resolved on the Extraordinary General Meeting on 19 August 2020, as well as issued and outstanding Warrants A and B, but excluding issued and outstanding incentive subscription rights); provided, however, that the number of subscription rights that may be issued under the 2020 Plan and collectively under all the Company's subscription rights plans remains limited to 10 % of the issued and outstanding number of shares in the Company at any given time.

In general, and unless the Board approves an accelerated vesting schedule at its sole discretion, subscription rights granted under the 2020 Plan will vest as to 50% on the first anniversary of the vesting commencement date (the one-year anniversary from the date of grant), and as to the remaining 50% on the second anniversary of the vesting commencement date. Unless otherwise

determined by the Board, the exercise price for each subscription right under the 2020 Plan shall be the greatest of (i) the average closing price of the Company's share, as reported by Oslo Børs, over ten trading days immediately preceding the Grant Date, and (ii) the closing price of the Company's share, as reported by Oslo Børs, on the trading day immediately preceding the Grant Date. Under special terms of the 2020 Plan, the Board is expressly authorized to issue up to 139,059,749 subscription rights, which equals 8% of the Company's fully diluted share capital (as defined in the preceding paragraph) with an exercise price of NOK 0.15 per share. The Board retains the discretion to set the NOK 0.15 exercise price higher to avoid any issues with taxation in the jurisdiction of the employee or individual consultant.

As of the date of this Prospectus, a total of 91,026,943 subscription rights have been granted and are outstanding under the 2020 Plan.

The 2020 Plan replaced the preceding 2019 Subscription Rights Incentive Plan (The "2019 Plan"), meaning that no new subscription rights may be granted under the 2019 Plan after the 2020 Plan became effective. The 2019 Plan is based on substantially the same terms and conditions as the general terms of the 2020 Plan; provided, however, that i) subscription rights issued pursuant to the 2019 Plan generally vest as follows: 1/12 of the Shares subject to the subscription rights become vested and exercisable on each January 15, April 15, July 15 and October 15 following the grant date (commencing with the first such date following the grant date).

Further, the 28 May 2019 Annual General Meeting resolved a right to issue subscription rights under the 2019 Plan ("Replacement Subscription Rights") to employees of the Group and to individual consultants that held issued, outstanding and not expired subscription rights granted under the plans from 2014 to 2018 ("Existing Subscription Rights"), provided that the individual holder of Existing Subscription Rights waived any right to claim Shares under the Existing Subscription Rights. Of the subscription rights issued pursuant to the said resolution, 33.3% are to be considered vested at the date of grant of the new subscription rights under the 2019 Plan. The remaining subscription rights vest 22.3% one year from the Vesting Commencement Date, and 22.2% shall vest the two following years, respectively.

As of the date of this Prospectus, 3,363,232 subscription rights have been granted and are outstanding under the Company's 2019 Plan, including subscription rights originally granted under the 2019 Plan and Replacement Subscription Rights as defined above. The lowest exercise price under the 2019 Plan is NOK 0.113.

The Extraordinary General Meeting on 19 August 2020 further issued 13,800,000 subscription rights to members of the Company's Board of Directors. An additional issuance of 7,024,580 subscription rights were resolved on 20 January 2021 to members of the Company's Board of Directors in accordance with the resolution by the Extraordinary General Meeting on 19 August 2020.

10.4.2 Warrants

The 20 May 2020 Extraordinary General Meeting resolved to issue warrants (*Nw.: tegningsretter*) to investors participating in the private placement and subsequent offering announced on 28 April 2020. The Company issued two warrants for each share subscribed for and allocated in said placement and offering.

The first warrant (“Warrant A”) had an exercise price of NOK 0.11 per share and was exercisable at any time from the date of grant until 31 December 2020. The second warrant (“Warrant B”) has an exercise price of NOK 0.25 per share and is exercisable at any time from the date of grant until 20 August 2021.

On 19 August 2020, the Extraordinary General Meeting further resolved to issue warrants to investors participating in the private placement and subsequent offering announced on 23 July 2020. The Company issued one warrant for each share subscribed for and allocated in the private placement and subsequent offering. Such warrants (“Warrant C”) have an exercise price of NOK 0.25 per share and will be exercisable at any time from 31 March 2021 until 30 June 2021. Reference is otherwise made to Section 5.3 of the Prospectus.

Each Warrant (including, for the purpose of this paragraph, Warrants A, B and C) entitled or shall entitle the holder to demand the issuance of one new share in the Company; provided, however, that in the event the Company’s share capital or number of shares is changed by way of a capitalization issue, stock split, stock consolidation etc., the number of Warrants that may be issued, and the consideration for the shares to be issued in the Company upon exercise of the Warrants, shall be adjusted accordingly and rounded downwards to the nearest whole number. Any shares that are issued by the Company upon exercise of Warrants shall carry shareholder rights subsequent to the subscriber having paid the exercise price and the associated share capital increase having been registered in the Register of Business Enterprises.

290,909,090 Warrants A and 290,909,090 Warrants B were resolved issued to investors participating in the private placement and the subsequent offering announced on 28 April 2020. Out of these, 273,073,534 Warrants A and 12,260,250 Warrants B have duly been exercised and the related share issuances have been approved by the Board as of the date of this Prospectus. Remaining and unexercised Warrants A expired without compensation to the holders following 31 December 2020. Further, 400,533,332 Warrants C were resolved issued to investors participating in the private placement and subsequent offering announced on 23 July 2020. Consequently, a total of 679,182,172 Warrants are currently issued and outstanding in the Company.

10.4.3 Other financial instruments

As of the date of this Prospectus, the Company has no other outstanding rights to shares, convertible loans, convertible securities, exchangeable securities or other financial instruments in issue giving the holder the right to convert or subscribe for Shares in the Company.

10.5 Authority to Repurchase Shares

No Shares in Thinfilm are held by or on behalf of the Company itself or by any of its Subsidiaries.

At the 3 June 2020 Annual General Meeting, the Board was authorized to acquire, through ownership or a charge, up to 10% of the Company’s registered share capital, corresponding to a total nominal value of NOK 3,208,982.31, for a maximum price of NOK 1,000 per Share. As of the date of this Prospectus, the authorization has not been used to purchase Shares in the Company. The authorization expires at the date of the Company’s annual general meeting in 2021, however, no later than 30 June 2021.

10.6 Major shareholders

Pursuant to the Norwegian Securities Trading Act, shareholders that obtain holdings of shares, or rights to shares, that exceed 5% of the Company's share capital or a corresponding portion of the votes, have an interest in the issuer's capital or voting rights which is notifiable. The following Sections 10.6.1 and 10.6.2 represent certain shareholders' holdings of shares or rights to shares that exceed 5% of the Company's share capital or a corresponding portion of the votes, and is made up of information from the VPS and disclosures made by shareholders in the Company on Oslo Børs, respectively.

10.6.1 Shareholdings based on data from the VPS

As of the date of this Prospectus¹⁵, the following registered shareholders in Thinfilm have holdings in excess of the statutory thresholds for disclosure requirements. In case of nominee shareholders, the disclosure requirement applies to the beneficial owner of the Shares. The overview below includes Private Placement Shares but not Warrant Shares.

Name of registered shareholder	Number of Shares held	%
UBS Switzerland AG	182,938,168	16.48%
Alden AS	117,566,424	10.59%
Tigerstaden AS	100,000,000	9.01%
Middelborg Invest AS	71,226,448	6.42%

UBS Switzerland AG is a nominee shareholder. Note that shareholders may have several accounts and/or their Shares may be held by one or more nominee(s). All shares in the Company have equal voting rights.

10.6.2 Disclosures on acquisitions of large shareholdings, rights to shares and voting rights

The following overview is based on disclosures that have been submitted by shareholders in the Company, pursuant to the disclosure requirements in the Norwegian Securities Trading Act. The percentages relating to Shares and Warrants represent the holdings based on the total number of outstanding shares in the Company at the time of disclosure. These shareholdings may not be accurate as of the date of this Prospectus as subsequent share transactions are not subject to disclosure requirements on the part of the shareholder unless the transaction causes the shareholder to reach, exceed or fall below a statutory disclosure threshold under the Norwegian Securities Trading Act.

Disclosing party	Date of disclosure	Disclosure of Shares		Disclosure of unexercised Warrants		Disclosure of Warrants and Shares combined
		Total amount	%	Total amount	%	
Tigerstaden AS and associates	14 January 2021	100,347,391	9.64%	80,537,878	7.73%	17.37%
Alden AS and close associates	14 January 2021	113,800,000	10.93%	86,287,878	8.29%	19.22%
Robert N. Keith and associates	14 December 2020	181,191,870	18.38%	139,469,695	14.15%	32.53%
Middelborg Invest AS and associates	4 March 2021	71,248,487	6.42%	55,409,675	4.99%	11.41%

¹⁵ The overview is based on data from the VPS as of 21 March 2021.

11 SHAREHOLDER MATTERS AND COMPANY AND SECURITIES LAW

11.1 Introduction

This section includes certain aspects of Norwegian legislation relating to shareholding in a Norwegian public limited liability company, with its shares listed on Oslo Stock Exchange, but is however not a full or complete description of the matters described herein. The following summary does not purport to be a comprehensive description of all the legal considerations that may be relevant to a decision to purchase, own or dispose of Shares.

The Company is a Norwegian public limited company and is as such subject to, inter alia, Norwegian company and securities law, including the Norwegian Public Limited Companies Act and the Norwegian Securities Trading Act with regard to disclosure of inside information and ongoing disclosure requirements, market abuse, mandatory take-overs, squeeze-out, etc.

11.2 Voting rights

Each Share in the Company (other than treasury shares) gives the holder the right to cast one vote at general meetings of shareholders. There are no limitations under Norwegian law on the rights of non-residents or foreign owners to hold or vote the Shares.

As a general rule, resolutions that shareholders are entitled to make pursuant to the Norwegian Public Limited Companies Act or the Company's Articles of Association require a simple majority of the votes cast. In the case of election of directors to the Board of Directors, the persons who obtain the most votes cast are deemed elected to fill the positions up for election. However, as required under Norwegian law, certain decisions, including resolutions to waive preferential rights in connection with share issues, to approve a merger or de-merger, to amend the Company's Articles of Association or to authorize an increase or reduction in the share capital, must receive the approval of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a shareholders' meeting.

Norwegian law further requires that certain decisions which have the effect of substantially altering the rights and preferences of any Shares or class of Shares receive the approval of the holders of such Shares or class of shares as well as the majority required for amendments to the Company's Articles of Association. Decisions that (i) would reduce any shareholder's right in respect of dividend payments or other rights to the assets of the Company or (ii) restrict the transferability of the shares require a majority vote of at least 90% of the share capital represented at the general meeting in question as well as the majority required for amendments to the Company's Articles of Association. Certain types of changes in the rights of shareholders require the consent of all shareholders affected thereby as well as the majority required for amendments to the Company's Articles of Association.

In general, only shareholders registered in the VPS are entitled to vote for the Shares. Beneficial owners of Shares that are registered in the name of a nominee are generally not entitled to vote for Shares under Norwegian law, nor are persons who are designated in the VPS register as the holder of such Shares as nominees. Readers should note that there are varying opinions as to the interpretation of Norwegian law in respect of the right to vote nominee-registered Shares. For example, Oslo Stock Exchange has held that in its opinion "nominee-shareholders" may vote in general meetings if they actually prove their shareholding prior to the general meeting.

Readers should also note an ongoing legislative process where a Proposition to the Norwegian Parliament, which is expected to introduce new legislation on the topic, is expected within April 2021. The proposed changes in the Hearing Note from November 2019 seek to introduce legislation which will both affirm the right to attend and vote on general meetings for holders of nominee-registered Shares, and in addition make it easier for holders of such Shares to exercise this right.

11.3 Additional issuances and preferential rights

All issuances of Shares by the Company, including bonus issues, require an amendment to the Articles of Association, which requires the same vote as other amendments to the Articles of Association. Furthermore, under Norwegian law, the Company's shareholders have a preferential right to subscribe for new shares issued against cash contribution. The preferential rights to subscribe in an issue may be waived by a resolution in a general meeting by the same vote required to approve amendments to the Articles of Association. A waiver of the shareholders' preferential rights in respect of bonus issues requires the approval of all outstanding Shares, irrespective of class.

Under Norwegian law, bonus issues may be distributed, subject to shareholder approval, by transfer from the Company's free equity or from its share premium reserve. Such bonus issues may be affected either by issuing Shares or by increasing the par value of the Shares outstanding.

11.4 Dividends

Dividends may be paid in cash or in some instances in kind. Pursuant to the Norwegian Public Limited Companies Act, a public limited liability company may only distribute dividends to the extent it will have net assets covering the company's share capital and other restricted equity after the distribution has been made. The calculation shall be made on the basis of the balance sheet in the Company's last approved financial statements, provided, however, that it is the registered share capital at the time of decision that applies. Further, extraordinary dividend payments may be resolved based upon an interim balance sheet not older than six (6) months.

In the amount that may be distributed, a deduction shall be made for (i) the aggregate nominal value of treasury shares held by the company, (ii) credit and collateral pursuant to Sections 8-7 to 8-10 of the Norwegian Public Limited Companies Act, with the exception of credit and collateral repaid or settled prior to the time of decision or credit which is settled by a netting in the dividend and (iii) other dispositions after the balance day which pursuant to law shall lie within the scope of the funds that the Company may use to distribute dividend. Even if all other requirements are fulfilled, the Company may only distribute dividend to the extent that it after the distribution has a sound equity and liquidity.

Distribution of dividends is resolved by the general meeting of shareholders with simple majority, and on the basis of a proposal from the Board of Directors. The general meeting cannot distribute a larger amount than what is proposed or accepted by the Board of Directors. The general meeting can also, following its approval of the annual financial statement, provide the Board of Directors with an authorization to resolve distribution of dividends on the basis of the company's financial statement. Such authorization is however limited in time to the next ordinary General Meeting.

According to the Norwegian Public Limited Companies Act, there is no time limit after which entitlement to dividends lapses. Under the Norwegian Limitations Act, the general period of limitation is three years from the date on which an obligation is due. The payment date may not be set later than six months from the resolution to distribute dividends. Further, there are no dividend restrictions or specific procedures for non-Norwegian resident shareholders in the Norwegian Public Limited Companies Act.

Under Norwegian foreign exchange controls currently in effect, transfers of capital to and from Norway are not subject to prior government approval except for the physical transfer of payments in currency, which is restricted to licensed banks. Consequently, a non-Norwegian resident may receive dividend payments without Norwegian exchange control consent if such payment is made only through a licensed bank.

Any potential future payments of dividends on the Shares will be denominated in NOK and will be paid to the shareholders through the VPS. Payment to investors registered in the VPS whose address is outside Norway will be conducted by the Company's registrar based on information received from the VPS. Investors registered in the VPS with an address outside Norway who have not supplied VPS with their bank account details or who do not have valid bank account number will receive a letter from the Company's VPS registrar, which needs to be returned before the dividend payment can take place.

11.5 Rights on liquidation

Under Norwegian law, a company may be liquidated by a resolution in a general meeting of the Company passed by a two thirds majority of the aggregate votes cast as well as two thirds of the aggregate share capital represented at such meeting. The Shares rank *pari passu* in the event of a return on capital by the Company upon a liquidation or otherwise.

11.6 Disclosure obligations

If a person's, entity's or consolidated group's proportion of the total issued shares and/or rights to shares in a company listed on a regulated market in Norway (with Norway as its home state, which will be the case for the Company) reaches, exceeds or falls below the respective thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the share capital or the voting rights of that company, the person, entity or group in question has an obligation under the Norwegian Securities Trading Act to notify Oslo Stock Exchange and the issuer immediately. The same applies if the disclosure thresholds are passed due to other circumstances, such as a change in the company's share capital.

Shares held or acquired or disposed of by close associates, as defined in Section 2-5 of the Norwegian Securities Trading Act, are regarded as equivalent to the acquirer's or disposer's own Shares.

11.7 The VPS and transfer of Shares

The Company's principal shareholder register is operated through the VPS under the securities identification code ISIN NO0010299068. The Company's registrar is DNB Bank ASA, Securities Services, Dronning Eufemias gate 30, NO-0191 Oslo, Norway.

The VPS is the Norwegian paperless centralized securities register. It is an electronic book-

keeping system in which the ownership of, and all transactions relating to, Norwegian listed shares must be recorded. The VPS and Oslo Børs are both wholly-owned by Euronext N.V.

All transactions relating to securities registered with the VPS are made through computerized book entries. No physical share certificates are, or may be, issued. The VPS confirms each entry by sending a transcript to the registered shareholder irrespective of any beneficial ownership. To give effect to such entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, Norges Bank (being, Norway's central bank), authorized securities brokers in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as account agents.

As a matter of Norwegian law, the entry of a transaction in the VPS is prima facie evidence in determining the legal rights of parties as against the issuing company or any third party claiming an interest in the given security. A transferee or assignee of shares may not exercise the rights of a shareholder with respect to such shares unless such transferee or assignee has registered such shareholding or has reported and shown evidence of such share acquisition, and the acquisition is not prevented by law, the relevant company's by-laws or otherwise.

The VPS is liable for any loss suffered as a result of faulty registration or an amendment to, or deletion of, rights in respect of registered securities unless the error is caused by matters outside the VPS' control which the VPS could not reasonably be expected to avoid or overcome the consequences of. Damages payable by the VPS may, however, be reduced in the event of contributory negligence by the aggrieved party.

The VPS must provide information to the Financial Supervisory Authority on an on-going basis, as well as any information that the Financial Supervisory Authority requests. Further, Norwegian tax authorities may require certain information from the VPS regarding any individual's holdings of securities, including information about dividends and interest payments.

11.8 Shareholder register – Norwegian law

Under Norwegian law, shares are registered in the name of the beneficial owner of the shares. As a general rule, there are no arrangements for nominee registration and Norwegian shareholders are not allowed to register their shares in VPS through a nominee. However, foreign shareholders may register their shares in the VPS in the name of a nominee (bank or other nominee) approved by the Financial Supervisory Authority. An approved and registered nominee has a duty to provide information on demand about beneficial shareholders to the company and to the Norwegian authorities. In the case of registration by nominees, the registration in the VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions, but cannot vote in general meetings on behalf of the beneficial owners. Reference is made to the ongoing legislative process, as described in Section 11.3, regarding the right to attend and vote on general meetings for holders of nominee-registered Shares.

11.9 Foreign investment in shares listed in Norway

Foreign investors may trade shares listed on Oslo Børs through any broker that is a member of Oslo Børs, whether Norwegian or foreign.

11.10 Insider trading

According to Norwegian law, subscription for, purchase, sale or exchange of financial instruments that are listed, or subject to the application for listing, on a Norwegian regulated market, or incitement to such dispositions, must not be undertaken by anyone who has inside information, as defined in Section 3-2 of the Norwegian Securities Trading Act. The same applies to the entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights whose value is connected to such financial instruments or incitement to such dispositions.

11.11 Mandatory offer requirement

The Norwegian Securities Trading Act requires any person, entity or consolidated group that becomes the owner of shares representing more than one-third of the voting rights of a company listed on a Norwegian regulated market (with the exception of certain foreign companies) to, within four (4) weeks, make an unconditional general offer for the purchase of the remaining shares in that company. A mandatory offer obligation may also be triggered where a party acquires the right to become the owner of shares that, together with the party's own shareholding, represent more than one-third of the voting rights in the company and Oslo Stock Exchange decides that this is regarded as an effective acquisition of the shares in question. The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares that exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

When a mandatory offer obligation is triggered, the person subject to the obligation is required to immediately notify Oslo Stock Exchange and the company in question accordingly. The notification is required to state whether an offer will be made to acquire the remaining shares in the company or whether a sale will take place. A notification informing about a disposal can be altered to a notice of making an offer within the four (4) week period, while a notification stating that the shareholder will make an offer cannot be amended and is thus binding.

The offer and the offer document required are subject to approval by Oslo Stock Exchange before the offer is submitted to the shareholders or made public. The offer price per share must be at least as high as the highest price paid or agreed by the offeror for the shares in the six-month period prior to the date the 1/3 threshold was exceeded, but at least equal to the market price, if it is clear that the market price was higher when the mandatory offer obligation was triggered. If the acquirer acquires or agrees to acquire additional shares at a higher price prior to the expiration of the mandatory offer period, the acquirer is obliged to restate its offer at such higher price. A mandatory offer must be unconditional and in cash (NOK) or contain a cash alternative at least equivalent to any other consideration offered.

In case of failure to make a mandatory offer or to sell the portion of the shares that exceeds the relevant threshold within four weeks, Oslo Stock Exchange may force the acquirer to sell the shares exceeding the threshold by public auction. Moreover, a shareholder who fails to make an offer may not, as long as the mandatory offer obligation remains in force, exercise rights in the company, such as voting in a general meeting, without the consent of a majority of the remaining shareholders. The shareholder may, however, exercise his/her/its rights to dividends and pre-emption rights in the event of a share capital increase. If the shareholder neglects his/her/its duty to make a mandatory offer, Oslo Stock Exchange may impose a cumulative daily fine that runs until the circumstance has been rectified.

Any person, entity or consolidated group that owns shares representing more than one-third of the votes in a company listed on a Norwegian regulated market (with the exception of certain foreign companies) is obliged to make an offer to purchase the remaining shares of the company (repeated offer obligation) if the person, entity or consolidated group through acquisition becomes the owner of shares representing 40%, or more of the votes in the company. The same applies correspondingly if the person, entity or consolidated group through acquisition becomes the owner of shares representing 50% or more of the votes in the company. The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares which exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

Any person, entity or consolidated group that has passed any of the above mentioned thresholds in such a way as not to trigger the mandatory bid obligation, and has therefore not previously made an offer for the remaining shares in the company in accordance with the mandatory offer rules is, as a main rule, obliged to make a mandatory offer in the event of a subsequent acquisition of shares in the company.

11.12 Compulsory acquisition

Pursuant to the Norwegian Public Limited Companies Act and the Norwegian Securities Trading Act, a shareholder who, directly or through subsidiaries, acquires shares representing 90% or more of the total number of issued shares in a Norwegian public limited liability company, as well as 90% or more of the total voting rights, has a right, and each remaining minority shareholder of the company has a right to require such majority shareholder, to effect a compulsory acquisition for cash of the shares not already owned by such majority shareholder. Through such compulsory acquisition the majority shareholder becomes the owner of the remaining shares with immediate effect.

If a shareholder acquires shares representing more than 90% of the total number of issued shares, as well as more than 90% of the total voting rights, through a voluntary offer in accordance with the Securities Trading Act, a compulsory acquisition can, subject to the following conditions, be carried out without such shareholder being obliged to make a mandatory offer: (i) the compulsory acquisition is commenced no later than four (4) weeks after the acquisition of shares through the voluntary offer, (ii) the price offered per share is equal to or higher than what the offer price would have been in a mandatory offer, and (iii) the settlement is guaranteed by a financial institution authorized to provide such guarantees in Norway.

A majority shareholder who effects a compulsory acquisition is required to offer the minority shareholders a specific price per share, the determination of which is at the discretion of the majority shareholder. However, where the offeror, after making a mandatory or voluntary offer, has acquired more than 90% of the voting shares of a company and a corresponding proportion of the votes that can be cast at the general meeting, and the offeror pursuant to Section 4-25 of the Norwegian Public Limited Companies Act completes a compulsory acquisition of the remaining shares within three months after the expiry of the offer period, it follows from the Norwegian Securities Trading Act that the redemption price shall be determined on the basis of the offer price for the mandatory/voluntary offer unless special circumstances indicate another price.

Should any minority shareholder not accept the offered price, such minority shareholder may, within a specified deadline of not less than two months, request that the price be set by a Norwegian court. The cost of such court procedure will, as a general rule, be the responsibility

of the majority shareholder, and the relevant court will have full discretion in determining the consideration to be paid to the minority shareholder as a result of the compulsory acquisition.

Absent a request for a Norwegian court to set the price or any other objection to the price being offered, the minority shareholders would be deemed to have accepted the offered price after the expiry of the specified deadline.

11.13 Foreign exchange controls

There are currently no foreign exchange control restrictions in Norway that would potentially restrict the payment of dividends to a shareholder outside Norway, and there are currently no restrictions that would affect the right of shareholders of a company that has its shares registered with the VPS who are not residents in Norway to dispose of their shares and receive the proceeds from a disposal outside Norway. There is no maximum transferable amount either to or from Norway, although transferring banks are required to submit reports on foreign currency exchange transactions into and out of Norway into a central data register maintained by the Norwegian customs and excise authorities. The Norwegian police, tax authorities, customs and excise authorities, the Directorate of Labour and Welfare and the Financial Supervisory Authority have electronic access to the data in this register.

12 LEGAL MATTERS

12.1 Legal and arbitration proceedings

The Group is not involved in any other governmental, legal or arbitration proceedings, nor is the Company aware of any such pending or threatened proceedings, which may have or have had any significant effects on the Group's financial position or profitability.

12.2 Related Party Transactions since 31 December 2020 until the date of the Prospectus

In the period 1 January 2021 – 31 January 2021, Thinfilm has been invoiced approximately NOK 250 thousand (net of VAT) for legal services provided by Advokatfirmaet Ræder AS, in which Morten Opstad, Thinfilm's Chairman of the Board, is a partner.

Reference is made to the description of the agreement with Morten Opstad, the Chair of the Board, for remuneration for executive services beyond his board functions and role as Chair of the Board, as described in Section 7.2. In January 2021, approximately USD 5,000 accrued under said agreement.

Reference is made to the description of the service agreement with Acapulco Advisors AS, in Section 5.10. Acapulco Advisors AS' fee in connection with the Private Placement has been calculated to amount to NOK 371,249.

Acapulco Advisors AS has a new agreement with the Company after which Acapulco Advisors AS (Ståle Bjørnstad) shall provide investor relations services to the Company in a 50% position at a monthly fee of USD 10 thousand.

All agreement terms including pricing are based on the arm's length principle. Since 31 December 2020, the Group does not have other transactions with related parties. The number of Shares and Subscription Rights held by members of the Board and Management are set out in Section 7.2 above.

No related party transaction form part of the turnover of the Company.

13 TAXATION

13.1 General

Set out in this chapter 13 is a summary of certain tax matters related to purchase, holding and disposal of shares. The statements herein are, unless otherwise stated, based on the laws, rules and regulations in force in Norway as of the date of this Prospectus, and are subject to any changes in law occurring after such date. Such changes could possibly be made on a retrospective basis. Tax rates indicated below are applicable for the income year 2021. The tax legislation of the investor's member state in the European Economic Area or country of residence/incorporation and of the Company's country of incorporation may have an impact on the income received from the securities.

The following summary is of a general nature and does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, own or dispose Shares or Subscription Rights. Furthermore, the summary only focuses on the shareholder categories explicitly mentioned below (individual shareholders and limited liability companies). Shareholders are advised to consult their own tax advisors concerning the overall tax consequences of their ownership of shares. The summary does not address foreign tax laws. In particular, this document does not include any information with respect to U.S. taxation. Prospective investors who may be subject to tax in the United States are urged to consult their tax adviser regarding the U.S. federal, state, local and other tax consequence of owning and disposing of shares in Thinfilm.

13.2 Norwegian Shareholders

13.2.1 Taxation of dividends – Individual shareholders

Dividends distributed to Norwegian individual shareholders are taxable as general income. The taxable dividend, less a calculated tax-free allowance, will be multiplied by 1.44 which amount is taxed at the general income tax rate of 22% (22% x 1.44 resulting in an effective tax rate of 31.68%). The tax-free allowance shall be calculated on a share by share basis, and the allowance for each share will be equal to the cost price of the share, multiplied by a risk-free interest rate. This risk-free interest rate is set in January of the year following the income year. Any part of the calculated allowance one year exceeding the dividend distributed on the share will be carried forward to the following years and reduce the taxable dividend income. Unused allowance will also be included in the basis for calculating the tax-free allowance later years. The tax-free allowance is calculated for each calendar year, and is allocated solely to Norwegian individual shareholders holding shares at the expiry of the relevant income year.

13.2.2 Taxation of dividends – Corporate shareholders (Limited liability companies)

Dividends distributed to a shareholder which is a limited liability company tax-resident in Norway (“**Norwegian corporate shareholders**”) and holding more than 90% of the shares and votes in the distributing company are fully exempt from taxation. To other corporate shareholders 3% of the dividends shall be subject to general income tax at the 22% rate (resulting in an effective tax rate of 0.66%).

13.2.3 Taxation on realization of shares – Individual shareholders

Sale, redemption or other disposal of shares is considered a realization for Norwegian tax purposes. A capital gain or loss generated by a Norwegian individual shareholder through a disposal of shares is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for computation of general income in the year of disposal. The

gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of.

The capital gain is calculated on the consideration received less the cost price of the share and transactional expenses. The taxable gain, less any unused calculated tax-free allowance, will be multiplied by 1.44, which amount is taxed at the general income tax rate of 22% ($22\% \times 1.44$ resulting in an effective tax rate of 31.68%). The tax-free allowance for each share is equal to the total of any unused tax-free allowance amounts calculated for this share for previous years (ref. “Taxation of dividends – Individual shareholders” above), which exceeded dividends distributed on this share. The calculated tax-free allowance may only be deducted in order to reduce a taxable gain calculated upon the realization of the share, and may not be deducted in order to produce or increase a loss for tax purposes.

If the shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

13.2.4 Taxation on realization of shares – Corporate shareholders (Limited liability companies)

Norwegian corporate shareholders are not taxable for capital gains related to realization of shares in a Norwegian company, and losses related to such realization are not tax deductible.

13.2.5 Taxation related to independent subscription rights – Individual shareholders

A Norwegian individual shareholder’s subscription for independent subscription rights is not subject to taxation in Norway. Costs related to the subscription for independent subscription rights will be added to the cost price of the independent subscription right.

Exercise of independent subscription rights is not taxable; the cost price of the subscription right shall be added to the tax base of the shares acquired.

Sale and other transfer of subscription rights is considered as realization for Norwegian tax purposes. A capital gain or loss generated by a Norwegian individual shareholder through a realization of independent subscription rights is taxable or tax deductible in Norway. Such capital gain or loss is generally included in or deducted from the basis for computation of general income in the year of disposal. The general income will be multiplied by 1.44 and taxed at the rate of 22% ($22\% \times 1.44$ resulting in an effective tax-rate of 31.68%).

However, please note that the gains related to independent subscription rights granted to employees as a consequence of their employment will be included in the basis for calculating their salary payments. Such salary payments are subject to taxation at a marginal tax rate of 46.4%. In addition, the employer will be obligated to pay social security contributions at a rate normally of 14.1%.

13.2.6 Taxation related to independent subscription rights – Corporate shareholders

A Norwegian corporate shareholder’s subscription for independent subscription rights is not subject to taxation in Norway. Costs related to the subscription for independent subscription rights will be added to the cost price of the independent subscription rights.

Norwegian corporate shareholders are generally exempt from tax on capital gains upon the sale or other realization of independent subscription rights to shares in a Norwegian company, and losses are not tax deductible.

13.2.7 Net wealth tax

The value of shares is included in the basis for the computation of wealth tax imposed on Norwegian individual shareholders. The marginal wealth tax rate is 0.85% of the value assessed. The value for assessment purposes for shares on Oslo Børs is 55% (from 1 January 2021) of the listed value as of 1 January in the year of assessment. Norwegian corporate shareholders are not subject to net wealth tax.

13.2.8 Inheritance tax

Effective 1 January 2021, there is no inheritance tax in Norway.

13.3 Non-Resident Shareholders

This section summarizes Norwegian tax rules relevant to shareholders who are not tax-resident in Norway (“**Non-resident shareholders**”). Non-resident shareholders’ tax liabilities in their home country or other countries will depend on applicable tax rules in the relevant country.

13.3.1 Taxation of dividends

Dividends distributed to shareholders who are individuals not tax-resident in Norway (“**Non-resident individual shareholders**”), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident. The withholding obligation lies with the company distributing the dividends.

The above generally applies also to shareholders who are limited liability companies not tax-resident in Norway (“**Non-resident corporate shareholders**”). However, dividends distributed to Non-resident corporate shareholders tax-resident within the EEA are exempt from Norwegian withholding tax, provided the shareholder genuinely is established and conducts business activity within the EEA.

Non-resident individual shareholders tax-resident within the EEA area are subject to ordinary withholding tax, but entitled to apply for a partial refund of the withholding tax, equal to a calculated tax-free allowance similar to the calculated allowance used by Norwegian individual shareholders, ref above.

Nominee registered shares will be subject to withholding tax at a rate of 25% unless the shareholder has fulfilled specific documentation requirements and the nominee has obtained approval from the Norwegian Tax Administration for the dividend to be subject to a lower withholding tax rate. Non-resident shareholders that have suffered a higher withholding tax than set out by an applicable tax treaty or the Norwegian Tax Act may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted.

If a Non-resident shareholder is carrying on business activities in Norway, and the shares are effectively connected with such activities, the shareholder will be subject to the same taxation as Norwegian shareholders, as described above.

13.3.2 Taxation on realization of shares or independent subscription rights

Realization of shares or independent subscription rights by a Non-resident individual or corporate shareholder will not be subject to taxation in Norway unless the Non-resident shareholder is holding the shares or warrants in connection with the conduct of a trade or business in Norway, in which case the tax treatment is as described for Norwegian shareholders.

13.3.3 Net wealth tax

Shareholders not tax-resident in Norway are not subject to Norwegian net wealth tax. Foreign individual shareholders can however be taxable if the shareholding is effectively connected to the conduct of trade or business in Norway.

13.4 VAT and transfer taxes

No VAT, stamp or similar duties are currently imposed in Norway on the transfer of shares whether on acquisition or disposal.

14 ADDITIONAL INFORMATION

14.1 Auditors

The Company's auditor is Deloitte AS (Dronning Eufemias gate 14, NO-0191 Oslo, Norway), who has acted as the Company's auditor since being elected at the Extraordinary General Meeting on 11 May 2006. Deloitte AS is a member of the Norwegian Institute of Public Accountants. Accordingly, no auditor of the Group has resigned, been removed or failed to be re-appointed during the period covered by the historical financial information discussed herein.

The auditor's report on the Financial Statements is included together with the Financial Statements as incorporated hereto by reference; see Section 14.5 "*Incorporation by reference*". Other than Deloitte's report on the Financial Statements, neither Deloitte nor any other auditor has audited, reviewed or produced any report on any other information provided in this Prospectus.

14.2 Expert Statements

There are no reports, letters, valuations or statements prepared by any expert at the Company's request referred to in the Prospectus.

14.3 Third party information

The Company confirms that where information has been sourced from a third party, it has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no fact has been omitted which would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of information has been identified.

14.4 Documents on Display

Copies of the following documents (or copies thereof) will be available for inspection during normal business hours on any business day free of charge at the offices of the Company's legal advisor Advokatfirmaet Ræder AS, Dronning Eufemias gate 11, 0191 Oslo, Norway:

- a) This Prospectus;
- b) The Memorandum of Incorporation and Articles of Association of the Company;
- c) Audited annual report 2019 for the Group, and separate financial statements for all Subsidiaries apart of TFE Inc., which is not required by law to prepare official financial statements; and
- d) Unaudited interim reports for the fourth quarter of 2020 for the Group.

The above documents are also available at the Company's website at www.thinfilmsystems.com. The above documents are available for inspection for the life of this Prospectus.

14.5 Incorporation by reference

The information incorporated by reference in the Prospectus shall be read in connection with the cross-reference list as set out in the table below. Except as provided in this section, no other information is incorporated by reference into this Prospectus.

The following documents have been incorporated hereto by reference:

Section in the Prospectus	Minimum disclosure requirement of the Prospectus (Annex XXV)	Reference document and link
Section 8.1	Historical financial information	Consolidated Annual Report 2019: https://thinfilmsystems.com/wp-content/uploads/2020/05/Thinfilm_Annual_Report_2019_Final.pdf
Section 8.1	Audit reports	Auditor's Report 2019: https://thinfilmsystems.com/wp-content/uploads/2020/05/Thinfilm_Annual_Report_2019_Final.pdf
Section 8.1	Audited historical financial information	Accounting principles: https://thinfilmsystems.com/wp-content/uploads/2020/05/Thinfilm_Annual_Report_2019_Final.pdf
Section 8.1	Interim financial information	Interim Report: Fourth quarter 2020 (unaudited): https://www.thinfilmsystems.com/investor-relations/reports/
Section 8.1	Interim financial information	Interim Report: Second quarter 2019 (unaudited): https://www.thinfilmsystems.com/investor-relations/reports/
Section 8.1	Interim financial information	Interim Report: Second quarter 2020 (unaudited): https://www.thinfilmsystems.com/investor-relations/reports/

15 DEFINITIONS AND GLOSSARY OF TERMS

The following definitions and glossary apply in this Prospectus unless otherwise dictated by the context, including the foregoing pages of this Prospectus. Words importing the plural shall be construed to include the singular and vice versa.

“2019 Plan”	The 2019 Subscription Rights Incentive Plan available for employees in the Company and its Subsidiaries and affiliated companies, and for individual consultants performing similar work
“2020 Plan”	The 2020 Subscription Rights Incentive Plan for employees and individual consultants performing similar work in the Company
“ADR”	American Depositary Receipt
“Articles of Association”	The Articles of Association of Thinfilm
“Board” or “Board of Directors”	Board of Directors of Thin Film Electronics ASA
“CAGR”	Compound Annual Growth Rate
“CEO”	Chief Executive Officer
“CFO”	Chief Financial Officer
“Company Registry”	The Norwegian Register of Business Enterprises or “Foretaksregisteret”
“Company” or “Thinfilm”	Thin Film Electronics ASA
“EAS”	Electronic article surveillance
“EU”	European Union
“EU Prospectus Regulation”	Regulation 2017/1129 of the European Parliament and of the Council, as amended from time to time and as implemented in Norway
“Exercise Price”	The price of NOK 0.25 per Warrant Share
“VPS”	Euronext VPS
“Existing Subscription Rights”	Issued, outstanding and not expired subscription rights granted under the Subscription Rights plans from 2014 to 2018
“Financial Information”	Financial Statements and Interim Financial Statements
“Financial Statements”	The Group’s audited consolidated financial statements as of and for the year ended 31 December 2019
“Forward-looking Statements”	Statements regarding future developments, including, without limitation, projections and expectations regarding the Group’s future financial position, business strategy, plans and objectives, all of which are based on information available to the Company, and views and assessments of the Company, as of the date of this Prospectus
“Group”	Thinfilm and Subsidiaries
“IAS 34”	International Accounting Standard 34
“IFRS”	International Financial Reporting Standards
“IME”	In-mold electronics
“Interim Financial Statements”	The unaudited consolidated statements as of and for the six months’ periods ending on 30 June 2019 and 30 June 2020, and 31 December 2019 and 30 June and 31 December 2020
“IP”	Intellectual Property
“IPR”	Intellectual Property Rights
“ISIN”	International Securities Identification Number
“LEI”	Legal Entity Identifier
“Lender”	One existing shareholder in the Company, Alden AS
“Managers”	Skandinaviska Enskilda Banken AB and SpareBank 1 Markets AS

“New Shares”	The Private Placement Shares and the Warrant Shares
“NFC”	Near Field Communication
“Non-resident shareholders”	Shareholders who are not resident in Norway for tax purposes
“Non-resident corporate shareholders”	Shareholders who are limited liability companies not resident in Norway for tax purposes
“Non-resident individual shareholders”	Shareholders who are individuals not resident in Norway for tax purposes
“Norwegian Accounting Act”	The Norwegian Accounting Act of 17 July 1998
“Norwegian FSA”	Financial Supervisory Authority of Norway (Nw.: <i>Finanstilsynet</i>)
“Norwegian kroner” or “NOK”	Norwegian Kroner, the lawful currency of the Kingdom of Norway
“Norwegian Public Limited Companies Act”	The Norwegian Public Limited Companies Act of 13 June 1997 No. 45 (as amended from time to time)
“Norwegian Securities Trading Act”	The Norwegian Securities Trading Act of 29 June 2007 No. 75 (as amended from time to time)
“OEM”	Original Equipment Manufacturer
“Oslo Børs”	Oslo Børs ASA
“OTCQB”	Also known as the OTCQB Venture Market, being one of three market places for trading over-the-counter stocks provided and operated by the OTC Markets Group
“Pending Warrant B Exercises”	Exercise notices of Warrants B received by the Company and approved by the Board, but the shares in connection with such exercise have not been delivered
“Private Placement”	The private placement of 68,922,869 Private Placement Shares in Thinfilm
“Private Placement Shares”	68,922,869 shares offered in the Private Placement
“Prospectus”	This Prospectus dated 26 March 2021
“R&D”	Research and development
“Replacement Subscription Rights”	Holders of Existing Subscription Rights were offered replacement subscription rights under the 2019 Plan, against a waiver of the Existing Subscription Rights
“RF”	Radio Frequency
“Roll-to-Roll”	Refers to manufacturing processes that utilize a continuous substrate that is transferred from one roll to another during manufacturing, and during the transfer, layers are patterned to form active electronic components
“Shares”	The issued and outstanding shares in the Company, each share having a par value of NOK 0.11
“Share Lending Agreement”	Agreement between the Lender, the Managers and the Company, pursuant to which the Lender provided SEB Corporate Finance, Skandinaviska Enskilda Banken AB, on behalf of the Managers, with a share loan in accordance with the Share Lending Agreement to facilitate delivery of listed shares to the investors in the Private Placement on a payment versus delivery basis
“SSLB”	Solid-state lithium battery
“Subscription Price”	NOK 0.82 per Private Placement Share
“Subscription Rights”	Independent subscription rights or “frittstående tegningsretter” issued in accordance with Section 11-12 of the Norwegian Limited Companies Act

“Subsidiaries”	The following wholly-owned (directly or indirectly) subsidiaries of Thinfilm: “Thin Film Electronics Inc.” and “Thin Film Holding”.
“Thin Film Electronics Inc.”	Thin Film Electronics, Inc., a California corporation, USA
“Thin Film Holding”	Thin Film Holding, a Nevada corporation, USA
“USD” or “\$”	United States Dollars, the lawful currency of the United States
“VPS”	The Norwegian Central Securities Depository or “Verdipapirsentralen”, which organizes the Norwegian paperless securities registration system
“Warrant A”	Warrant with exercise price of NOK 0.11 and exercisable at any time by notice to the Company until 31 December 2020
“Warrant B”	Warrant with exercise price of NOK 0.25 and exercisable at any time by notice to the Company until 20 August 2021
“Warrant C”	Warrant with exercise price of NOK 0.25 and exercisable at any time from 31 March 2021 until 30 June 2021
“Warrant Shares”	The listing of up to 679,182,172 shares on Oslo Børs issued in connection with exercise of Warrants B and Warrants C

Thinfilm Electronics ASA

Annual Report 2019



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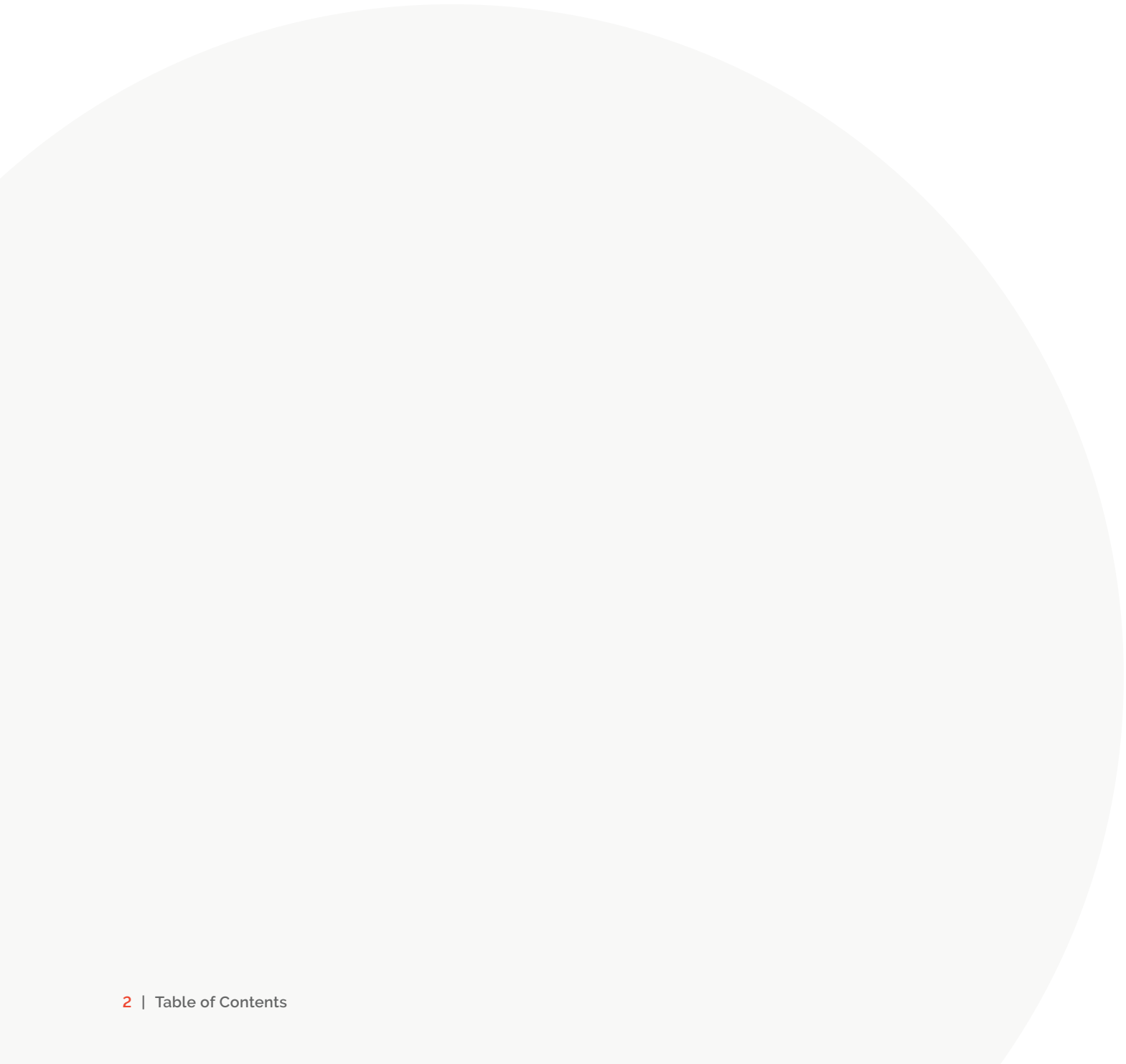
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2019 Year in Review

2019 represented a pivotal year of strategic transition for Thinfilm. The Company experienced significant changes throughout 2019, as it navigated the process of rightsizing and repositioning the Company for future growth. Management remained focused on reducing Thinfilm's cost structure and the advancement of strategic initiatives.

During the first quarter of 2019, following the hiring of a new CEO, Kevin Barber, at the end of 2018, Thinfilm announced a strategic update and corporate restructuring intended to align the business with the then current market adoption of NFC, with plans to focus resources on developing and building market adoption of its brand protection and consumer engagement solutions. Thinfilm paused development of PDPS technology, as PDPS technology was not required nor deemed to be a critical part of building initial market volume. As a result of pausing the printed electronics line, Thinfilm also announced, after exhausting existing inventory with its leading customer, that the Electronic Article Surveillance (EAS) business would be discontinued. Consequently, the Company reduced its global footprint and shifted weight toward San Jose, California. These actions were designed to yield nearly USD 20 million in annualized savings at the operating level and resulted in an approximate 40 percent reduction in the work force.

The Company began the second quarter of 2019 with an investor presentation, released on April 24, 2019. The presentation announced pursuing two unrelated businesses. While the R2R factory has many potential applications, it had become clear that it

was not a viable economic or technology fit for NFC and that there was a need to engage beyond NFC to leverage the R2R line technology and maximize the independent potential of the factory. The presentation further provided details related to the Product Solutions Business, highlighting the objectives to secure a go-to-market scale with strategic channel partner and deliver differentiated NFC silicon. On June 17, 2019, Thinfilm announced a contemplated private placement; however, subsequently announced, on June 21, 2019, the cancellation of the aforementioned private placement.

The third quarter of 2019 revealed more significant changes to Thinfilm's operations. On July 1, 2019, the company announced the hiring of a new CFO, Mallorie Burak. Later that month, a second corporate restructuring announcement was made on July 19, 2019, whereby the Company announced the need to narrow its strategic focus as a consequence of its failed fundraise attempt in June 2019. As a result, the Company further reduced its workforce, representing approximately USD 15 million in annualized savings. The Company released its First Half Report on August 30, 2019, providing further business updates, including that management was actively evaluating strategic alternatives to find new and interesting applications for the San Jose, California-based R2R line and continued to pursue paths to maximize the value of the assets and technology. In September 2019, Thinfilm closed an equipment term loan facility for USD 13.2 million. The proceeds were used for working capital to fund ongoing operations and to support its execution of strategic initiatives.

By the end of 2019, Thinfilm had reduced its headcount from 155 employees, as of December 31, 2018, to 23 employees. In addition, the Company continued the process of reducing its global footprint and focusing solely on its presence in Oslo, Norway and operations in San Jose, California. The significant cost savings resulting from operational decisions made in 2019 began to materialize in the fourth quarter, enabling the Company to preserve cash while finalizing its new business strategy for 2020. In January 2020, Thinfilm formalized its strategic shift to focus on the R2R factory and intent to monetize the NFC assets, announcing its updated corporate strategy focused on the design, development, and production of innovative battery solutions targeting existing market demand with differentiated solutions to power wearable devices and connected sensors.

About Thinfilm

Thinfilm is Energizing Innovation™ with ultrathin, flexible, and safe energy storage solutions for wearable devices, connected sensors, and beyond. Thinfilm's innovative solid-state lithium battery (SSLB) technology is uniquely positioned to enable the production of powerful, lightweight, and cost-effective rechargeable batteries for diverse applications.

The Company's state-of-the-art flexible electronics manufacturing facility, located in the heart of Silicon Valley, combines patented process technology and materials innovation with the scale of roll-to-roll production methods to bring the advantages of SSLB technology to established and expanding markets.

Thin Film Electronics ASA is a publicly listed company in Norway with corporate headquarters in Oslo and global headquarters in San Jose, California.

Report from the Board of Directors

Introduction

Fiscal year 2019 revealed a continuation of the challenges faced during 2018 with respect to developing traction with NFC markets. Management concluded its strategic review of the Company structure, its technical competitive advantages, and the assessment of existing commercial markets the Company can most effectively serve. Thinfilm's change in leadership, with a new CEO, Kevin Barber, joining the Company in November 2018 and a new CFO, Mallorie Burak, joining the Company in July 2019, provided new perspective to this analysis.

The slower-than-expected growth rate of NFC tags on-package deployment, coupled with the inability to secure sufficient financing or monetization of the factory, required the Company to analyze the degree to which the Company could continue to invest in the development of this emerging market. As a result, the decision was made to transition away from the investment required to build the NFC market and proprietary CNECT software platform.

Consequently, Thinfilm began a process to pursue monetizing its CNECT software platform and related NFC assets through potential licensing or sale of its related intellectual property. Preliminary discussions have been initiated with potential multiple partners who are interested in offering NFC enabled solutions supported by a robust data analytics software platform. This can be accomplished by directly empowering the supply chain with cost-effective solutions, while allowing brands to engage consumers using Thinfilm's underlying technology. This decision allows management to focus on establishing a new path for the Company, leveraging its years of significant investment in its roll-to-roll ("R2R") manufacturing and process technology capabilities. The Company's focus on its R2R factory continued throughout 2019. Whereas in 2018 the Company reported several challenges relating to the timeline of the installation and acceptance testing of critical path tools, Thinfilm resolved these issues during 2019.

The Company experienced significant changes throughout 2019, as it navigated the process of

rightsizing and repositioning the Company for future growth. Management remained focused on reducing Thinfilm's cost structure and closed a \$13.2 million debt financing in the third quarter, enabling advancement of the new strategic initiatives.

Evaluation of new and compelling applications for the San Jose, California based R2R manufacturing plant continued throughout 2019, with the objective of leveraging the Company's years of significant investment in its R2R manufacturing and process technology capabilities. Based on the Company's decision to leverage existing intellectual property and manufacturing assets in the execution of its revised strategy, Thinfilm does not currently expect to issue warrants authorized in the October 23, 2019 Extraordinary General Meeting. The Company also focused on monetizing its remaining EAS inventory and was successful in selling a portion of its on-hand inventory in December 2019.

By the end of 2019, Thinfilm had materially reduced its headcount and cost structure by 42%. In addition, the Company continued the process of reducing its global footprint and focusing solely on its presence in Oslo, Norway and operations in San Jose, California. The significant cost savings resulting from operational decisions made in 2019 began to materialize in the fourth quarter, with further cost saving measures implemented during the first quarter of 2020, enabling the Company to preserve cash while finalizing its new business strategy for 2020.

A going concern assumption has been applied in preparing this 2019 financial report. As stated in the Business Review, slower than anticipated market adoption of on-package NFC tags underscored management's ultimate decision to pivot Thinfilm's strategic focus to existing markets that would enable the Company to leverage its state-of-the-art R2R production facility in San Jose, California.

The planned fundraising objective in March 2020 was impacted by the onset of the COVID-19 global pandemic, resulting in delays in securing commitments from potential investors. On 15 April 2020, an extraordinary general ("April EGM")

meeting was held, whereby the Board expressed its obligation to act on the loss of equity in the Company and proposed to the general meeting measures to restore the equity, also providing a statement on the Company's financial position to the shareholders. In connection with the Company's financial position, a share capital reduction was approved, reducing the par value of Thinfilm's stock from NOK 2.20 to NOK 0.11. Shareholders were advised that the Board was pursuing a Private Placement and should the Private Placement proposed not be approved and/or the Company fails to raise sufficient capital to restore the Company's equity, the Board would consider proposing a dissolution of the Company.

Following the April EGM, on 28 April 2020, the Company announced that the Board had received an offer from a consortium of investors, who provided a commitment to subscribe for shares for a total subscription amount of NOK 20 million, subject to certain conditions as to price and warrants. As part of the total fundraising, and in order to secure the foregoing commitment by the consortium of investors, it is also contemplated that the Board will use its current authorization to issue shares (as provided by the 23 October 2019 extraordinary general meeting) and issue shares to such investors for the full 10% scope of the authorization at a subscription price per share of NOK 0.11, equaling the proposed subscription price in the private placement. The Company has received binding commitments for at least NOK 5 million, on the same terms from certain other investors, including from members of the Board and management, at a subscription price per share equal to the subscription price in the private placement. The offer is conditional upon the issuance of two warrants for each share subscribed for in the private placement. The first warrant ("Warrant A") would have an exercise price of NOK 0.11 per share and be exercisable at any time from the date of grant until 31 December 2020. The second warrant ("Warrant B") would have an exercise price of NOK 0.25 per share and be exercisable at any time from the date of grant up to fifteen months from approval by an Extraordinary General Meeting to be held on or about 20 May 2020 ("May EGM"). The Board will also propose to the upcoming May EGM that a subsequent (repair) offering is carried out at a subscription price per share equal to the subscription price in the private placement. The maximum amount of the subsequent offering would be NOK 7 million. In aggregate, we expect to receive NOK 32 million, including the repair issue, and possibly also an additional NOK 32 million in 2020 through the exercise of the first set of warrants (Warrant A), as further described in the Going Concern portion of this Report from the Board of Directors.

Risk exists that approval of the proposed equity investment programs may not be obtained during the May EGM. As of the end of April 2020, Thinfilm's cash

was approximately USD 3.3 million. Total cash includes restricted cash of USD 1.6 million representing the security deposit for the San Jose, California building, as shown in Note 11 in the accompanying Notes to the Consolidated Financial Statements. The approximately USD 1.7 million of available cash at the end of April 2020 is more than offset by Thinfilm's approximately USD 3.0 million of current financial obligations to Thinfilm employees, tax authorities in various jurisdictions, and secured and unsecured creditors. In connection with the equity financing proposed for approval at the May EGM, lead investors have provided a bridge loan of approximately USD 500 thousand to the company, secured by a first priority pledge of certain intellectual property and shares of Common stock in TFE Holding, owned by Thin Film Electronics ASA, in early May 2020 to ensure adequate cash remains available to operate until the equity financing closes. After closing the private placement, the Company will use the funds to further the development of the SSLB technology, continue pursuing patent filings, and work toward the integration of the SSLB technology for production on its proprietary R2R production line. With funding received through the equity programs to be approved at the May EGM, the Company anticipates having sufficient cash to operate through July 2020, providing the anticipated time required to achieve performance milestones, key among the development of product samples, remains on track and is not significantly impacted by potential supply chain, credit, and market risk resulting from the COVID-19 pandemic.

Should the equity investment programs not be approved at the May EGM, the Board will consider proposing a dissolution of the Company.

Management continues to make significant efforts to reduce its ongoing operating expense as it continues to execute its new Solid-State lithium battery (SSLB) technology as described in the outlook section in the Report from the Board of Directors. These cost cutting measures included a further reduction of headcount during the first quarter of 2020, settlement of long-term contractual obligations for services no longer required under the new strategy, and initiating processes to renegotiate payment terms tied to material agreements.

Upon approval of the private placement and subsequent offering at the May EGM, the Board plans to source additional investment from U.S. sources in order to fully fund the continued working capital requirements to execute upon the SSLB strategy. Due to the uncertain economic environment resulting from the COVID-19 pandemic and the potential supply chain and development delays that could impact Thinfilm's ability to meet its second quarter milestone of producing viable SSLB samples, successfully attracting and raising additional capital in the U.S. or abroad is not guaranteed.

There is no assurance that the Company will be successful in raising funds. Failure to obtain future funding, when needed or on acceptable terms, would adversely affect its ability to continue as a going concern. If the Company fails to obtain additional investment commitments by the end of the second quarter 2020, the Board will consider proposing a dissolution of the Company. Should Thinfilm enter into liquidation, the costs to close as of the end of April 2020 are estimated to be approximately USD 3 million, excluding obligations related to its debt facility and building lease obligations. The USD 1.6 million cash secured letter of credit issued by Thin Film Electronics ASA ("Thinfilm ASA") would be surrendered to the landlord of the Junction Avenue building in San Jose, California. In addition, and as described in Note 6 – Investment in Subsidiaries included in the accompanying footnotes to the Thin Film Electronics ASA Annual Financial Statements 2019, in 2016 Thinfilm ASA executed a Tenancy Guaranty agreement with the San Jose, California landlord. The guaranty was given to secure payment of the lease rent. As of 31 December 2019, the guaranty liability was USD 4 million.

Intellectual property

As of year-end 2019, Thinfilm held 183 registered patents and had 95 patent applications pending. Many patents and submitted applications relate to PDPS technology, materials used, and processes related to the sheet and roll based manufacturing, located in San Jose, California, that will be instrumental to defining Thinfilm's differentiation in the SSLB battery space. In addition, Thinfilm holds trademarks and trade secrets relevant to its business and technology operations.

The group financial statements

Thinfilm's revenue and other income amounted to USD 1,181 thousand in 2019, a decrease of 65.24% from the preceding year (2018: USD 3,397 thousand). The Company continued to reduce its operating cost base, primarily driven by a reduction in headcount, cost control and lower manufacturing activity as the Company prepared for a strategy shift focusing on energy storage solutions to leverage its prior investment in its R2R production line and intellectual property fundamental to solid-state lithium battery technology development

Sales revenue amounted to USD 701 thousand in 2019 (2018: USD 1,288 thousand). A total of 5.8 million EAS tags were shipped during 2019, compared to 13.8 million in 2018. While shipments of NFC SpeedTap tags increased slightly in 2019 compared to the previous year, the sales relate to inventory manufactured in previous years.

Other income in 2019 of USD 472 thousand primarily related to gains on disposal of fixed assets. The company received sublease income from the second floor of its San Jose, California facility amounting to USD 182 thousand.

Salaries and other payroll costs amounted to USD 17,828 thousand in 2019, compared to USD 33,244 thousand in 2018. The decrease is primarily driven by a reduction in headcount, cost control, and lower manufacturing activity. Operating costs (excluding depreciation, amortization and impairment charges) amounted to USD 31,942 thousand during 2019. The corresponding figures for 2018 were USD 54,942 thousand. The decrease in operating costs during 2019, compared to 2018, was USD 22,531 thousand, and was primarily attributable to:

- 1 USD 14,237 thousand lower payroll due to the reduction in headcount for the year ended December 31, 2019, compared to the same period of 2018.
- 2 USD 4,953 thousand lower costs for premises and supplies. The worldwide downsizing of operations in 2019 led to a decrease in premises and supply costs. During 2018, Thinfilm's San Jose, California site was operating 24 hours per day, 7 days per week. In addition, with the implementation of IFRS 16 from 1 January 2019, the land component of the San Jose premises is treated as a financial lease, and therefore, no longer recognized as a rental expense, resulting in USD 360 thousand lower rent expense on an annual basis.
- 3 USD 1,830 thousand lower sales and marketing expenses. Cost savings initiatives resulted in reduced travel expenses and other sales and marketing-related costs in 2019, compared to the same period of 2018.
- 4 USD 1,179 thousand lower employee share based remuneration costs. The fair value of granted employee subscription rights are valued based on the Black-Scholes formula and expensed over the vesting period. This expense is lower in 2019, compared to the same period of 2018.

During 2019, Thinfilm narrowed its R&D activity to a single location, San Jose, California. During 2019, USD 811 thousand was spent developing manufacturing processes and operating procedures for roll-to-roll ("R2R") manufacturing located in San Jose, California. The corresponding amount for the same period of 2018 was USD 9,907 thousand.

Investments in fixed and intangible assets amounted to USD 6,540 thousand in 2019, compared to USD 20,606 thousand during the same period of 2018. The significant investments made in 2018 were

primarily related to equipment for the new R2R production line at the San Jose site. In 2019, Thinfilm had also made prepayments amounting to USD 3,287 thousand relating to investments in equipment and machinery and USD 4,846 in 2018. These prepayments are recognized as other receivables, since the equipment and machinery had not been received from suppliers as of 31 December 2019. However, since these prepayments relates to R2R production line and as the Company has impaired all machinery related to the production line, this prepaid amount was also impaired, recorded as a contra asset, "Impairment of Fixed Assets", resulting in a zero balance in the other receivables. Thinfilm's R2R capital expenditure program was determined to cost USD 33,500 thousand versus USD 32,000 thousand initially budgeted in November 2016. Depreciation and amortization charges in 2019 amounted to USD 3,949 thousand, compared to USD 5,214 thousand during the same period in 2018. As of December 31, 2019, Thinfilm recognized an impairment charge of USD 42,379 thousand related to Intangibles and fixed assets located in San Jose, California. The impairment charges for 2018 was 14,332 thousand.

In accordance with IAS 36, the Company has analyzed the recoverability of the carrying amounts of production-related assets and financial leases as of December 31, 2019 versus their respective fair market values. Due to uncertainty related to the timing of the implementation of Thinfilm's energy storage strategy, management concluded that a full impairment was required as of December 31, 2019. In the event Thinfilm sells equipment in the future (to the extent that the equipment has not been pledged as collateral under financing agreements), income from gains on equipment sales may be higher than the impaired book value. Furthermore, in the event of a future change in circumstances, e.g. a change in strategy or market prospects, impairments may be reversed in part or in full, if a higher asset value can be defended.

Net financial items in 2019 amounted to a loss of USD (1,367) thousand compared to a loss of USD (1,089) thousand recognized in 2018. The loss in 2019 reflected realized gains of USD 497 thousand offset by interest expense of USD (1,524) thousand, of which USD (552) thousand relates to Utica lease, as compared to 2018, whereby unrealized foreign currency gains were the largest component.

The loss in 2019 was USD (78,446) thousand, corresponding to a basic loss per share of USD (1.34). In 2018, the loss amounted to USD (71,722) thousand, corresponding to a basic loss per share of USD (1.22).

Non-current assets amounted to USD 558 thousand (2018: USD 35,276 thousand). The decrease in non-current assets from 2018 to 2019 was mainly due to full impairment of the R2R production line in San Jose,

California, intangible assets and the financial lease representing the building lease in San Jose, California. Trade and other receivables amounted to USD 2,806 thousand at the end of 2019 (2018: USD 8,862 thousand). The reduction relates mainly to impairment of prepayments to suppliers and equipment vendors for R2R production line equipment not yet received. Non-current liabilities amounted to USD 25,056 thousand (2018: 11,525 thousand) and is relating to future lease payments for the Junction Avenue premises and long-term debt relating to an equipment term loan facility with Utica. The equity ratio was negative (161) percent at the end of 2019, versus 75 percent at the end of 2018.

The group's cash balance decreased by USD 23,716 thousand in 2019 (2018: decreased by USD 65,532 thousand). The net decrease in cash balance is explained by the following principal elements:

- 1 USD (29,054) thousand outflow from operating activities,
- 2 USD (4,919) thousand outflow from investing activities,
- 3 USD 10,257 thousand inflow from financing activities, and

The USD 29,054 thousand outflow from operating activities is primarily explained by an operating loss, excluding depreciation, amortization and impairment charges, of USD 46,328 thousand. The cash outflow from operations and investing activities in 2019 was offset by the inflow from financing activities, primarily attributable to the USD 13,200 thousand Utica debt that closed in September 2019. The cash balance on 31 December 2019 was USD 8,872 thousand, as compared to the cash balance on 31 December 2018 of USD 32,588 thousand.

Parent company financial statements

Revenue and other income in the Parent Company amounted to NOK 5,182 thousand in 2019 (2018: NOK 10,391 thousand).

Personnel and payroll costs were NOK 16,126 thousand in 2019, versus NOK 32,569 thousand in the preceding year. As of 31 December 2019, only the CEO was employed by the Parent Company, as compared to 10 employees as of December 31, 2018. The Parent Company employed, on average, four full-time employees during 2019, compared to an average of nine full-time employees during 2018.

External purchases of services amounted to NOK 18,088 thousand in 2019, a decrease from NOK 18,483 thousand in the preceding year. Of the total amount for 2019, (i) NOK 11,868 (2018: 10,587) thousand related to legal, audit and accounting services, (ii) NOK 4,822 (2018: 5,490) thousand was tied to advisory services, technology support services and recruitment services,

(iii) NOK 1,398 (2018: 1,468) thousand related to remuneration of the Board of Directors and (iv) NOK 0 (2018: 938) thousand related to the purchase of development consulting services.

Purchase of services from subsidiaries decreased to NOK 260,241 thousand in 2019 from NOK 372,229 thousand in 2018, largely as a result of the strategic shift away from the NFC business. Other operating expenses decreased from NOK 20,090 thousand in 2018 to NOK 13,079 thousand in 2019. Capitalized development costs amounted to NOK 2,971 thousand in 2019, compared to NOK 12,932 thousand in 2018. The capitalization is booked as a reduction of other operating expenses.

Amortization and impairment of intangible assets amounted to NOK 22,466 thousand in 2019 compared to NOK 11,752 thousand in 2018. Thinfilm will discontinue the current Electronic Article Surveillance (EAS) business after exhausting existing inventory. It is expected that the EAS product will not, at this time, be commercialized, and the NOK 10,226 thousand capitalized development work on EAS has been fully impaired.

Net financial items amounted to an expense of NOK 160,151 thousand in 2019, compared to an expense of NOK 140,000, thousand in 2018. The net financial expense mainly consists of impairments of intercompany investments, particularly in Thin Film Electronics Inc., as a result of the property, plant and equipment impairment described in Note 6 of the Consolidated Financial Statements. The net financial items are partly netted by NOK foreign currency gains on USD-denominated assets.

The net result for 2019 for Thinfilm ASA was a loss of NOK (486,323) thousand (2018: Loss of NOK 574,732). The Board does not propose a dividend for 2019.

Share capital

Thinfilm shares were listed on Oslo Axess from 30 January 2008 until 26 February 2015. On 27 February 2015, Thinfilm shares were transferred to Oslo Børs (OSE Main List). On 24 March 2015, Thinfilm's American Depository Receipts (ADRs) commenced trading in the United States on OTCQX International.

At the end of 2019, there were 58,593,581 (2018: 58,593,581 as adjusted for the 20:1 reverse stock split in November 2019) shares in the Company which were held by 6,964 shareholders (2018: 6,045 shareholders). Par value is NOK 2.20 per share.

The closing price of Thinfilm shares on 30 December 2019 was NOK 2.33, reflecting the 20:1 reverse share split recorded in November 2019. On the last trading day in 2018, the closing price was NOK 14.96, as adjusted for the 20:1 reverse share split. The total share turnover during 2019 amounted to NOK 3,107 million

compared to NOK 1,550 million in 2018, an increase of approximately one hundred percent.

On 23 October 2019, an Extraordinary General Meeting in Thin Film Electronics ASA was held, in which it was resolved to, inter alia, carry out a 20:1 reverse share split of Thinfilm's shares. Following completion of the reverse share split, the composition of Thinfilm's share capital was changed from 1,171,871,617 shares, each having a par value of NOK 0.11, to 58,593,581 shares, each having a par value of NOK 2.20. The record date of the reverse share split was 4 November 2019.

There were no exercises of vested incentive subscription rights during 2019 nor during 2018. The Annual General Meeting of Thin Film Electronics ASA resolved on 28 May 2019 an exchange offer program whereby continuing employees and consultants holding incentive subscription rights ("Eligible Holders") under the Company's 2015, 2016, 2017 and/or 2018 subscription rights programs (the "Former Plans") would be entitled to exchange such subscription rights for new subscription rights to be granted under the Company's 2019 subscription right plan. Having been given the opportunity to participate in the exchange program, Eligible Holders holding a total of 1,864,372 subscription rights under the Former Plans notified the Company that they wished to participate in the exchange program, whereupon such Eligible Holders explicitly waived any right to claim shares under Former Plans. As a result, the Board of Directors of the Company resolved on 25 September 2019 to grant a total of 1,864,372 incentive subscription rights to nineteen Eligible Holders. The grants were made under the Company's 2019 Subscription Rights Incentive Plan as resolved at the Annual General Meeting on 28 May 2019. The exercise price of the subscription rights is NOK 4.67 per share, as adjusted for the 20:1 reverse share split. The new subscription rights will vest and become exercisable as follows: 33.3% of the shares subject to the new subscription rights will be vested on the grant date, and the remaining 66.7% will vest in approximately equal quarterly installments over the next 3 years, with approximately 5.55% vesting each quarter on each

October 15, January 15, April 15 and July 15 thereafter, subject to the Eligible Holder's continued employment or service with the Company or its subsidiaries on each such date. The subscription rights expire on 28 May 2024.

The annual general meeting in 2018 resolved an authorization to the Board to grant up to 5,859,358, as adjusted for the 20:1 reverse share split, independent subscription rights to employees and to individual consultants performing similar work in Thinfilm but limited so that the total number of outstanding subscription rights under all subscription rights programs shall not exceed 10 percent of the share capital. By the end of 2018, the Board had granted 2,603,372 subscription rights under this authorization and the total number of outstanding subscription rights was 4,412,622.

The annual general meeting in 2018 authorized the Board to complete one or more placements by issuing up to 5,859,358 shares, equivalent to NOK 12,890 thousand, which at the time corresponded to 10 percent of the Company's registered share capital.

Further 132,000 subscription rights have been granted, none exercised, and 527,891 forfeited and expired to date in 2020. Consequently, the total number of subscription rights on 23 April 2020 is 4,977,339, hence well within the 10 percent limitation. The authorization expires at the annual general meeting 2020.

Principal risks

Thinfilm is exposed to various risks of a financial and operational nature. The extraordinary current risks of the pandemic and its effect on the world economy are affecting everyone.

The Company's predominant risks are market and business risks, summarized in the following points:

I The board's authorization of a substantial restructuring of the business during 2019 resulted in an annualized savings of approximately USD 23 million year over year versus 2018. As of 30 April 2020, the Company had a cash balance of approximately USD 3.3 million, which is sufficient to fund the company into Q2 2020. In connection with the proposed NOK 32 million equity investment that the board is recommending shareholders approve at the upcoming 20 May 2020 Extraordinary General Meeting, lead participants in the investor consortium agreed to and have provided the Company with a NOK 20 million commitment as well as a USD 500 thousand bridge loan to ensure that the Company has sufficient levels of cash to continue its operations until such time that the equity financing closes. The Company has also received binding commitments for at least NOK 5 million, on the same terms from certain other investors, including from members of the Board

and Management, at a subscription price per share equal to the subscription price in the private placement. In addition, the Company also expects to issue a subsequent offering of NOK 7 million. In aggregate the proposed equity offerings total NOK 32 million.

II Technology development and engineering sample availability on Thinfilm's sheet line can be adversely affected by several factors including but not limited to:

- Quality, composition and consistency of lithium-based materials, chemicals and unanticipated interactions of the various layers and processes resulting in longer than planned learning cycles and corrective actions, delaying customer sample engagements.
- Adequate environmental control of the manufacturing area and storage that might compromise the composition, performance and defectivity of the device.
- Equipment reliability, modifications needed, and process optimization learning cycle efficiency that may limit the uptime, throughput and quality of the devices produced.
- Issues encountered during handling, processing and assembly of ultrathin substrates and battery stacks.
- Need for new materials or processes and/or equipment to achieve full manufacturing qualification and product reliability.

The startup and product manufacturing yield ramp on the roll-to-roll line can also be negatively influenced by several of the conditions or events noted below (but not limited to):

- Achievement of return to manufacturing readiness and qualification of the tool set.
- On site availability of vendor personnel to assist in requalification of the machines with battery materials set.
- Electro-Static Discharge (ESD) or other phenomena that may cause the need for process or mechanical handling changes in the manufacturing line.
- Lower than anticipated throughputs and uptime of the equipment with the battery material set resulting in a lower capacity than planned.
- Adequate environmental control of the manufacturing area and storage that might compromise the composition, performance and defectivity of the device.
- New and unknown modes of yield loss necessitating process, practice or equipment modifications that can result in a slower than planned yield ramp.

- Issues encountered during roll handling, processing and assembly of ultrathin substrates and battery stacks.
- Our ability to provide OEMs with solutions that provide advantages in terms of size, reliability, durability, performance, and value-added features compared with alternative solutions.

III Many of the markets that Thinfilm targets in connection with its new energy storage strategy, will require time in order to gain traction, and there is a potential risk of delays in the timing of sales. Risks and delays may include, but are not limited to:

- Uncertain global economic conditions may adversely impact demand for our products or cause our customers and other business partners to suffer financial hardship, which could cause delays in market traction and adversely impact our business.
- Our ability to meet our growth targets depends on successful product, Marketing, and operations innovation and successful responses to competitive innovation and changing consumer habits that may result in changes in our customers' specifications.

The Company cannot assure that the business will be successful or that we will be able to generate significant revenue. If we fail to establish and build relationships with our customers, or our customers' products which utilize our solutions do not gain widespread market acceptance, we may not be able to generate significant revenue. We do not sell any products to end users, and we do not control or influence the manufacture, promotion, distribution, or pricing of the products that incorporate our solutions. Instead, we design various devices and products that our OEM customers incorporate into their products, and we depend on such OEM customers to successfully manufacture and distribute products incorporating our solutions and to generate consumer demand through marketing and promotional activities. As a result of this, our success depends almost entirely upon the widespread market acceptance of our OEM customers' products that incorporate our devices. Even if our technologies successfully meet our customers' price and performance goals, our sales could fail to develop if our customers do not achieve commercial success in selling their products that incorporate our devices.

Our ability to generate significant revenue from new markets will depend on various factors, including the following:

- The development and growth of these markets;
- The ability of our technologies and product solutions to address the needs of these markets, the price

and performance requirements of OEMs, and the preferences of end users; and

- Our ability to provide OEMs with solutions that provide advantages in terms of size, reliability, durability, performance, and value-added features compared with alternative solutions.

IV To a certain extent, Thinfilm is dependent on continued collaboration with technology, material, and manufacturing partners.

There may be process and product-development risks that arise related to time to development and cost competitiveness of the energy storage products Thinfilm is developing.

Many manufacturers of these products have well established relationships with competitive suppliers. Our ongoing success in these markets will require us to offer better performance alternatives to other solutions at competitive costs. The failure of any of these target markets to develop as we expect, or our failure to serve these markets to a significant extent, will impede our sales growth and could result in substantially reduced earnings and a restructuring of our operations. We cannot predict the size or growth rate of these markets or the market share we will achieve or maintain in these markets in the future. Shortages of components and materials may delay or reduce our sales and increase our costs, thereby harming our operating results. The inability to obtain sufficient quantities of components and other materials necessary for the production of our products could result in reduced or delayed sales or lost orders. Many of the materials used in the production of our products are available only from a limited number of foreign suppliers, particularly suppliers located in Asia.

V Our business results depend on our ability to successfully manage ongoing organizational changes. Our financial projections assume successfully executing certain of these organizational changes, including the motivation and retention of key employees and recruitment of qualified personnel, which is critical to our business success.

Factors that may affect our ability to attract and retain talented leadership, key individual contributors, and sufficient numbers of qualified employees include:

- Employee morale,
- Our reputation,
- Competition from other employers, and
- Availability of qualified personnel.

Our success is dependent on identifying, developing and retaining key employees to provide uninterrupted leadership and direction for our business. This includes developing and retaining organizational capabilities in key technology areas, where the depth

of skilled or experienced employees may be limited and competition for these resources is intense.

VI Thinfilm is exposed to certain financial risks related to fluctuation of exchange rates and interest level.

Going concern

The board confirms that the financial statements of the group, as well as the parent company, have been prepared under the going concern assumption. It became evident by the end of 2018 that the slower than anticipated customer adoption of NFC tags on-package would significantly delay the Company's ability to reach cash break-even. During 2019, a strategic decision was made to pivot away from the NFC business and follow an energy storage strategy that leveraged previous investments made in the San Jose, California R2R factory and related intellectual property. A significant level of restructuring occurred during 2019 and into the first and second quarters of 2020, in order to reduce the Company's cost structure.

Per the date of this report, the group and the parent company do not have sufficient funds to support operations throughout the financial year 2020. The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow. To address the funding requirements of the consolidated entity, the board of directors has, since early Q1 2020, undertaken the following initiatives:

- Securing commitments for equity funding from current and new shareholders, subject to approval at the May EGM;
- Undertaken a program to continue to monitor the consolidated entity's ongoing working capital requirements and minimum expenditure commitments; and
- Continued its focus on maintaining an appropriate level of corporate overhead that is in line with the consolidated entity's available cash resources.

As also noted in the announcement issued on 3 April 2020, the Board is mindful that its announced equity raise comes in the midst of the extraordinary global context of an expanding COVID 19 pandemic. As a consequence, the Company is now proposing to focus on raising only sufficient funds to provide adequate time to demonstrate its initial milestones. The objective is to reach key initial milestones on the other side of the pandemic surge. The two key milestones planned to be completed during the second quarter of 2020 are 1) to announce multiple battery-specific IP filings leveraging the Company's existing process technology patents and technology and 2) build the first solid-state lithium battery device using Thinfilm equipment. With the successful demonstration of these two milestones, the Company

will be able to demonstrate its prototype battery devices to customers and potential partners in order to seek additional funding for its battery business according to the previously presented business plan. At that time, the Company plans to seek additional funds from the investor market, including the US market. Based on this premise, it is appropriate to prepare the financial statements on the going concern basis. However, if the consolidated entity is not able to successfully complete a fundraising as planned, significant uncertainty would exist as to whether the Company and consolidated entity will continue as going concerns.

The financial statements for the year ending 2019 reflect a full impairment of the Company's fixed assets and financial lease, given the uncertainty related to its cash position and new strategy. However, the financial statements do not include adjustments related to the amounts of liabilities that might be necessary, should the Company and the consolidated entity not continue as going concerns.

In April 2020, the Board received an offer from a consortium of investors, who provided a commitment to subscribe for shares for a total subscription amount of NOK 20 million, subject to certain conditions as to price and warrants subject to approval by extraordinary general meeting in May 2020.

The Board has called for an Extraordinary General Meeting on 20 May 2020, whereby a Private Placement of NOK 25 million and a Repair Issue of NOK 7 million are proposed for approval. This will bring the Company NOK 32 million in funding. More than NOK 25 million is already committed as of the date of this report. As part of the Private Placement, two sets of Warrants will be issued, as previously described in the Introduction of the Report from the Board of Directors. Warrant A will bring an additional up to NOK 32 million To the Company by the end of 2020, if exercised. Warrant B will bring up to NOK 72 million during their fifteen-month term, if exercised.

In connection with the private placement, lead investors have provided a bridge loan of approximately USD 500 thousand to the company to ensure adequate cash remains available to operate until the equity financing closes. Committed equity financing and subsequent equity offerings available through July 2020 are subject to approval of the proposed resolutions at the 20 May Extraordinary General Meeting ("May EGM"). Meanwhile the Board and Management continue to work on addressing the availability of additional capital both through outside financing alternatives and the implementation of continued cost saving measures. There is no assurance that the Company will be successful in raising funds. Failure to obtain future funding, when needed or on acceptable terms, would adversely affect its ability to continue as a going concern.

Corporate governance

The board considers that attention to corporate governance is beneficial for companies and investors. Thinfilm seeks to comply with the Norwegian code of practice for corporate governance to the degree possible. The board's review of corporate governance has been included in the annual report.

Outlook

As Thinfilm transitioned its operational and strategic focus away from NFC in 2019, management concurrently concluded its extensive evaluation of multiple markets, in order to determine the most commercially compelling use of the Company's patented process technology innovations and state-of-the-art, production-scale roll-to-roll ("R2R") flexible electronics factory located in San Jose, California.

On 30 January, 2020, the Company announced its updated corporate strategy, focused on the design, development, and production of innovative battery solutions targeting existing market demand with differentiated solutions to power wearable devices and connected sensors.

To address the sizeable existing and expanding applications for wearable devices and connected sensors, the Company will develop a family of rechargeable solid-state lithium battery ("SSLB") products that are ultrathin, flexible, reliable, safe, and cost effective. Thinfilm's facility, located in the heart of Silicon Valley, is ideally positioned to spark rapid development of differentiated products that will offer the wearable market, estimated by IDTechEx to reach \$64 billion in 2020 and growing at a 9.5% CAGR through 2024, a superior alternative to today's pouch and coin cell batteries. Thinfilm's distinct value proposition will enable technology innovation by unleashing designers' creativity, previously limited by the lack of flexibility inherent in existing battery technology.

Thinfilm's battery solutions would incorporate an innovative solid electrolyte material that enables thinner, stackable cells that can endure more charging cycles and deliver more power at sub-freezing temperatures, compared to commonly used battery technologies. Because the solid electrolyte cannot catch fire or explode, Thinfilm SSLBs would also improve the safety profile for wearable and medical applications.

Initially pioneered by Oak Ridge National Laboratory in the 1990s, SSLB technology is primarily used in embedded electronics applications including real-time clock and static random-access memory, or SRAM, backup. However, the technology's deployment has been limited by dependencies on rigid substrates, fragile materials, and small-scale manufacturing methods. In contrast, Thinfilm is well positioned to bring the advantages of SSLB technology to a broader market due to the Company's unique combination of

existing capabilities, including roll-based production, robust metal foil substrate handling, materials expertise, and manufacturing process knowhow.

By leveraging its core capabilities in materials and manufacturing innovation, the Company believes it can produce compelling energy storage products that provide greater battery life and improved reliability, with the form-factor flexibility to create unique battery shapes enabling sleek, comfortable end products. The Company will initially focus on key portions of the wearables and sensor markets, particularly the rapidly growing connected and wearable medical sensing market, in which continuous glucose monitoring alone is forecasted to double in volume to over 100 million units by 2023, according to IDTechEx. Beyond wearable medical sensing, Thinfilm has identified a number of additional growing applications in existing markets that are expected to provide meaningful opportunities for additional growth. To accelerate the development of ultrathin battery technology in the San Jose factory, Thinfilm has entered into a partnership with a leading process technology development company.

In addition, the Company continues to file provisional patent applications, strengthening Thinfilm's strategy to develop and produce a new and innovative class of ultrathin, ultrasafe solid-state lithium batteries for wearable devices, connected sensors, and beyond.

As Thinfilm completes the transition to its new energy storage strategy, Management foresees five potential revenue and income sources:

- 1 Sales of its own designed products,
- 2 Non-recurring engineering fees earned through joint development agreements and/or government grant programs,
- 3 Monetization of its existing inventory of NFC labels and EAS devices,
- 4 Monetization of Thinfilm's CNECT software platform and other related NFC assets; and
- 5 Licensing/royalty revenue, where partners and customers pay for using the Company's intellectual property rights (IPR).

Organization, personnel and the environment

The board of directors would like to thank the Thinfilm management team members, staff, contractors, and ecosystem partners for their dedicated efforts throughout 2019 and early 2020.

Organization

As a result of significant restructuring during 2019, Thinfilm consolidated global organizational functions to the San Jose, California facility to ensure efficient and cost-effective management of the Company's resources and assets. In parallel, Thinfilm began the

process of closing its offices in Hong Kong, Shanghai, Singapore, Sweden, and the United Kingdom. As part of this consolidation, Thinfilm optimized and streamlined its processes and systems. The centralization of global operations facilitated a review of the effectiveness of Thinfilm's systems of internal controls and highlighted opportunities to strengthen and improve its processes and procedures relating to supply chain, accounting, purchasing, order fulfillment, and inventory control. The Company will continue to further optimize and develop its operational workflows.

Personnel

At the date of the report, Thinfilm had 18 full-time employees. Because of the Company's decision to navigate away from the NFC business and subsequent restructurings throughout 2019, Thinfilm reduced its global headcount from 155 at the end of 2018 to 23 full-time employees at the end of 2019, further reducing its workforce to 18 full-time employees in March 2020. With the strategic shift to energy storage having commenced in 2020, driving successful recruitment practices and appropriate staff development is fundamental to Thinfilm's success.

Environment

The board believes that the working environment at Thinfilm is safe, stimulating, challenging, and collaborative for all employees, and complies fully with relevant laws and regulations in regions within which Thinfilm operates.

Thinfilm employees are covered by benefits programs that are in line with practices in their respective countries. Throughout 2019, there were no minor workplace injuries or significant incidents or accidents involving equipment or other assets. Instances of sick leave during 2019 were relatively low and were consistent with previous years.

In addition to the employees of the Thinfilm group, Thinfilm has contracted specialists in business

development, technology, design, accounting, and other services. During 2019, patenting and other intellectual property rights (IPR) services were transitioned from AWA Patent to Central California IP Group. In addition, the Company worked with an IPR consultant and received advice from external legal counsel, as needed.

Thinfilm creates and supports equal opportunity for all employees, in all aspects of the workplace. As of 31 December 2019, female employees in the company represented approximately 40%. As of the date of this report, the current management team consists of two men and two women.

Equality is one important aspect considered when recruiting new employees. The board considers the firm's equality standards and measures to be adequate and has not found reason to initiate any corrective measures.

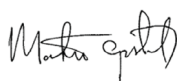
Thinfilm appreciates its corporate responsibility to protect the environment. The Company operates its business to comply with the environmental, health, and safety regulations required for the materials and processes needed to manufacture its products. Thinfilm follows all relevant environmental rules and regulations, as discussed in the Corporate Responsibility Statement in this report.

Board of directors

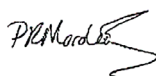
Thinfilm's board of directors consists of two women and two men, the composition of which satisfies the gender requirements of the Norwegian Public Limited Companies Act. The board includes Mr. Morten Opstad (Chairman), Ms. Preeti Mardia, Mr. Jon Castor, and Ms. Kelly Doss.

At the Company's Annual General Meeting on May 28, 2019, Morten Opstad was re-elected as Chairman for another two-year term. Preeti Mardia was re-elected to continue as a board member. Mr. Castor and Ms. Doss were elected as board members, each for a period of two years.


The board of directors of Thin Film Electronics ASA, Oslo, Norway, 11 May 2020



Morten Opstad
Chairman



Preeti Mardia
Board Member



Jon Castor
Board Member



Kelly Doss
Board Member



Kevin Barber
Managing Director (CEO)

Thin Film Electronics ASA Group

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

Amounts in USD 1,000	Note	2019	2018
Sales revenue	14	701	1,288
Other income	16,17	480	2,110
Total revenue and other income		1,181	3,397
Salaries and other payroll costs	18	(17,828)	(33,244)
Other operating expenses	19,23	(14,114)	(21,229)
Depreciation, amortization and impairment loss	6,7,8	(46,328)	(19,546)
Operating profit (loss)		(77,089)	(70,622)
Interest income		152	292
Other financial income		8	66
Interest expense		(1,524)	(1,042)
Other financial costs		(3)	(404)
Net financial items		(1,367)	(1,089)
Profit (loss) before income tax		(78,456)	(71,711)
Income tax expense	20	10	(11)
Profit (loss) for the year		(78,446)	(71,722)
Profit (loss) per share for profit attributable to the equity holders of the Company during the year			
Basic and diluted, USD per share	22	(USD1,34)	(USD1,22)
Profit (loss) for the year		(78,446)	(71,722)
Other Comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation		(637)	(198)
Total comprehensive income for the year		(79,083)	(71,921)

Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	6	—	22,548
Building – financial lease	8	—	10,375
Intangible assets	7	—	2,353
Other financial receivables	10	559	—
Total non-current assets		559	35,276
Current assets			
Inventory	9	1	2,640
Trade and other receivables	10	2,806	8,862
Cash and bank deposits	11	8,872	32,588
Total current assets		11,679	44,090
Total assets		12,238	79,366
EQUITY			
	12		
Ordinary shares		18,660	18,660
Other paid-in capital		—	321,575
Currency translation		(14,356)	(13,719)
Retained earnings		(23,964)	(266,806)
Total equity	25	(19,660)	59,709
LIABILITIES			
Non-current liabilities			
Long-term debt	15	11,812	—
Lease liabilities	8	13,244	11,525
Total non-current liabilities		25,056	11,525
Current liabilities			
Trade and other payables	13,8	5,454	8,132
Current portion of long-term debt	15	1,388	—
Total current liabilities	24	6,842	8,132
Total equity and liabilities		12,238	79,366

The board of directors of Thin Film Electronics ASA, Oslo, Norway, 11 May 2020

Morten Opstad
Chairman

John Castor
Board Member

Preeti Mardia
Board Member

Kelly Doss
Board Member

Kevin Barber
CEO

Consolidated Statements of Changes in Equity

Amounts in USD 1,000	Note	Share capital	Other paid-in equity	Currency translation	Retained earnings	Total
Balance at 1 January 2019		18,660	321,575	(13,719)	(266,806)	59,709
Share based compensation		—	190	—	—	190
Impact of change in accounting policy*	8	—	—	—	(477)	(477)
Comprehensive income		—	—	(637)	(78,446)	(79,083)
Transfer for coverage of losses		—	(321,765)	—	321,765	—
Balance at 31 December 2019	12	18,660	—	(14,356)	(23,964)	(19,660)
Balance at 1 January 2018		18,660	319,819	(13,520)	(195,084)	129,874
Share based compensation		—	1,771	—	—	1,771
Private placement (2017 residual cost)		—	(15)	—	—	(15)
Comprehensive income		—	—	(198)	(71,722)	(71,921)
Balance at 31 December 2018	12	18,660	321,575	(13,719)	(266,806)	59,709

* IFRS16 implementation. See Note 8.

Consolidated Cash Flow Statements

Amounts in USD 1,000	Note	2019	2018
Cash flows from operating activities			
Profit (loss) before income tax		(78,456)	(71,711)
– Share-based remuneration	18	190	1,771
– Depreciation and amortization	6	3,949	3,947
– Write down inventory, machinery and intangible assets	6	42,379	14,832
– Loss / (gain) on sale of fixed assets	6	(241)	(479)
– Taxes paid for the period		10	(91)
– Changes in working capital and non-cash items		1,748	(686)
Net financial items		1,367	–
Net cash from operating activities		(29,054)	(52,418)
Cash flows from investing activities			
Purchases of property, plant and equipment	6	(3,177)	(6,004)
Prepayments relating to purchase of property, plant and equipment	10	(1,653)	(5,005)
Capitalized development expenses	7	(353)	(1,580)
Proceeds from sale of fixed assets	6	112	1,389
Interest received		152	291
Net cash from investing activities		(4,919)	(10,908)
Cash flows from financing activities			
Proceeds from issuance of shares	12	–	(15)
Proceeds from debt financing	15	13,200	–
Deposits		(558)	–
Interest paid		(1,525)	–
Lease payments	8	(860)	(600)
Net cash from financing activities		10,257	(615)
Currency translation effects on cash and bank deposits		–	(1,590)
Net increase (decrease) in cash and bank deposits		(23,716)	(65,532)
Cash and bank deposits at the beginning of the year		32,588	98,120
Cash and bank deposits at the end of the year*		8,872	32,588

* Including restricted cash. See Note 11.

Notes to the Consolidated Financial Statements

1. Information about the group

"Thin Film Electronics ASA ("Thinfilm ASA" or "the company") was founded on 22 December 2005. Reference is made to Note 28 for a description of the subsidiaries consolidated into the parent company Thin Film Electronics ASA.

The objectives of the Company shall be the commercialization, research, development and production of technology and products related to solid-state lithium batteries. These objectives may be carried out in full internally, or in whole or in part externally through collaborative efforts with one or more of the Company's ecosystem partners.

The Company is a public limited liability company incorporated and domiciled in Norway. The address of its registered office is Fridjof Nansens Plass 4, Oslo, Norway. The company's shares were admitted to listing at the Oslo Axess on 30 January 2008 and to the Oslo Børs on 27 February 2015. On 24 March 2015 Thinfilm's American Depository Receipts (ADRs) commenced trading in the United States on OTCQX International.

These group consolidated financial statements were resolved by the board of directors on 11 May 2020.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied. For the purpose of ease of reading, the terms "balance sheet" and "accounting" and variations of these have been used interchangeably with the IFRS terms "statement of financial position" and "recognition".

2.1 Basis of preparation

The annual financial statements have been prepared on a historical cost basis. The financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies adopted are consistent with those of the previous financial year, except for the below descriptions. IFRS is continuously developed and recently published standards, amendments and interpretations have

been reviewed and considered. Except from the impact on the implementation of IFRS 16 Leases, as described in Note 2.20 and Note 8, none of the other new standards, amendments and interpretations that apply as of 1 January 2019 had any impact on net result or equity of Thinfilm in 2019. Reference is made to Note 2.20 for a description of changes in IFRS.

Going concern

The board confirms that the financial statements of the group, as well as the parent company, have been prepared under the going concern assumption. It became evident by the end of 2018 that the slower than anticipated customer adoption of NFC tags on-package would significantly delay the Company's ability to reach cash break-even. During 2019, a strategic decision was made to pivot away from the NFC business and follow an energy storage strategy that leveraged previous investments made in the San Jose, California R2R factory and related intellectual property. A significant level of restructuring occurred during 2019, in order to reduce the Company's cost structure. Per the date of this report, the group and the parent company do not have sufficient funds to support operations throughout the financial year 2020. The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow.

The board's authorization of a substantial restructuring of the business during 2019 resulted in an annualized savings of approximately USD 23 million year over year versus 2018. As of 30 April 2020, the Company had a cash balance of approximately USD 3.3 million, which is sufficient to fund the company into Q2 2020. The Board has called for an Extraordinary General Meeting on 20 May 2020, whereby a Private Placement of NOK 25 million and a Repair Issue of NOK 7 million are proposed for approval. This will bring the Company NOK 32 million in funding. More than NOK 25 million is already committed as of the date of this report. As part of the Private Placement, two sets of Warrants will be issued, as previously described in the Introduction of the Report from the Board of Directors. Warrant A will bring an additional up to NOK 32 million to the Company by the end of 2020, if exercised. Warrant B will bring up to NOK 72 million during their fifteen-month term, if exercised.

In connection with the private placement, lead investors have provided a bridge loan of approximately USD 500 thousand to the company to ensure adequate cash remains available to operate until the equity financing closes. Committed equity financing and subsequent equity offerings available through July 2020 are subject to approval of the proposed resolutions at the 20 May Extraordinary General Meeting ("May EGM"). Meanwhile the Board and Management continue to work on addressing the availability of additional capital both through outside financing alternatives and the implementation of continued cost saving measures. There is no assurance that the Company will be successful in raising funds. Failure to obtain future funding, when needed or on acceptable terms, would adversely affect its ability to continue as a going concern.

To address the funding requirements of the consolidated entity, the board of directors has, since early Q1 2020, undertaken the following initiatives:

- Initiated the process to close a Private Placement and secure a bridge loan from current and new shareholders by May 2020;
- Undertaken a program to continue to monitor the consolidated entity's ongoing working capital requirements and minimum expenditure commitments; and
- Continued its focus on maintaining an appropriate level of corporate overhead that is in line with the consolidated entity's available cash resources.

As also noted in the announcement issued on 3 April 2020, the Board is mindful that its announced equity raise comes in the midst of the extraordinary global context of an expanding COVID 19 pandemic. As a consequence, the Company is now proposing to focus on raising only sufficient funds to provide adequate time to demonstrate its initial milestones. The objective is to reach key initial milestones on the other side of the pandemic surge. The two key milestones planned to be completed during the second quarter of 2020 are 1) to announce multiple battery-specific IP filings leveraging the Company's existing process technology patents and technology and 2) build the first solid-state lithium battery device using Thinfilm equipment. With the successful demonstration of these two milestones, the Company will be able to demonstrate its prototype battery devices to customers and potential partners in order to seek additional funding for its battery business according to the previously presented business plan. At that time, the Company plans to seek additional funds from the investor market, including the US market. Based on this premise, it is appropriate to prepare the financial statements on the going concern basis. However, if the consolidated entity is not able to successfully complete a fundraising as planned,

significant uncertainty would exist as to whether the Company and consolidated entity will continue as going concerns.

The financial statements for the year ending 2019 reflect a full impairment of the Company's fixed assets and financial lease, given the uncertainty related to its cash position and new strategy.

2.2 Consolidation

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

2.3 Foreign currency translation

a) Functional and presentation currency

The consolidated financial statements are presented in US dollar (USD).

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

c) Group companies

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are included in other comprehensive income. When a foreign operation is partially disposed

of or sold, such exchange differences are reversed and recognized in the income statement as part of the gain or loss on the sale.

2.4 Property, plant and equipment

Property, plant and equipment is mainly comprised of construction in progress on the roll-to-roll line, laboratory test equipment, and office equipment. Property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method as follows:

- Laboratory equipment — 5 years
- Office equipment — 3–5 years
- Office furnishings and fittings- up to 12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the income statement.

2.5 Inventory

The Company has changed their strategy and hence prior years inventory are fully impaired. Historically, inventory, components and components under production are valued at the lower of cost and net realizable value after deduction of obsolescence. Net realizable value is estimated as the selling price less cost of completion and the cost necessary to make the sale. Costs are determined using the standard cost method. The FIFO principle is applied. Work in progress includes variable cost and non-variable cost which can be allocated to items based on normal capacity. Obsolete inventory is written down completely.

2.6 Intangible assets

a) Patents and licenses

Acquired patents and licenses are stated at historical cost. Patents and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of patents and licenses

over their estimated useful lives. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. In January 2014, Thinfilm acquired an IP portfolio consisting of patents. These assets are initially recognized at fair value and subsequently measured at cost, less accumulated amortisation and impairment losses.

b) Research and development

Research costs are expensed as they are incurred. An intangible asset arising from development expenditure on an individual project is capitalized only when the Group reliably can measure the expenditure and can demonstrate;

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- How the asset will generate future economic benefits
- The group's ability to obtain resources to complete the project

Development costs are amortized over the period of expected use of the asset. Capitalized development expenses relate to Speedtap™. In 2019 it was decided that the capitalized development costs relating to NFC SpeedTap™ would not be further commercialized and the remaining costs of NOK 12,744 were impaired. EAS (Electronic article surveillance) costs were previously capitalized, but as a result of the corporate restructuring announced 15 March 2019, these have been impaired as of year-end 2018. Please ref. Note 7 for further details.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.7 Impairment of assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill are reviewed for possible reversal of any previous impairment at each reporting date.

2.8 Trade receivables and other receivables

Trade receivables and other short-term receivables are measured at initial recognition at fair value and subsequently measured at amortized cost. Short-term

receivables, which are due within three months, are normally not discounted. Impairment of receivables is evaluated on a case-by-case basis. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

2.9 Cash and bank deposits

Cash and bank deposits include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and any bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to raising new equity are shown as a deduction to the equity, net of tax.

2.11 Trade payables

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

2.12 Deferred income tax

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted on the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax liabilities are recognized for taxable temporary differences.

2.13 Employee remuneration

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

The company only holds defined contribution pension plans. Contributions are expensed and paid when earned.

2.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the Group's activities, as described below.

(a) Sales of goods

During 2019, the Group manufactured and sold NFC tags, Electronic Article Surveillance (EAS) anti-theft tags and printed integrated systems in the form of products delivered to customers, prototype development projects, engineering samples and technology demonstration kits to strategic customers and partners. The performance obligation was to deliver a distinctive goods, and the performance obligation was satisfied when the control was transferred to the customer being at the point of delivery of the goods. Sales of goods were recognized when the performance obligation was satisfied, the costs incurred or to be incurred with respect to the transaction could be measured reliably and Thinfilm retained neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(b) Rendering of services

The Group provides engineering and support services to strategic customers and partners. Revenue from services provided at an hourly rate is recognized when, or in the same period as, the Group has provided the services. Revenue from services related to achieving certain milestones are recognized when the milestone is met, given that the stage of completion as well as the the costs incurred at the balance sheet date can be measured reliably. The revenue is recognized when the costs incurred in respect of the transaction can be measured reliably.

(c) Technology access revenue

The Group grants technology access rights to strategic customers and partners, i.e., the right to work with Thinfilm and its technology to develop bespoke printed products and systems. Revenue from granting technology access rights is generally recognized on a straight-line basis over the period or contract term the technology access is granted.

2.15 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and the conditions will be complied with. Grants are recognised as other income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

2.16 Financial liabilities

2.16.1 Borrowings

Borrowings are initially recognized at cost and subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs as well as discount or premium on settlement. Financial liabilities are presented as current if the liabilities are due to be settled within 12 months after the balance sheet date.

2.16.2 Leases

All leases are recognized in the balance sheet as a right-of-use ("ROU") asset with a corresponding lease liability, except for short term assets in which the lease term is 12 months or less, or low value assets. ROU assets represent a right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Right-of-use assets are depreciated linearly over the lifetime of the related lease contract. The depreciation of ROU asset is recognized over the lease term, and interest expenses related to the lease liability are classified as financial items in the income statement. Right-of-use assets are tested for impairment in accordance in accordance with IAS 36.

Thinfilm determines if an arrangement is a lease at inception. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, less any lease incentives. The Company's incremental borrowing rate based on the information available at commencement date is used in determining the present value of lease payments. Extension options are included when it, based on management's judgement, is reasonably certain to be exercised. ROU assets are measured at cost and include the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less and low-value assets.

2.17 Share based remuneration

Equity-settled share-based payments to employees are measured at the fair value of the equity

instruments at grant date. The fair value of the instruments is determined using a Black-Scholes option pricing model.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest.

For social security contribution related to equity-settled share-based payment transactions with employees, a liability is recognized. The liability is initially measured at the fair value of the liability. At the end of each reporting period until the liability is settled, and the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

2.18 Cash flow statement

The cash flow statement is prepared in accordance with the indirect method.

2.19 Segment information

Operating segments, according to IFRS 8, are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources, assessing performance and making strategic decisions, has been identified as the Chief Executive Officer (CEO). Based on Thinfilm's current deliveries, performance obligations, customer characteristic and other information, it has been assessed that Thinfilm has only one operating segment. Hence, primarily information according to IFRS 8 paragraphs –34 is provided.

2.20 Changes in accounting principles

Thinfilm has, with effect from 1 January 2019, implemented the amendments to IFRS 9 Prepayment features with negative compensation, IAS 19 Plan amendment, curtailment or settlement, IAS 28 Long-term Interests in Associates and Joint Ventures, IFRIC 23 Uncertainty over income tax treatments and annual improvements to IFRSs 2015–2017. The implementation of these standards has not had a material impact on the entity in the current reporting period.

From 1 January 2019, the Company has applied IFRS 16 Leases using the modified retrospective approach. Therefore, the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The new accounting policies for leases and transition effects to IFRS 16 are outlined in Note 8.

2.21 Approved standards and interpretations not yet in effect

- In addition to these standards, the following new and revised IFRSs have been issued, but are not

yet effective, and in some cases have not yet been adopted by the EU. The Group will assess the potential impact of these new and revised standards in due course.

- IFRS 17 Insurance contracts
- Amendments to IFRS 3 Business Combinations
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards

3. Segment information

Thinfilm's business consists of sale of products, services and development of electronic products and related solutions. The CEO has determined that the Group has only one operating segment. Consequently, no additional segment information is disclosed. Reference is made to Note 6, 14, 15 and 16 for entity-wide disclosures.

4. Capital management and financial risk

4.1 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern. The capital structure of the Group consists of equity and current and non-current interest-bearing liabilities. The Group is not subject to any externally imposed capital requirements apart from the requirements according to national laws and regulations for limited liability companies. In September 2019, the Company's subsidiary, Thinfilm Electronics, Inc. closed an equipment term loan facility with Utica for USD 13,200 thousand secured by select fixed assets (see Note 6). The terms of the Master Lease Agreement were interest-only monthly payments for the first six months, followed by three months of interim payments, and thereafter a four-year amortization period during which monthly principal and interest payments are due. The Company used the proceeds from the loans for working capital to fund ongoing operations and to pay for remaining scheduled payments for the R2R line.

The company is working on obtaining additional equity funding. see note on going concern.

4.2 Financial risk factors

Thinfilm is exposed to certain financial risks related to exchange rates and interest level. These are, however, insignificant compared to the business risk.

a. Market risk factors

(i) Currency risk

The Group has the majority of its operations in the USA. As of 31 December 2019, approximately 84% of the Company's cash balance was denominated in USD, in order to mitigate currency risk associated with the increased value of the USD relative to NOK. Management monitors this risk and will take the appropriate actions to address it as the situation requires. The currency risk related to the balance sheet is mostly related to the net investment in the Swedish subsidiary. Management monitors this risk but has not initiated any particular actions to reduce it.

(ii) Interest risk

Thin Film Electronics, Inc., the U.S. operating subsidiary and global headquarters of the Thin Film Electronics Group, closed an equipment term loan facility with Utica Leaseco, LLC for financing of USD 13.2 million, which funded in two tranches during the month of September 2019. The interest rate associated with this debt is fixed, and therefore, does not present the potential risk that would be associated with interest rate fluctuations.

b. Credit risk

The company has some credit risks relating to receivables. The loss on receivables has historically been low.

In connection with the relocation of Thinfilm's US headquarters in the first two quarters of 2017, a USD 1,600 thousand Letter of Credit was issued by Thin Film Electronics ASA to the new landlord of the Junction Avenue facility located in San Jose, California. In addition, the Company entered into a Tenancy Guaranty with the new landlord as additional security of the rent payments. The initial guaranty liability amounted to USD 5,000 thousand and reduces on an annual basis by USD 500 thousand per year, commencing with the second lease year until the liability reaches zero dollars. As of 31 December 2019, the guaranty liability amounted to USD 4,000 thousand. Apart from that, Thinfilm has not issued additional material guarantees.

c. Liquidity risk

Aside from the equipment term loan facility of USD 13.2 million closed in September 2019, Thinfilm does not have any other material interest-bearing debt. In addition, the company has a continued obligation under a lease agreement signed in November 2016 relating to its U.S. headquarters in San Jose, California. The Company was unable to raise equity financing in 2019 and is not yet cash generative and operates at a loss. There is uncertainty tied to the generation of future cash flow in connection with the Company's new business strategy. As described in Note 2.1 Basis of preparation, the Company is currently pursuing alternative forms of generating cash in order to meet

its financial obligations. There is no assurance that the Company will be successful in raising funds. Failure to obtain future funding, when needed or on acceptable terms, would adversely affect its ability to continue as a going concern.

4.3 Fair value estimation

The carrying amounts of trade and other receivables and payables are considered to be the same as their fair values, due to their short-term nature. Accounts payable and accrued liabilities with due date within 12 months have been recognized at carrying value. The fair value of financial liabilities has been estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

4.4 Financial instruments

Thinfilm is not party to any transactions or financial instruments which are not recorded in the balance sheet or otherwise disclosed.

5. Critical accounting estimates and judgments

The financial statements of the group have been prepared based on the going concern assumption. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results.

The estimates and assumptions in the financial statements of the Group mainly relate to share based compensation, deferred tax assets, accounting for research and development, intangible assets, property, plant and equipment and lease.

Share based compensation:

Thinfilm estimates the fair value of options at the grant date. As the subscription rights are structured equal to an option, the Black-Scholes option pricing model is used for valuing the share subscription rights. The model uses the following parameters; the exercise price, the life of the option, the current price of the underlying shares, the expected volatility of the share price, the dividends expected on the shares, and the risk-free interest rate for the life of the option. The cost of share based remuneration is expensed over the vesting period. Such estimates are updated at the balance sheet date. Changes in this estimate will impact the expensed cost of share based remuneration in the period. The variables, assumptions and relevant theoretical foundations used in the calculation of the FV per share subscription right is estimated according to the IFRS 2 standard.

Deferred tax assets:

Deferred tax assets related to losses carried forward is recognized when it is probable that the loss carried forward may be utilized. Evaluation of probability is based on historical earnings, expected future margins and the size of the order back-log. Future events may lead to these estimates being changed. Such changes will be recognized when reliable new estimates can be made. No deferred tax assets have been recognized in the balance sheet as of 31 December, 2019.

Research and development:

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset only when Thinfilm can demonstrate the technical feasibility of completing the intangible assets so that it will be available for use or sale, the Company's intention and capability of completing the development and realize the asset, and the net future financial benefits of use or sale. Determining whether an expense meets the definition of a development cost requires judgment to be applied. Capitalized development costs as of 31 December, 2019, has been fully impaired. See Note 7.

Intangible assets:

In connection with the purchase of certain certain assets from Kovio, Inc., in January 2014, Thinfilm acquired an IP portfolio of ninety patent families. In addition, Thinfilm has acquired certain licenses and capitalized certain development costs relating to printed batteries. These assets are recognized in the balance sheet as intangible assets and valued at fair value less accumulated amortization and impairment losses. The book value is dependent on the successful development of the technology in the Parent Company and in the subsidiaries. As of 31 December, 2019 all intangible assets have been impaired. See Note 7.

Property, plant and equipment (PPE):

In connection to establishing US headquarters in San Jose, Thinfilm has invested in PPE, including a roll-based production line. Determining whether equipment / a tool a) is under construction b) is ready for use in production c) will generate sufficient net future benefits on a stand-alone basis or as part of a production line, requires judgment to be applied. The corporate restructuring announced on 15 March, 2019, 19 July, 2019 and 12 September, 2019 triggered impairment testing relating to these assets. See Note 6 for quantification of book values and impairments.

Financial lease:

The Company entered into a lease agreement in November 2016 relating to the property building of its new US headquarters in San Jose, California. Thinfilm assesses whether the lease has been impaired by applying the requirements in IAS 36 - Impairment of assets. As of 31 December, 2019, the book value of the leased building is USD 0 thousand. See Note 8.

6. Property, plant and equipment

Amounts in USD 1,000	Laboratory and production equipment
	6
2019	
Accumulated cost on 1 January 2019	45,244
Additions	6,187
Sale/disposal of assets	(571)
Exchange differences	(2)
Accumulated cost 31 December 2019	50,858
Accumulated depreciation	
Accumulated depreciation on 1 January 2019	(22,695)
Depreciation expenses	(2,384)
Impairment	(25,778)
Exchange differences	(1)
Accumulated depreciation 31 December 2019	(50,858)
Net book value 31 December 2019	—
2018	
Accumulated cost on 1 January 2018	26,910
Additions	19,024
Sale/disposal of assets	(692)
Exchange differences	2
Accumulated cost 31 December 2018	45,244
Accumulated depreciation	
Accumulated depreciation on 1 January 2018	(6,388)
Depreciation expenses	(2,743)
Impairment	(13,565)
Exchange differences	1
Accumulated depreciation 31 December 2018	(22,695)
Net book value 31 December 2018	22,549

All property, plant and equipment are based in San Jose, California.

Impairment:

The company has revised its strategy, and does not foresee to use the roll-to-roll production facility in San Jose to its intended use. This has triggered an impairment test. Management views the roll-to-roll technology, production facility and related assets as broadly applicable to multiple potential applications, including for use in its recently announced strategy to develop and produce a new and innovative class of ultrathin, ultrasafe solid-state lithium batteries for wearable devices, connected sensors (see note 27). However, management believes that the 'value in use' is not readily supportable, as it has only been forecasted in a financial model, with no real data to support the estimates. As there is no observable market data on these assets management have not been able to find a reliable estimate on 'fair value less costs to sell'. Due to these uncertainties the assets, incl. intangible assets (see note 7) right-of-use assets (see note 8), are fully impaired as of 31 December 2019.

Assets pledged as security:

The majority of the production facility assets, incl. the roll-to-roll (R2R) production facility, have been pledged to secure borrowings of the group (see note 15). The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

7. Intangible assets

Amounts in USD 1,000	Purchased intellectual property	Capitalized development costs	Total
Amortization period, years (linear)	13–16		
2019			
Acquisition cost			
Accumulated cost on 1 January 2019	1,815	1,252	3,067
Additions	(24)	378	354
Accumulated cost 31 December 2019	1,791	1,630	3,421
Accumulated amortization and impairment on 1 January 2019	(715)	—	(715)
Amortization	(128)	—	(128)
Accumulated amortization impaired assets	(948)	(1,630)	(2,578)
Amortization and Impairment 31 December 2019	(1,791)	(1,630)	(3,421)
Net book value 31 December 2019	—	—	—
2018			
Acquisition cost			
Accumulated cost on 1 January 2018	1,969	847	2,816
Additions	—	1,582	1,582
Impairment at cost	(154)	(1,177)	(1,331)
Accumulated cost 31 December 2018	1,815	1,252	3,067
Accumulated amortization and impairment on 1 January 2018	(626)	—	(626)
Amortization	(151)	—	(151)
Accumulated amortization impaired assets	62	—	62
Amortization and Impairment 31 December 2018	(715)	—	(715)
Net book value 31 December 2018	1,100	1,252	2,352

Thinfilm will discontinue the Electronic Article Surveillance (EAS) business after exhausting existing inventory, and has also decided to exit the NFC and EAS businesses and ceased all development and sales associated with these two businesses. Therefore, based upon its analysis under IAS 36, an impairment of USD 2,578 thousand has been booked, representing a full impairment of all assets as of 31 December 2019. See Note 6.

The amount of research and development expenditure recognized as an expense in 2019 amounts to USD 1,839 thousand (2018: USD 9,907 thousand). This was mainly related to cost incurred in connection with research & development relating to roll-to-roll printing processes.

8. Leases

The Company entered into a lease agreement in November 2016 relating to the property building of its new US headquarter in San Jose, CA. The lease in San Jose expires in September 2028. The building element of the lease was under IAS 17 classified as a financial lease, as the present value of the minimum lease payments amounts to substantially all of the fair value of the leased asset. When implementing IFRS 16 from 1 January 2019 the entire contract became a lease, and the land element of the lease which previously was accounted for separately as an operating lease, which included in the right of use asset. The difference between the operating lease commitments after IAS 17, as disclosed in the 2018 financial statements, and lease debt recognized at initial application is reconciled in the table below. See Note 19 for the nature of the short-term leases.

Thinfilm applies exemption for short term leases (12 months or less) and low value leases. There are no extension options available and management's judgement, is reasonably certain to be exercised. The incremental borrowing rate applied in discounting of the nominal lease debt is 7,25% per cent. Right-of-use assets are depreciated linearly over the lifetime of the related lease contract.

	Lease liability
Operating lease commitments as of 31 December 2018:	4,418
Short-term leases and leases of low-value assets	-655
Effect of discounting the above amounts	-990
Financial lease liabilities recognized under IAS 17 at 31 December 2019	12,303
Lease liability recognized at 1 January 2019	15,075
Lease payment (see note below)	-1,962
Interest expense	1,063
Lease liability as of 31 December 2019	14,213

In the statement of cash flow principle portion of lease payments are included in line Lease payment with an amount of USD 860 thousand, and interest portion of the payment are included in line Interest paid with an amount of USD 1,102 thousand. Both of them are presented as cash flow from financing activities.

The Group has recognized USD 2,543 thousand of right-of-use assets, USD 249 thousand in deferred rent, and USD 2,772 of lease liabilities upon transition to IFRS 16. The difference of USD 477 thousand is recognized in retained earnings. In addition, USD 10,375 thousand recognized as Financial Lease assets as of 31 December 2018 transferred to right-of-use assets when implementing IFRS 16 on 1 January 2019.

For maturity schedule of minimum lease payments, see Note 15.

A small part of the building is sub-leased and classified as operating lease. The income, for which 2019 amounts to USD 182 thousand is presented as other income (see Note 17).

Right-of use assets

Amounts in USD 1,000	Right of use assets
Depreciation period, years (linear)	12
2019	
Net value on 1 January 2019	10,376
Additions	—
Adjustments	2,543
Impairment (see Note 6)	(11,504)
Exchange differences	—
Depreciation	(1,415)
Net book value on 31 December 2019	—
Finance lease under IAS17	
2018	
Net value on 1 January 2018	11,534
Additions	—
Adjustments	(105)
Exchange differences	—
Depreciation	(1,053)
Net book value on 31 December 2018	10,376

9. Inventory

Amounts in USD 1,000	2019	2018
Finished goods	1	150
Raw materials	—	155
Work in progress	—	2,336
Net book value on 31 December 2019	1	2,641
Inventory reserved	4,154	2,488

10. Trade and other receivables

Amounts in USD 1,000	31 December 2019	31 December 2018
Customer receivables	928	868
Accrued revenue not yet invoiced	—	75
Prepayments	3,287	4,846
Other receivables	1,878	2,935
Income tax prepayments	—	137
Less: provision for impairment of receivables and prepayments	(3,287)	—
Receivables – net	2,806	8,862

Of this, receivables from related parties (Note 23)

—

Of other receivables, prepayments of USD 3,287 thousand (which is fully impaired); (USD 4,846 thousand in 2018) relate to equipment for San Jose site not yet delivered. All receivables are due within one year and book value approximates fair value.

Other non-current financial receivables of USD 559 thousand relates to security deposit held by Utica Leaseco, LLC.

Total receivables are denominated in currencies as shown below

Amounts in USD 1,000	31 December 2019	31 December 2018
Denominated in NOK	842	2,254
Denominated in SEK	5	334
Denominated in USD	1,873	6,175
Denominated in other currencies, including EUR, CNY, HKD, GBP and CHF	86	97
Total	2,806	8,862

Trade receivables USD 223 thousand were past due by more than 90 days.

Impairment of receivables is evaluated on a case-by-case basis, and realized losses have historically been low. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

11. Cash and bank deposits

Amounts in USD 1,000	31 December 2019	31 December 2018
Cash in bank excluding restricted cash	7,262	30,572
Deposit for Letter of Credit	1,604	1,629
Deposit for withheld tax (restricted)	6	387
Total	8,872	32,588

Payable withheld tax amounts in Norway and Sweden at 31 December 2019 were USD 17 thousand and USD 31 thousand (2018: USD 387 thousand and USD 0 thousand).

12. Share capital, warrants and subscription rights

	Number of shares	Number of warrants
Shares at 1 January 2019	58,593,581	—
Expiry of Warrants, 16 March	—	—
Expiry of Warrants, 14 July	—	—
Shares at 31 December 2019	58,593,581	—
Shares at 1 January 2018	58,593,581	2,850,866
Expiry of Warrants, 16 March	—	(850,866)
Expiry of Warrants, 14 July	—	(2,000,000)
Shares at 31 December 2018	58,593,581	—
Number of warrants and subscription rights	1 January–31 December 2019	1 January–31 December 2018
Warrants and subscription rights opening balance	4,412,622	6,121,116
Grant of incentive subscription rights	5,429,856	2,603,372
Terminated, forfeited and expired subscription rights	(4,469,248)	(1,461,000)
Exercise of subscription rights	—	—
Allotment of warrants	—	—
Exercise and expiry of warrants	—	(2,850,866)
Warrants and subscription rights closing balance	5,373,230	4,412,622

In connection with the reverse share split resolved by the extraordinary general meeting of the Company, on 23 October 2019, the general meeting authorized the Board to issue three (3) new shares at par value in order for the Company's registered number of shares to be dividable by 20 (the reverse share split ratio). Pursuant to such board authorization, the Board on 24 October 2019 resolved the issuance of three (3) new shares to an existing shareholder, which new shares subsequently could be used in connection with the rounding up of shareholdings of shareholders, who do not have a number of shares dividable by 20. Following the issue of the new shares, the Company's share capital is NOK 128,905,878.20 divided into 58,593,581 registered shares each with a nominal value of NOK 2.20.

The Annual General Meeting of the Company resolved on 28 May 2019 an exchange offer program whereby continuing employees and consultants holding incentive subscription rights ("Eligible Holders") under the Company's 2015, 2016, 2017 and/or 2018 subscription rights programs (the "Former Plans") were entitled to exchange such subscription rights for new subscription rights to be granted under the Company's 2019 subscription right plan. Having been given the opportunity to participate in the exchange program, Eligible Holders holding a total of 1,864,372 subscription rights under the Former Plans have notified the Company that they wish to participate in the exchange program, whereupon such Eligible Holders explicitly waived any right to claim shares under Former Plans. As a result, the Board of Directors of the Company resolved on 25 September 2019 to grant a total of 1,864,372 incentive subscription rights to nineteen Eligible Holders. The grants were made under the Company's 2019 Subscription Rights Incentive Plan, as resolved at the Annual General Meeting on 28 May 2019.

The exercise price of the subscription rights is NOK 4.67 per share.

The new subscription rights will vest and become exercisable as follows: 33.3% of the shares subject to the new subscription rights will be vested on the grant date, and the remaining 66.7% will vest in approximately equal quarterly installments over the next 3 years, with approximately 5.55% vesting each quarter on each October 15, January 15, April 15 and July 15 thereafter, subject to the Eligible Holder's continued employment or service with the Company or its subsidiaries on each such date. The subscription rights expire on 28 May 2024.

The number of shares, warrants and subscription rights have been adjusted to reflect the reserve share split resolved by the extraordinary general meeting of the Company on 23 October 2019.

13. Trade and other payables

Amounts in USD 1,000	31 December 2019	31 December 2018
Trade payables	999	1,120
Public duties, withheld taxes and social security taxes due	667	696
Accrued holiday pay and other accrued salary	1,575	2,223
Current lease liabilities	970	635
Other accrued expenses	1,243	3,458
Total	5,454	8,132
Of this, payables to related parties (Note 23)	445	—

Total payables and accruals are denominated in currencies as shown below

Amounts in USD 1,000	31 December 2019	31 December 2018
Denominated in NOK	1,258	1,399
Denominated in SEK	—	610
Denominated in USD	3,951	5,973
Denominated in HKD	48	11
Denominated in other currencies, including GBP, EUR, CNY and CHF	197	140
Total	5,454	8,132

14. Sales revenue

The breakdown of the sales revenue is as follows:

Amounts in USD 1,000	2019	2018
Sales of goods	630	1,267
Rendering of services, technology access revenue	71	21
Total	701	1,288

The Group is domiciled in Norway. There were no sales revenue from external customers in Norway for 2019 and 2018.

The total sales revenue from external customers from other countries is USD 701 thousand, of which USD 218 thousand related to sales to customers in the United States.

In 2018 USD 218 thousand related to sales to customers in the United States out of the total sales revenue of USD 1288 thousand.

Sales revenue of approximately USD 290 thousand (2018: USD 760 thousand) are derived from single customers representing 10% or more of total sales revenue.

No warranty costs, penalties or other losses were related to sales revenue in 2019.

15. Current and long-term debt

In September 2019, the subsidiary in US, Thinfilm Electronics, Inc., closed an equipment term loan facility with Utica for USD 13,200 thousand secured by select fixed assets (see Note 6). The terms of the agreement were interest-only monthly payments for the first six months, followed by three months of interim payments, and thereafter a four-year amortization period during which monthly principal and interest payments are due. For the twelve months ended December 31, 2019, the current portion of the loan principal of USD 1,388 thousand and the long-term portion of the principal of USD 11,812 thousand is recorded as Long-term Debt in the Consolidated Statements of Financial Position.

The interest rate for the financing is at 14%. Table below disclosures principal payment obligations for the company.

Maturity schedule – liabilities

Amounts in USD 1,000					31 December 2019				
	Principal and Interest Due								
	Within 1 year				1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	1st qtr	2nd qtr	3rd qtr	4th qtr					
Principal obligations due	—	—	682	706	3,084	3,544	5,184	—	—
Interest payments	462	1,136	454	430	1,461	1,000	497	—	—
Lease payments	490	490	490	490	1,996	2,120	2,182	2,245	9,010
Total	952	1,626	1,626	1,626	6,541	6,664	7,863	2,245	9,010

16. Government grants

In 2018 Thinfilm ASA had a project qualified for the SkatteFUNN scheme for the three-year horizon 2018-2020, which relates to the innovative manufacturing of smart NFC labels enabling the Internet of Everything (IoE). Net contribution from the SkatteFUNN scheme in 2018 was NOK 10 million. Due to a revised strategy the company has ceased the SkatteFUNN project in 2019, and has not included any contribution from this scheme in 2019.

The SkatteFUNN grant has been recognized as Other Income in 2018 (see Note 17).

To receive grants from SkatteFUNN, the Company has to engage in research and development activities that qualify for the SkatteFUNN programme. The costs incurred have to be reported annually to the Norwegian tax authorities. It is also required that the Company reports progress and achievements to the Research Council of Norway.

17. Other income

Amounts in USD 1,000	2019	2018
Sublease income from the site in San Jose, California (CA)	182	96
Gain on sale of fixed assets, related to sale of equipment from San Jose site.	290	470
Government grants and funded development projects (see Note 16)	8	1,540
Other	—	4
Total	480	2,110

18. Salaries and other payroll costs

Amounts in USD 1,000	2019	2018
Salaries	14,030	25,858
Social security costs	1,282	2,154
Share-based compensation (subscription rights), notional salary cost	190	1,465
Share-based compensation (subscription rights), accrued employer's tax*	19	(96)
Pension contribution	519	1,471
Other personnel related expenses, including recruiting costs	1,788	2,392
Total	17,828	33,244
Average number of employees for the year (full-time equivalent)	75	164

At the end of the year the Group had 23 employees (full-time equivalents), down from 155 at the end of 2018.

The company has only defined contribution pension plans. Contributions are expensed and paid when earned.

*Relates to remeasurement of social security costs. See Note 2.17.

Compensation to senior management

Amounts in USD 1,000	Salary	Pension contribution	Bonus	Share-based remuneration
2019				
Kevin Barber, CEO	418	10	191	994
Ole Ronny Thorsnes, CFO (until 30 September 2019)	326	—	—	—
Mallorie Burak, CFO (from 1 July 2019)	155	5	8	35
Christian Delay, CCO (until 12 September 2019)	322	6	—	—
Peter Fischer, COO (until 22 February 2019)	160	4	—	—
Giampaolo Marino, EVP Hardware Solutions	290	10	8	145
Arvind Kamath, EVP Technology Development	279	11	78	53
Matt Kaufmann, EVP Operations (until 30 September 2019)	177	7	—	—
Shannon Fogle, VP of Global Human Resources	193	8	4	17
2018				
Kevin Barber, CEO (from 26 November, 2018)	43	—	—	330
Davor Sutija, CEO (until 26 November, 2018)	446	12	287	338
Ole Ronny Thorsnes, CFO	308	12	124	163
Christian Delay, CCO	286	11	99	140
Christer Karlsson, CTO	226	52	39	115
Peter Fischer, COO	460	11	62	140
Giampaolo Marino, EVP Hardware Solutions (from 23 July, 2018)	121	4	91	30
Arvind Kamath, EVP Technology Development	253	11	63	53
Matt Kaufmann, EVP Operations	240	9	63	39
Shannon Fogle, VP of Global Human Resources	142	7	39	17
Henrik Sjöberg, SVP Product Management (until 29 April, 2018)	97	8	33	—
John McNulty, EVP Marketing (from 13 February, 2018 to 21 June, 2018)	97	4	33	—
Bill Cummings, SVP Marketing Communications (until 20 September, 2018)	256	7	6	86
Tauseef Bashir, EVP Global Sales (until 23 May, 2018)	264	5	35	—

The salary amount is the salary declared for tax purposes. Bonus represents the amount earned and accrued as of year-end. Bonuses earned in 2018 and 2019 were subsequently paid during the first quarter of 2019 and 2020, respectively. The value of share-based remuneration is the expensed amount excluding employer's tax in the period for incentive subscription rights. The subscription rights cease when the employee resigns.

There were no subscription rights exercised by senior management in 2019 or 2018.

The Company has not made any advance payments or issued loans to, or guarantees in favour of, any members of management.

Remuneration to the Board of Directors

The company has no other obligation to remunerate the board than the board remuneration as resolved by the annual general meeting. The annual general meeting on 28 May 2019 resolved remuneration to the chairman of NOK 325 thousand and USD 40 thousand (or an amount in NOK equivalent thereof) for each board member for the period from the annual general meeting in 2019 to the annual general meeting in 2020. Board member Jon S. Castor shall further receive a remuneration of USD 60 thousand (or an amount in NOK equivalent thereof) fixed annual fee for service as Chairman of a strategy committee to be appointed by the Board of Directors supporting the CEO of the Company in relation to strategic questions from the date of the 2019 Annual General Meeting until the date of the 2020 Annual General Meeting. The company has not issued any advance payments or loans to, or guarantees in favor of, any board member.

19. Other operating expenses

Amounts in USD 1,000	2019	2018
Services	4,458	5,480
Premises, supplies	7,094	12,047
Sales and marketing	1,059	2,889
Other expenses	1,503	814
Total	14,114	21,230

Thinfilm has lease agreements for premises in the following locations:

Oslo (Norway): The Corporate headquarter was located at Henrik Ibsens Gate 100, Oslo, throughout 2018, with an annual lease amount of NOK 780 thousand per year, and a termination clause of 3 months. The Company has subsequently moved to a new office location at Fridjof Nansens Plass 4, Oslo, in March 2019. The lease amount at the new location is NOK 689 thousand per year, with a termination clause of 3 months. The lease expired on 31 August 2019 and the lease was not renewed. The Company currently pays rent on a month to month basis. The monthly rent is NOK 11 thousand per month.

San Jose (California, US): The Company entered into a lease agreement in November 2016 relating to the property building of its Global headquarter at Junction Avenue in San Jose, CA. The lease in San Jose expires in September 2028. The average annual lease amount in the period is USD 2,052 thousand. See Note 8 for further description. From Q3 2018, the company receives sublease income from the second floor of the building (see Note 17).

San Francisco (California, US): This office was closed in December 2018. Total lease payments in 2018 related to the SF office space was USD 108 thousand.

Linköping (Sweden): This office was closed in 2019. The annual lease payment in 2019 was SEK 654 thousand per year.

Shanghai (China): This office was closed at the end of 2019. The lease amount was CNY 559 thousand per year.

London (England): This office was closed in 2019. The lease amount was GBP 58 thousand per year.

Singapore: This office was closed in 2019. The lease amount was SGD 44 thousand per year.

Only the lease agreement for the San Jose premises has duration longer than twelve months.

20. Income tax expense

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Amounts in USD 1,000	2019	2018
Profit (loss) before tax	(78,456)	(71,711)
Tax (tax income) calculated at domestic tax rate 22% (23%)	(17,260)	(16,494)
Effect of other tax rate in other countries	543	578
Share based compensation	97	173
Other permanent differences	(261)	(584)
Effect of change in tax rates	—	2,622
Change in deferred tax asset not recognised in the balance sheet	16,871	13,716
Tax charge	(10)	11

21. Deferred income tax

Deferred income tax assets and liabilities are offset when the company has a right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Amounts in USD 1,000	31 Dec 2018	Charged to profit/loss	Equity	31 Dec 2019
Deferred income tax asset				
Fixed and intangible assets	2,847	6,100	(4)	8,944
Inventory	524	349	—	873
Other accruals	2,776	3,174	—	5,948
Tax loss carried forward outside Norway	381	6	—	387
Tax loss carried forward Norway	53,454	7,390	(539)	60,305
Calculated deferred tax asset 22% (22% 2018)	59,982	17,019	(543)	76,458
Impairment of deferred tax asset	(59,982)	(17,019)	543	(76,458)
Deferred tax in the balance sheet	—	—	—	—

The Equity column includes effects of currency translation.

The company has not recognised the tax asset as there is uncertainty relating to future taxable income for utilization of the tax loss carried forward, and the taxable loss on intangible assets. There is no expiration date on the tax loss carried forward. No tax item has been recorded directly to equity.

The unrecognized deferred tax asset is calculated by applying the local tax rates in Norway, Sweden and the US. These tax rates are 22, 22 and 21 per cent respectively (2018: 22, 22 and 21).

22. Profit (loss) per share

Amounts in USD	2019	2018
Profit (loss) attributable to equity holders of the Company (USD 1,000)	(78,446)	(71,722)
Average number of shares in issue	58,593,581	58,593,581
Average diluted number of shares	58,593,581	58,593,581
Profit (loss) per share, basic	(USD1.34)	(USD1.22)

When the period result is a loss, the loss per diluted number of shares shall not be reduced by the higher diluted number of shares, but the diluted result per share equals the result per basic number of shares.

The diluted number of shares has been calculated by the treasury stock method. If the adjusted exercise price of subscription rights exceeds the average share price in the period, the subscription rights are not counted as being dilutive.

The weighted average basic and diluted number of shares have been adjusted to reflect the reverse share split resolved by the extraordinary general meeting of the Company on 23 October 2019.

23. Related party transactions

a) Transactions with related parties:

Amounts in USD 1,000	2019	2018
Purchases of services from law firm Ræder	747	339
Purchase of services from Robert N. Keith	—	249
Purchase of services from Translarity	—	34

In the period 1 January - 31 December 2019, Thinfilm has recorded USD 747 thousand (net of VAT) for legal services provided by law firm Ræder, in which Thinfilm's Chairman is a partner.

In the same period, Thinfilm did not record any services from Robert N. Keith, a shareholder of Thinfilm, relating to a service agreement under which he assists Thinfilm in strategic analysis.

Also, in the same period, Thinfilm did not record any transactions for R2R probe card equipment delivered by Translarity. Laura Ann Oliphant was affiliated with Translarity and resigned as a Thinfilm's board member in 2019.

Transaction prices are based on what would be the prices for sale to third parties and are net of VAT.

b) Year-end balances arising from sales/purchases of goods/services with related parties

Amounts in USD 1,000	2019	2018
Payable to law firm Ræder	445	85
Payable to Translarity	—	—
Payable to Robert N. Keith	—	249

c) Remuneration to the auditor

Amounts in USD 1,000	2019	2018
Audit	130	107
Other assurance services	—	2
Tax services	3	3
Other services	—	—
Total	133	112

24. Guarantees

As a part of the relocation of Thinfilm's US headquarters in the second quarter of 2017, a USD 1,600 thousand Letter of Credit has been issued by Thin Film Electronics ASA to the new landlord and is included in the Company's cash balance in Note 11 as restricted cash. Cash and bank deposits. Thin Film Electronics ASA has in addition entered into a Tenancy Guaranty with the new landlord and is included in the Company's cash balance in Note 11. Cash and bank deposits. The Guaranty is given to secure payment of the lease rent. The initial Guaranty liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. As at 31 December 2019, the Guaranty liability amounted to USD 4,000 thousand.

25. Shares, warrants and subscription rights

At the end of 2019 there were 58,593,581 shares in the company, versus 58,593,581 at the end of 2018. There were 6964 registered shareholders (2018: 6045).

Thinfilm is not aware of any shareholding agreements between shareholders.

Top 20 registered shareholders at 31 December 2019	Shares	Percent
Nordnet Bank AB	5,434,208	9.27%
ALGOT INVEST AS	2,900,000	4.95%
Danske Bank A/S	2,392,138	4.08%
Nordea Bank Abp	1,372,056	2.34%
TIGERSTADEN INVEST AS	1,000,832	1.71%
ANDREAS HOLDING AS	905,000	1.54%
EQUINOR PENSJON	839,938	1.43%
The Bank of New York Mellon SA/NV	822,014	1.40%
SUNDEVALL HOLDING AS	790,859	1.35%
Saxo Bank A/S	753,078	1.29%
CODEE HOLDING AS	677,300	1.16%
UBS Switzerland AG	666,859	1.14%
RØNNING, RONNY	627,150	1.07%
Avanza Bank AB	613,365	1.05%
Svenska Handelsbanken AB	606,139	1.03%
JACO INVEST AS	548,008	0.94%
R. SUNDEVALL INVEST AS	548,000	0.94%
UBS SWITZERLAND AG	547,844	0.93%
Guttis AS	541,610	0.92%
NORDNET LIVSFORSIKRING AS	528,891	0.90%
Total 20 largest shareholders	23,115,289	39.45%
Total other shareholders	35,478,292	60.55%
Total shares outstanding	58,593,581	100.00%

Shares, ADRs and subscription rights held by primary insiders and close relations at 31 December 2019.

No insiders held warrants at 31 December 2019.

	Shares	ADRs	Incentive subscription rights
Morten Opstad, Chairman	99,336	—	-
Preeti Mardia, Board Member	7,761	—	-
Jon Castor, Board Member	—	—	400,000
Kelly Doss, Board Member	—	—	200,000
Kevin Barber, CEO	—	—	2,330,120
Mallorie Burak, CFO	—	—	688,539
Giampaolo Marino, EVP Solutions	—	—	300,010
Arvind Kamath, EVP Technology Development & Manufacturing	—	—	376,264
Shannon Fogle, VP Global Human Resources	—	—	183,006
Total	107,097	—	4,477,939

Subscription rights

	2019		2018	
	Weighted average exercise price, NOK	Number of subscription rights	Weighted average exercise price, NOK	Number of subscription rights
Total at 1 January	41.90	4,412,622	71.63	3,270,250
Adjustment to opening balance	—	—	44.60	18,750
Granted	3.28	5,429,856	22.22	2,603,372
Forfeited	39.93	(4,469,248)	58.12	(982,688)
Exercised	—	—	—	—
Expired	—	—	102.47	(497,063)
Total at 31 December	3.20	5,373,230	41.90	4,412,622
Number of exercisable subscription rights at 31 December (included in total)		—		—

The average strike price is higher than the quoted share price on the Stock exchange at 31 December 2019.

Subscription rights outstanding at 31 December 2019

Holder	Number of subscription rights	Weighted average exercise price, NOK
Kevin Barber, CEO	2,330,120	3.86
Mallorie Burak, CFO	688,539	2.76
Giampaolo Marino, EVP Solutions	300,010	3.06
Arvind Kamath, EVP Technology Development & Manufacturing	376,264	2.60
Shannon Fogle, VP Global Human Resources	183,006	2.47
Employees and contractors	1,495,291	2.65
Total	5,373,230	3.20

There were no subscription rights exercised in 2019 and 2018.

Value of subscription rights and assumptions upon grant	Grants in 2015	Grants in 2016	Grants in 2017	Grants in 2018	Grants in 2019
Value of subscription right at grant date, NOK per subscription right	17.00–70.20	24.60–50.40	14.40–35.00	4.80–20.60	0.34–2.88
Share price, NOK per share	68.80–151.60	71.20–101.00	49.00–75.80	16.00–45.00	22.04–12.18
Exercise price, NOK per share	79.0–151.60	71.20–101.00	49.00–75.80	16.40–45.40	16.40–45.40
Expected annual volatility	47%–66%	57%–70%	53%–68%	47%–89%	62%–145%
Duration, years	2.0–5.0	2.0–5.0	1.9–5.0	1.0–4.9	1.0–4.2
Expected dividend	—	—	—	—	—
Risk-free interest rate, government bonds	0.65–1.24%	0.53–0.94%	0.56–1.09%	0.74%–1.57%	1.00%–4.18%

All numbers are adjusted for the 20:1 reversed share split

Value of subscription rights and assumptions on 31 December 2019	Grants in 2015	Grants in 2016	Grants in 2017	Grants in 2018	Grants in 2019
Value of subscription right at 31 December 2019, NOK per subscription right	8.60–34.80	16.80–32.40	2.80–23.00	0.80–7.40	0–1.50
Share price, NOK per share	49.60	49.60	49.60	14.96	2.33
Exercise price, NOK per share	79.00–151.60	71.20–101.00	49.00–75.80	16.40–45.40	16.40–45.40
Expected annual volatility	58%	58%	58%	61%–82%	0%–209%
Duration, years	1.16–4.35	1.15–4.36	0.84–4.35	0.90–4.34	0–3.34
Expected dividend	—	—	—	—	—
Risk-free interest rate, government bonds	0.65–1.20%	0.53–0.94%	0.56–1.09%	0.96%–1.35%	0%–1.38%
Number of outstanding subscription rights at 31 December 2019	371,250	731,500	1,656,750	4,412,622	5,373,230

All numbers are adjusted for the 20:1 reversed share split

26. Statement on management remuneration policy

Thinfilm's executive management during the year 2019 is specified in Note 18.

Several of the executive management team members serve as officers and directors in the subsidiaries without additional remuneration.

The general meeting 2019 resolved guiding and binding executive remuneration policies. Thinfilm's executive remuneration policy in 2019 was a continuation of the prior year's policy, including share-based remuneration in the form of a subscription rights incentive program as resolved at the annual general meeting, latest on 28 May 2019.

Guiding executive remuneration policy and effect of the policies

Thinfilm offers a competitive remuneration consisting of a reasonable base salary with a pension contribution. Salary may be supplemented by performance based cash bonus and incentive subscription rights. Cash bonus plans are limited to fixed percentage of base pay. In addition, the management team, apart from the CEO, may receive additional discretionary bonus payments tied to specific projects.

There is no post-employment remuneration beyond notice periods of 3-6 months. The former CEO, Davor P. Sutija, had a 3-months' severance pay (equal to 3 months ordinary salary) upon expiration of his termination notice period on 31 May 2019. The current CEO, Kevin Barber, has a termination notice period of (i) three months in case of termination by the Company and (ii) one month in case of termination by Mr. Barber. If the Company terminates Mr. Barber's employment (other than for cause) or if Mr. Barber resigns his employment for good reason, Mr. Barber is entitled to a severance pay equivalent to six months of his base salary and target bonus prorated for six months (if Mr. Barber is on schedule to meet the relevant bonus criteria for the year in question) calculated from the end of his termination notice period, all subject to such detailed terms and conditions as set out in his employment agreement.

The policy described above has been applied consistently throughout 2019. The principles described above apply also in 2020, however individual bonus targets and salary levels will be revisited during the Company's normal salary process. The executive remuneration policy will be reviewed at the Annual General Meeting in May 2020.

The actual remuneration to the management in 2019 is reported in Notes 18 and 25. In 2018, the Board decided to grant subscription rights to new members of the management team as a form of performance based compensation. The options vest in tranches of 25 per cent each year if the employee has not resigned his position at the vesting date, and expire after five years.

The Annual General Meeting of Thin Film Electronics ASA (the Company) resolved on 28 May 2019 an exchange offer program whereby continuing employees and consultants holding incentive subscription rights ("Eligible Holders") under the Company's 2015, 2016, 2017 and/or 2018 subscription rights programs (the "Former Plans") would be entitled to exchange such subscription rights for new subscription rights to be granted under the Company's 2019 subscription right plan. Having been given the opportunity to participate in the exchange program, Eligible Holders holding a total of 1,864,372 subscription rights under the Former Plans, as adjusted for the 20:1 reverse stock split in November 2019, have notified the Company that they wish to participate in the exchange program, whereupon such Eligible Holders explicitly waive any right to claim shares under Former Plans. As a result, the Board of Directors of the Company resolved on 25 September 2019 to grant a total of 1,864,372 incentive subscription rights to nineteen Eligible Holders. The grants were made under the Company's 2019 Subscription Rights Incentive Plan as resolved at the Annual General Meeting on 28 May 2019. The exercise price of the subscription rights is NOK 4.67, as adjusted for the November 2019 20:1 reverse split, per share. The new subscription rights will vest and become exercisable as follows: 33.3% of the shares subject to the new subscription rights will be vested on the grant date, and the remaining 66.7% will vest in approximately equal quarterly installments over the next 3 years, with approximately 5.55% vesting each quarter on each October 15, January 15, April 15 and July 15 thereafter, subject to the Eligible Holder's continued employment or service with the Company or its subsidiaries on each such date. The subscription rights expire on 28 May 2024.

The fair value of the subscription rights awarded, calculated according to Black-Scholes option pricing model, was NOK 10.1 million as of December 31, 2019. USD 395 thousand was expensed in 2019. At December 31, 2019, the estimated amount of share-based remuneration cost yet to be expensed throughout the vesting period is NOK 4.4 million.

The Company has regranted the management team the following subscription rights in 2019:

Employee name	Number of SR	Weighted average Exercise Price	Grant date
Kevin Barber, CEO	2,330,120	3.86	3 and 25 September 2019
Mallorie Burak, CFO	688,539	2.76	23, July and 3 September 2019
Giampaolo Marino, EVP Solutions	300,010	3.06	3 and 25 September 2019
Arvind Kamath, EVP Technology Development & Manufacturing	376,264	2.60	3 and 25 September 2019
Shannon Fogle, VP Global Human Resources	183,006	2.47	3 and 25 September 2019
Total	3,877,939	3.41	

Salary, pension and any bonuses that triggers employer's tax which will be expensed simultaneously with the remuneration.

27. Events after the balance sheet date

- On 30 January 2020, Thinfilm announced its new strategy to develop and produce a new and innovative class of ultrathin, ultrasafe solid-state lithium batteries for wearable devices, connected sensors, and beyond, enabling the Company to leverage previous investments in technology and equipment related to its roll-to-roll production facility in San Jose, California.
- On 20 February 2020, Thinfilm hosted an Investor Day in Oslo, Norway to present the Company's new energy storage strategy.
- In connection with the 15 April 2020 Extraordinary General Meeting, the Company conducted a reduction of paid in capital by reduction in par value of shares in accordance with the Norwegian Public Limited Companies Act to cover the losses. The implication of this is that a resolution to distribute dividends may not be adopted until three years have elapsed from the registration in the Register of Business Enterprises, unless the share capital subsequently has been increased by an amount at least equal to the reduction.
- On 14 April 2020, Thinfilm announced the filing of multiple provisional patent applications, strengthening the Company's strategy to develop and produce a new and innovative class of ultrathin, ultrasafe solid-state lithium batteries (SSLB) for wearable devices, connected sensors, and beyond. The Company also confirmed that, despite certain disruptions related to the COVID-19 pandemic, Thinfilm's technical team has adapted plans to ensure the continuity of its development efforts and mitigate potential delays. If the Company is successful in raising additional capital, management believes that it can continue to deliver samples of its SSLB products at the end of Q2, as previously communicated.
- On 15 April 2020, Thinfilm held an Extraordinary General Meeting to obtain shareholder approval for a private placement; issuance of new shares and the amendment of the Company's Articles of Association. In connection with the Private Placement, shareholder approval was also requested for the issuance of new shares and warrants in connection with a contemplated subsequent offering, and the associated amendment of the Company's Articles of Association.
- At the 15 April 2020 Extraordinary General Meeting, the Board proposed and the shareholders approved a reduction in share capital by a reduction of the par value of the shares from NOK 2.20 to NOK 0.11 per share.

- In connection with its equity financing process, on 29 April 2020, Thinfilm announced an Extraordinary General Meeting in Thin Film Electronics ASA to be held on 20 May 2020 to obtain shareholder approval for a private placement and subsequent equity offerings. In connection with the private placement and to ensure adequate cash remains available to operate until the equity financing closes, lead investors have provided a bridge loan of approximately USD 500 thousand to the company, secured by a first priority pledge of certain intellectual property and shares of common stock in TFE Holding, owned by Thin Film Electronics ASA. Should the proposed resolutions be approved, the Company's share capital shall be increased with NOK 24,999,999.97 from NOK 6,445,293.91 to NOK 31,445,293.88, by issuance of 227,272,727 new shares, each share having a par value of NOK 0.11, at a subscription price per share of NOK 0.11. The total subscription amount is NOK 24,999,999.97, all constituting share capital. See also further information in the going concern section in note 2.1.

28. Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows. The Company is in the process of dissolving some of these subsidiaries in 2020.

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the group 31 December 2019
Thin Film Electronics Inc.	Research & Development, Manufacturing and Marketing services	USA	100%
Thin Film Electronics AB	Research & Development, Manufacturing and Marketing services	Sweden	100%
Thin Film Electronics KK	Marketing services	Japan	100%
Thin Film Electronics HK Ltd.	Supply chain services	Hong Kong	100%
Thin Film Holding	Owning shares in Thin Film Inc.	USA	100%
Thin Film Electronics UK Ltd.	Marketing services	England, Wales	100%
Thin Film Electronics Co. Ltd.	Supply chain and Marketing Services	China	100%
Thin Film Electronics Singapore Pte. Ltd.	Marketing services	Singapore	100%

29. Contractual commitment

Thinfilm has no contractual commitment related to equipment for the new roll-based production line at the San Jose site.

Thin Film Electronics ASA

Annual financial statements 2019

Profit and loss statements

Amounts in NOK 1,000	Note	2019	2018
Sales revenue	11	5,182	8,826
Other revenue	12,13,14	—	594
Other income	12,13,14	—	971
Total revenue		5,182	10,391
Employee salaries and other benefits	15	(16,126)	(32,569)
Services (external)		(18,088)	(18,483)
Services (from subsidiaries)	18,19	(261,595)	(372,229)
Other operating expenses	19	(13,079)	(20,090)
Contribution from Skattefunn scheme	13	—	10,000
Amortization of intangible assets & negative goodwill	7	(22,466)	(11,752)
Operating profit (loss)		(326,172)	(434,732)
Impairment investment in subsidiary	6	(164,465)	(156,135)
Interest income		1,090	5,163
Other financial income		—	12
Other financial costs		3,223	10,961
Net financial items		(160,151)	(140,000)
Profit (loss) before income tax		(486,323)	(574,732)
Income tax expense	16	—	—
Profit (loss) for the year		(486,323)	(574,732)

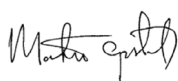
The notes on pages page 50 to page 63 are an integral part of these annual financial statements.

Balance sheet

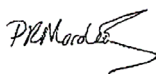
Amounts in NOK 1,000	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Intangible assets	7	—	19,494
Investment in subsidiaries	6	37,376	198,969
Total non-current assets		37,376	218,463
Current assets			
Trade and other receivables	8	1,304	104,124
Cash and bank deposits	9	27,717	242,819
Total current assets		29,021	346,943
Total assets		66,397	565,406
EQUITY			
Ordinary shares	10,21	128,906	128,906
Other paid-in capital		—	2,425,538
Total paid-in equity		128,906	2,554,444
Retained profit/uncovered losses		(136,968)	(2,070,966)
Total equity	4	(8,062)	483,478
LIABILITIES			
Current liabilities			
Deferred revenue		—	222
Accounts payable		6,389	1,736
Withheld tax and public duties payable		313	1,549
Debt to group companies	6,18	63,403	72,380
Other payables and accruals		4,354	6,041
Total liabilities	20	74,459	81,928
Total equity and liabilities		66,397	565,406

The notes on pages page 50 to page 63 are an integral part of these annual financial statements.

The board of directors of Thin Film Electronics ASA, Oslo, Norway, 11 May 2020



Morten Opstad
Chairman



Preeti Mardia
Board Member



Jon Castor
Board Member



Kelly Doss
Board Member



Kevin Barber
Managing Director (CEO)

Cash flow statements

Amounts in NOK 1,000	Note	2019	2018
Cash flows from operating activities			
Profit (loss) before income tax		(486,323)	(574,732)
Share-based compensation (equity part)	21	3,489	6,459
Amortization and impairment (reversal)	7	22,466	11,752
Impairment investment in subsidiary	6	164,465	156,135
Change in working capital and other items		83,772	(94,631)
Net cash from operating activities		(212,131)	(495,017)
Cash flows from investing activities			
Capitalized development expenses	7	(2,971)	(12,932)
Investment in subsidiaries	6	—	(9,867)
Net cash from investing activities		(2,971)	(22,799)
Cash flows from financing activities			
Proceeds from issuance of shares	10	—	—
Net cash from financing activities		—	—
Net change in cash and bank deposits		(215,102)	(517,816)
Cash and bank deposits at the beginning of the year		242,819	760,635
Cash and bank deposits at the end of the year*	9	27,717	242,819

The company had no bank draft facilities at the end of 2019 or 2018.

The notes on pages page 50 to page 63 are an integral part of these annual financial statements.

* See Note 9 for restricted amount.

Notes to the Annual Financial Statements

Thinfilm ASA

1. Information about the company

Thin Film Electronics ASA ("Thinfilm" or "the Company") was founded on 22 December 2005. See Note 28 of the Consolidated Financial Statements for list of subsidiaries.

Thinfilm is energizing innovation with ultrathin, flexible, and safe energy storage solutions for wearable devices, connected sensors, and beyond.

The Company is a public limited liability company incorporated and domiciled in Norway. The address of its registered office is Fridjof Nansens Plass 4, Oslo, Norway. The company's shares were admitted to listing at the Oslo Axess on 30 January 2008 and to the Oslo Børs on 27 February 2015. On 24 March 2015 Thinfilm's American Depositary Receipts (ADRs) commenced trading in the United States on OTCQX International.

These annual financial statements for the parent company were resolved by the company's board of directors on 11 May 2020.

Going concern

The board confirms that the financial statements of the group, as well as the parent company, have been prepared under the going concern assumption. It became evident by the end of 2018 that the slower than anticipated customer adoption of NFC tags on-package would significantly delay the Company's ability to reach cash break-even. During 2019, a strategic decision was made to pivot away from the NFC business and follow an energy storage strategy that leveraged previous investments made in the San Jose, California R2R factory and related intellectual property. A significant level of restructuring occurred during 2019, in order to reduce the Company's cost structure. Per the date of this report, the group and the parent company do not have sufficient funds to support operations throughout the financial year 2020.

The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow.

The board's authorization of a substantial restructuring of the business during 2019 resulted in an annualized savings of approximately USD 23 million year over year versus 2018. As of 30 April, 2020, the Company had a cash balance of approximately USD 3.3 million, which is sufficient to fund the company into Q2 2020. The Company plans to raise funds in May of 2020. At the end of April 2020, the Board received a commitment by a consortium of investors to invest NOK 20 million with an interim bridge loan to ensure that the Company has sufficient levels of cash to maintain operations, since committed equity financing and subsequent equity offerings available through July 2020 are subject to approval of the proposed resolutions at the 20 May extraordinary general meeting. The Company has also received binding commitments for at least NOK 5 million, on the same terms from certain other investors, including from members of the Board and management, at a subscription price per share equal to the subscription price in the private placement.

To address the funding requirements of the consolidated entity, the board of directors has, since early Q1 2020, undertaken the following initiatives:

- Continued discussions and the processes required to secure additional equity funding from current and new shareholders;
- Undertaken a program to continue to monitor the consolidated entity's ongoing working capital requirements and minimum expenditure commitments; and
- Continued its focus on maintaining an appropriate level of corporate overhead that is in line with the consolidated entity's available cash resources.

As also noted in the announcement issued on 3 April 2020, the Board is mindful that its announced equity raise comes in the midst of the extraordinary global context of an expanding COVID 19 pandemic. As a consequence, the Company is now proposing to focus on raising only sufficient funds to provide adequate time to demonstrate its initial milestones. The objective is to reach key initial milestones on the other side of the pandemic surge. The two key milestones planned to be completed during the second quarter of 2020 are 1) to announce multiple battery-specific IP filings leveraging the Company's existing process technology patents and technology and 2) build the first solid-state lithium battery device using Thinfilm equipment. With the successful demonstration of these two milestones the Company will be able to demonstrate its prototype battery devices to customers and potential partners in order to seek additional funding for its battery business according to the previously presented business plan. At that time, the Company plans to seek additional funds from the investor market, including the US market. Based on this premise, it is appropriate to prepare the financial statements on the going concern basis. However, if the consolidated entity is not able to successfully complete a fundraising as planned, significant uncertainty would exist as to whether the Company and consolidated entity will continue as going concerns.

The financial statements for the year ending 2019 reflect a full impairment of the Company's fixed assets and financial lease, given the uncertainty related to its cash position and new strategy. However, the financial statements do not include adjustments related to the amounts of liabilities that might be necessary, should the Company and the consolidated entity not continue as going concerns.

2. Accounting policies

These annual financial statements have been prepared in accordance with the Norwegian accounting act 1998 and generally accepted accounting principles in Norway. The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been applied consistently. The currency of Thin Film Electronics ASA is NOK. The financial statements have been prepared using the historical cost convention.

Principal criteria for valuation and classification of assets and liabilities

Assets for lasting ownership or use have been classified as fixed assets. Other assets have been classified as current assets. Receivables which are due within twelve months have been classified as current

assets. Corresponding criteria have been applied when classifying short-term and long-term debt.

Current assets have been valued at the lower of cost and fair value. Other long-term debt and short-term debt have been valued at face value.

Assets and liabilities denominated in foreign currency

Monetary items in foreign currency have been converted at the exchange rate on the balance sheet date.

Shares in subsidiaries

Investment in subsidiaries has been valued at cost in the parent company. In case of impairment which is not temporary, the investment has been written down to fair value if mandated according to GAAP.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

Thinfilm ASA recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the group's activities, as described below.

(a) Sales of goods

During 2019, the Company sold NFC tags, Electronic Article Surveillance (EAS) anti-theft tags and printed integrated systems in the form of products delivered to customers, prototype development projects, engineering samples and technology demonstration kits to strategic customers and partners. Sales of goods are recognized when the risks and rewards of ownership are transferred to the customer, the costs incurred or to be incurred in respect of the transaction can be measured reliably and Thinfilm retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(b) Rendering of services

The Company provides engineering and support services to strategic customers and partners. Revenue from services provided at an hourly rate is recognized when, or in the same period as, the group has provided the services. Revenue from services related to achieving certain milestones are recognized when the milestone is met, given that the stage of completion as well as the the costs incurred at the balance

sheet date can be measured reliably. The revenue is recognized when the costs incurred in respect of the transaction can be measured reliably.

(c) Technology access revenue

The Group grants technology access rights to strategic customers and partners, i.e., the right to work with Thinfilm and its technology to develop bespoke printed products and systems. Revenue from granting technology access rights is generally recognized on a straight-line basis over the period or contract term the technology access is granted. However, revenue from technology access agreements that involve an upfront lump-sum payment that is not tied to any future deliveries from Thinfilm is recognized at the time the agreement is entered into.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and the conditions will be complied with. Grants which are related to specific development programs with commercial end-objectives are recognised as other operating revenue over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. Grants or other contributions in the form of tax credit are credited against costs.

Intangible assets

Reference is made to Note 2.6 in the Consolidated Financial Statements.

Receivables

Accounts receivable and other receivables have been recorded at face value after accruals for expected losses have been deducted. Accruals for losses have been made based on an individual assessment of each receivable.

Cash and bank deposits

Cash and bank deposits include cash, bank deposits and cash equivalents with a due date less than three months from acquisition.

Cash flow statement

The cash flow statement is prepared in accordance with the indirect method.

Costs

In principle, cost of sales and other expenses are recognized in the same period as the revenue to which they relate. In instances where there is no clear

connection between the expense and revenue, the apportionment is estimated.

Share based remuneration

The company may issue independent subscription rights to employees and individual consultants performing similar work and accounts for these transactions under the provisions of NRS 15A and generally accepted accounting principles in Norway. Two types of expenses are recognized related to grant of subscription rights: (i) Notional cost of subscription rights is recognized at time of grant and calculated based on the Black-Scholes model (share price at time of grant, exercise price, expected volatility, duration and risk-free interest rate). The subscription rights vest in four tranches of 25 per cent on each anniversary of the grant, i.e., each tranche has different duration. The notional cost of subscription rights as share based remuneration is expensed but the equity effect is nil because the contra item is a notional equity injection of equal amount. (ii) Employer's tax expense is accrued based on the net present value of the subscription right as an option on the balance sheet date. The value varies with the share price and may entail a net reversal of costs.

When the parent has an obligation to settle the share-based payment transaction with the subsidiaries' employees by providing the parent's own equity instruments, this is accounted for as an increase in equity and a corresponding increase in investment in subsidiaries.

Tax on profit

Tax cost has been matched to the reported result before tax. Tax related to equity transactions has been charged to equity. The tax cost consists of payable tax (tax on the directly taxable income for the year) and change in net deferred tax. The tax cost is split into tax on ordinary result and result from extraordinary items according to the tax base. Net deferred tax benefit is held in the balance sheet only if future benefit can be justified.

Consolidated items

Insignificant items have been combined or included in similar items in order to simplify the statements. Lines which are zero or about zero have been omitted except where it has been deemed necessary to emphasize that the item is zero.

Estimates and judgmental assessments

The preparation of the annual accounts in accordance with the generally accepted accounting principles requires that the management make estimates and assumptions that affect the income statement and the valuation of assets and liabilities. Estimates and related assumptions have been based on the management's best knowledge of past and recent events, experience and other factors which are considered reasonable under the circumstances. Estimates and underlying assumptions are subject to continuous evaluation.

3. Significant events, going concern, events after the balance sheet date, financial risk

- On 30 January 2020, Thinfilm announced its new strategy to develop and produce a new and innovative class of ultrathin, ultrasafe solid-state lithium batteries for wearable devices, connected sensors, and beyond, enabling the Company to leverage previous investments in technology and equipment related to its roll-to-roll production facility in San Jose, California.
- On 20 February 2020, Thinfilm hosted an Investor Day in Oslo, Norway to present the Company's new energy storage strategy. The fundraising objective and timeline was impacted by the onset of the COVID-19 global pandemic, resulting in delays in securing commitments from potential investors.
- In connection with the 15 April 2020 Extraordinary General Meeting, the Company will also conduct a reduction of paid in capital by reduction in par value of shares in accordance with the Norwegian Public Limited Companies Act to cover the losses. The implication of this is that a resolution to distribute dividends may not be adopted until three years have elapsed from the registration in the Register of Business Enterprises, unless the share capital subsequently has been increased by an amount at least equal to the reduction.
- On 14 April 2020, Thinfilm Electronics ASA announced the filing of multiple provisional patent applications, strengthening the Company's strategy to develop and produce a new and innovative class of ultrathin, ultrasafe solid-state lithium batteries (SSLB) for wearable devices, connected sensors, and beyond. The Company also confirmed that, despite certain disruptions related to the COVID-19 pandemic, Thinfilm's technical team has adapted plans to ensure the continuity of its development efforts and mitigate potential delays. The Company therefore believes that it can continue to deliver samples of its SSLB products at the end of Q2, as previously communicated.
- On 15 April 2020, Thinfilm held an Extraordinary General Meeting to obtain shareholder approval for a private placement; issuance of new shares and the amendment of the Company's Articles of Association. In connection with the Private Placement, shareholder approval was also requested for the issuance of new shares and warrants in connection with a contemplated subsequent offering, employee share purchase plan and the associated amendment of the Company's Articles of Association.
- At the 15 April 2020 Extraordinary General Meeting, the Board proposed and the shareholders approved a reduction in share capital by a reduction of the par value of the shares from NOK 2.20 to NOK 0.11.
- In connection with its equity financing process, on 29 April 2020, Thinfilm announced an Extraordinary General Meeting in Thin Film Electronics ASA to be held on 20 May 2020 to obtain shareholder approval for a private placement and subsequent equity offerings. In connection with the private placement and to ensure adequate cash remains available to operate until the equity financing closes, lead investors have provided a bridge loan of approximately USD 500 thousand to the company, secured by a first priority pledge of certain intellectual property and shares of common stock in TFE Holding, owned by Thin Film Electronics ASA.

Financial risk factors

Reference is made to Note 4.2 in the Consolidated Financial Statements.

4. Equity

Amounts in NOK 1,000	Share capital	Other paid in equity	Uncovered loss	Total
Balance at 1 January 2019	128,906	2,425,538	(2,070,966)	483,478
Share based compensation	—	(5,217)	—	(5,217)
Net profit (loss) for the year	—	—	(486,323)	(486,323)
Transfer for coverage of losses	—	(2,420,321)	2,420,321	—
Balance at 31 December 2019	128,906	—	(136,968)	(8,062)
Balance at 1 January 2018	128,906	2,410,944	(1,496,234)	1,043,616
Share based compensation	—	14,594	—	14,594
Net profit (loss) for the year	—	—	(574,732)	(574,732)
Balance at 31 December 2018	128,906	2,425,538	(2,070,966)	483,478

5. Property, plant and equipment

Current facilities are rented with furniture included. Minor computing and communications equipment has been expensed.

6. Investment in subsidiaries

In 2019 the remainder of the subsidiaries were written down to zero, except for Thin Film Electronics AB (Sweden), and the Company is in the process of dissolving some of these subsidiaries in 2020.

The shares are held at the lower of cost and fair value in the balance sheet in 2019.

In 2020 the Company made the decision to reduce the share capital to cover the losses.

Amounts in NOK 1,000	Percent holding	Percent of votes	Book value
Thin Film Electronics AB — Linköping, Sweden			
At 31 December 2019	100%	100%	
Accumulated cost			58,563
Accumulated impairment charge			(21,187)
Net book value at 31 December 2019			37,376
At 31 December 2018	100%	100%	
Accumulated cost			58,563
Accumulated impairment charge			(21,944)
Net book value at 31 December 2018			36,619

The local currency of Thin Film Electronics AB is SEK. The net income in SEK in 2019 was a loss of SEK 151 thousand and a net profit SEK 911 thousand in 2018, while the total equity 31 December 2019 was SEK 40,442 thousand (2018; SEK 39,682 thousand).

Amounts in NOK 1,000	Percent holding	Percent of votes	Book value
Thin Film Electronics Inc. — CA, USA			
At 31 December 2019	100%	100%	
Accumulated cost			303,517
Accumulated impairment charge			(303,517)
Net book value at 31 December 2019			—
At 31 December 2018	100%	100%	
Accumulated cost			303,517
Accumulated impairment charge			(147,773)
Net book value at 31 December 2018			155,744

The local currency of Thin Film Electronics Inc. is USD. The net income in USD in 2019 was a loss of USD 43,009 thousand compared to a loss of USD 16,203 thousand in 2018. The total equity 31 December 2019 was USD (18,917) thousand (USD 23,374 thousand in 2018). The shares are fully impaired as of 31 December 2019. This is mainly triggered by the impairment of PPE in INC as a result of the corporate restructuring (please refer to Note 6 in the Consolidated Financial Statements).

Thin Film Holding (NV, USA), is a 100% owned subsidiary, of which the only activity is holding shares in Thin Film Electronics Inc. Net book value is zero in both 2019 and 2018.

Thin Film Electronics KK (Tokyo, Japan), is a 100% owned subsidiary, which was fully written down in 2016, as all activity in the Japanese legal entity had ceased.

Thin Film Electronics HK Ltd. (Hong Kong), is a 100% owned subsidiary, which was fully written down in 2018. The local currency of Thin Film Electronics HK is HKD. The net loss in HKD in 2019 was HKD 448 thousand, while the total equity 31 December 2019 was HKD (14,906) thousand.

Amounts in NOK 1,000	Percent holding	Percent of votes	Book value
Thin Film Electronics Co. Ltd. — Shanghai, China			
At 31 December 2019	100%	100%	
Accumulated cost			21,753
Accumulated impairment charge			(21,753)
Net book value at 31 December 2019			—
At 31 December 2018	100%	100%	
Accumulated cost			21,753
Accumulated impairment charge			(16,106)
Net book value at 31 December 2018			5,647

The local currency of Thin Film Electronics Co. Ltd. is CNY. The entity was established in February 2017. The net loss of CNY 2,787 thousand (2018; loss of CNY 7,230 thousand) while the total equity 31 December 2019 was CNY 1,557 thousand (2018; CNY 4,467 thousand).

The shares were fully impaired in 2019, as Thinfilm has ceased the operation in Shanghai.

Amounts in NOK 1,000	Percent holding	Percent of votes	Book value
Thin Film Electronics UK Ltd. — London, England			
At 31 December 2019	100%	100%	
Accumulated cost			564
Accumulated impairment charge			(564)
Net book value at 31 December 2019			—
At 31 December 2018	100%	100%	
Accumulated cost			564
Accumulated impairment charge			—
Net book value at 31 December 2018			564

The local currency of Thin Film Electronics UK Ltd. is GBP. The entity was established in March 2017. The net income in GBP in 2019 was a loss in GBP 76 thousand compared to a profit of GBP 32 thousand in 2018. The total equity 31 December 2019 was GBP (4) thousand (GBP 72 thousand in 2018). The investment was fully impaired in 2019 as Thinfilm has ceased the operation in the UK.

Thin Film Electronics UK Ltd. has taken advantage of section 479a of the UK Companies Act 2006 to be exempt from audit of its financial statements for the years 2019 and 2018.

Amounts in NOK 1,000	Percent holding	Percent of votes	Book value
Thin Film Electronics Singapore Pte Ltd. — Singapore			
At 31 December 2019	100%	100%	
Accumulated cost			395
Accumulated impairment charge			(395)
Net book value at 31 December 2019			—
At 31 December 2018	100%	100%	
Accumulated cost			395
Accumulated impairment charge			—
Net book value at 31 December 2018			395

The local currency of Thin Film Electronics Singapore Pte Ltd. is SGD. The entity was established in November 2017. The net income in SGD in 2019 was a loss of SGD 562 thousand (2018; loss of SGD 983 thousand) while the total equity at 31 December 2019 was SGD (1,532) thousand (SGD 973 thousand in 2018). The investment was fully impaired in 2019 as Thinfilm has ceased the operation in Singapore.

Guarantees provided to subsidiaries

As a part of the relocation of Thinfilm's US headquarters in the second quarter of 2017 a USD 1,600 thousand Letter of Credit has been issued by Thin Film Electronics ASA to the new landlord. Thin Film Electronics ASA has in addition entered into a Tenancy Guaranty with the new landlord. The guaranty is given to secure payment of the lease rent. The initial Guaranty liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. As at 31 December 2019, the Guaranty liability amounted to USD 4,000 thousand.

7. Intangible assets

Amounts in NOK 1,000	Purchased intellectual property	Negative goodwill	Capitalized development costs	Total
Amortization period, years (linear)	13–16	5		
Acquisition cost				
Accumulated cost on 1 January 2019	15,872	(2,925)	9,773	22,721
Additions	—	—	2,971	2,971
Accumulated costs 31 December 2019	15,872	(2,925)	12,744	25,692
Accumulated amortization on 1 January 2019	(6,152)	2,925	—	(3,227)
Amortization	(1,329)	—	—	(1,329)
Impairment	(8,391)	—	(12,744)	(21,135)
Amortization at 31 December 2019	(15,872)	2,925	(12,744)	(25,691)
Net book value 31 December 2019	—	—	—	1
Acquisition cost				
Accumulated cost on 1 January 2018	17,198	(2,925)	7,067	21,341
Additions	—	—	12,932	12,932
Impairment (at costs)	(1,326)	—	(10,226)	(11,552)
Accumulated costs 31 December 2018	15,872	(2,925)	9,773	22,721
Accumulated amortization on 1 January 2018	(5,367)	2,340	—	(3,027)
Amortization	(1,330)	585	—	(745)
Accumulated amortization impaired assets	545	—	—	545
Amortization at 31 December 2018	(6,152)	2,925	—	(3,227)
Net book value 31 December 2018	9,720	—	9,773	19,494

The purchased intellectual property relate to licensing of certain patents. The portfolio is reviewed for impairment annually by comparing the book value to the fair market value at the patent level. In 2019 the remaining unamortized balance of NOK 8,391, has been impaired in full as the company has revised its strategy whereby the future value of these patents are uncertain. 2018 impairments related to patents with a fair market value lower than the recorded book value.

In 2018 capitalized development costs relate to EAS (Electronic article surveillance) and NFC Speedtap™. The capitalized costs of NOK 10,226 thousand related to EAS were fully impaired in 2018, as Thinfilm decided to not further commercialize the EAS product. In 2019 it was decided that the capitalized development costs relating to NFC SpeedTap™ would not be further commercialized and the remaining costs of NOK 12,744 were impaired.

On 21 January 2014, Thinfilm acquired certain assets, contracts and processes from Kovio Inc., a company active in the field of radio frequency enabled products based on printed silicon technology. The difference between total consideration transferred and estimated fair value of assets amounted to NOK 2,925 thousand. This constituted a bargain purchase and the negative goodwill of NOK 2,925 is amortized on a systematic basis over five years as a credit against cost. Reference is made to Note 25 in Consolidated Financial Statements in the 2014 Annual Report for further description. During the year 2018, the remaining NOK 585 thousand was amortized.

8. Trade and other receivables

Amounts in NOK 1,000	31 December 2019	31 December 2018
Customer receivables	2,344	5,411
Accrued revenue not yet invoiced	—	650
Other receivables, prepayments	860	98,063
Less: allowance for doubtful accounts	(1,900)	—
Receivables — net	1,304	104,124
Of this, receivables from Thinfilm AB	—	943
Of this, receivables from Thinfilm Inc.	—	77,448
Of this, receivables from Thinfilm HK	—	7,018
Of this, receivables from Thinfilm UK Ltd.	—	1,106
Of this, receivables from Thinfilm SG	—	(24)

All receivables are due within one year and book value approximates fair value. The total amount denominated in NOK is 1,304 thousand (2018: NOK 10,446 thousand), NOK — thousand is denominated in GBP (2018: NOK 1,214 thousand), NOK — thousand is denominated in USD (2018: 84,366 thousand), NOK — thousand is denominated in HKD (2018: NOK 1,650 thousand), NOK — thousand is denominated in SEK (2018: NOK 943 thousand), NOK — thousand is denominated in SGD (2018: 6,319), while NOK — thousand is denominated in other currencies (2018: NOK 160 thousand).

Of other receivables NOK 860 thousand were not past due as per 31 December.

Customer receivables, less allowance for doubtful accounts, of NOK 444 thousand were past due by more than 90 days.

The company assesses impairment risk on an individual basis.

9. Cash and bank deposits

Amounts in NOK 1,000	31 December 2019	31 December 2018
Bank deposits excluding restricted cash	13,574	227,659
Deposit for Letter of Credit (restricted)	14,096	14,262
Deposit for withheld tax (restricted)	47	897
Total	27,717	242,819

As a part of the relocation of Thinfilm INC.'s US headquarter in the second quarter of 2017 a USD 1,600 thousand Letter of Credit was issued to the new landlord.

Payable withheld tax amounts at 31 December 2019 was NOK 47 thousand.

10. Share capital

Reference is made to Note 12 in the Consolidated Financial Statements.

11. Sales revenue

Amounts in NOK 1,000	2019	2018
Sales of goods	4,672	8,729
Rendering of services, delivery of samples, technology access revenue	510	97
Total	5,182	8,826

No warranty costs, penalties or other losses were related to sales revenue in 2019 or 2018.

12. Other revenue

Amounts in NOK 1,000	2019	2018
Government grants, funded development projects	—	594
Total	—	594

13. Government grants

In 2018 Thinfilm ASA had a project qualified for the SkatteFUNN scheme for the three-year horizon 2018-2020, which relates to the innovative manufacturing of smart NFC labels enabling the Internet of Everything (IoE). Net contribution from the SkatteFUNN scheme in 2018 was NOK 10 million. Due to a revised strategy the company has ceased the SkatteFUNN project in 2019, and has not included any contribution from this scheme in 2019.

The SkatteFUNN grant has been credited against cost on a systematic basis over 2018.

To receive grants from SkatteFUNN, the Company has to engage in research and development activities that qualify for the SkatteFUNN programme. The costs incurred have to be reported annually to the Norwegian tax authorities. It is also required that the Company reports progress and achievements to the Research Council of Norway.

In February 2015 Thinfilm ASA received an grant from The Research Council of Norway of NOK 12 million relating to enhancing durability and lifetime of Thinfilm smart tags. The project ran until April 1, 2018. The grant has been recognized as Other revenue (see Note 12).

14. Other Income

Amounts in NOK 1,000	2019	2018
Government grants, funded development projects	—	594
Sale of IP rights	—	971
Total	—	1,565

Sales of IP rights related to the Xerox transaction, amounting to NOK 971 thousand in 2018.

15. Employee salaries and other benefits

Amounts in NOK 1,000	2019	2018
Salaries	10,319	22,009
Social security costs	1,740	2,753
Share-based compensation (subscription rights), notional salary cost	3,489	6,459
Share-based compensation (subscription rights), accrued employer's tax*	87	(356)
Pension contribution	347	1,001
Other personnel related expenses, including recruiting costs	144	703
Total	16,126	32,569
Average number of employees for the year	4	9
Number of employees 31 December	1	10

At the end of 2019 there was one full-time employee in the company (2018: 10 full-time employees).

The company has only defined contribution pension plans. Contributions are expensed and paid when earned.

Compensation to senior management

	Salary	Pension contribution	Bonus	Share-based remuneration
2019				
Kevin Barber, CEO starting 26 November 2018	3,681	92	1,681	8,743
Mallorie Burak, CFO starting 1 July 2019	1,364	48	68	306
Ole Ronny Thorsnes, CFO until 1 July 2019	2,870	—	—	—
Ole Ronny Thorsnes was terminated from Thinfilm on 30 September 2019.				
2018				
Kevin Barber, CEO starting 26 November 2018	370	—	—	2,680
Davor Sutija, CEO until 26 November 2018	3,625	102	2,336	2,746
Ole Ronny Thorsnes, CFO	2,506	102	1,011	1,327

The salary amount is the salary declared for tax purposes. Bonus is the amount earned during the year and accrued at year-end.

Bonuses earned in 2018 and 2019 were subsequently paid during the first quarter of 2019 and 2020, respectively.

The value of share-based remuneration is the expensed amount excluding employer's tax in the period for incentive subscription rights.

No subscription rights were exercised in 2019 or 2018.

The Company has not made any advance payments or issued loans to, or guarantees in favour of, any members of management.

Remuneration to the board of directors

Reference is made to Note 18 in the Consolidated Financial Statements.

16. Income tax expense

The tax on the company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Amounts in NOK 1,000	2019	2018
Profit (loss) before tax	(486,323)	(574,732)
Tax (tax income) calculated at corporate tax rate	(106,991)	(132,188)
Permanent differences	37,543	35,014
Effect of change in tax rates (23% to 22%)	—	21,296
Change in deferred tax asset not recognised on the balance sheet	69,448	75,879
Tax charge	—	0.00
Corporate tax rate	22%	23%

17. Deferred income tax

Deferred income tax assets and liabilities are offset when the company has a right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The offset amounts are as follows:

Amounts in NOK 1,000	31 December 2019	31 December 2018
Deferred income tax asset Intangible asset	(8,485)	(4,071)
Tax loss carried forward	(529,470)	(464,436)
Calculated deferred tax asset	(537,955)	(468,507)
Impairment of deferred tax asset	537,955	468,507
Deferred tax asset in the balance sheet	—	—

The Company has not recognised the tax asset as there is uncertainty relating to future taxable income for utilization of the tax loss carried forward, and the taxable loss on intangible assets. There is no expiration date on the tax loss carried forward. No tax item has been recorded directly to equity.

The unrecognized deferred tax asset is calculated by applying the local tax rates in Norway with tax rate 22 % (22%: 2018).

18. Related party transactions

a) Transactions with related parties:

Amounts in NOK 1,000	2019	2018
Technical development services from Thinfilm AB	8,824	11,834
Sales, marketing, R&D and manufacturing services from Thinfilm Inc.	249,045	363,723
Sales and marketing services from Thinfilm HK	—	69
Sales and marketing services from Thinfilm CN	—	402
Sales and marketing services from Thinfilm UK	5,343	9,005
Internal purchase of goods for resale from Thinfilm Inc.	—	128
Intercompany interest income on loan to Thinfilm Inc.	(2,393)	(2,903)
Intercompany royalty income from Thinfilm Inc.	—	(83)
Purchases of services from law firm Ræder	6,031	2,739
Purchase of services from Robert N. Keith	—	2,000

Services provided by subsidiaries and capitalized in the balance sheet as development costs amount to NOK 2971 thousand (2018: 12,932 thousand).

Thinfilm's chairman, Morten Opstad, is a partner of Advokatfirmaet Ræder AS, who is also Thinfilm's legal counsel. The amounts do not include Mr. Opstad's service as chairman. Mr. Opstad and close associates hold shares in Thinfilm.

Robert N. Keith, a shareholder of Thinfilm, entered into a consulting service agreement with effect from 1 January 2013. Mr. Keith assists Thinfilm in strategic analysis and in dealing with larger, international, prospective partners.

Transaction prices are based on what would be the prices for sale to third parties and are net of VAT.

b) Year-end balances arising from sales/purchases of goods/services with related parties

Amounts in NOK 1,000	2019	2018
Payable to Thinfilm Inc.	25,225	30,971
Payable to Thinfilm AB	37,376	39,670
Payable to Thinfilm HK	—	76
Payable to Thinfilm UK	802	1,260
Payable to Thinfilm CN	—	402
Receivable from Thinfilm AB	—	(943)
Receivable from Thinfilm INC	—	(77,448)
Receivable from Thinfilm HK	—	(7,018)
Receivable from Thinfilm UK	—	(1,106)
Receivable from Thinfilm SG	—	24
Payable to law firm Ræder	3,729	742
Payable to Robert Keith	—	2,000

19. Other operating expenses

Amounts in NOK 1,000	2019	2018
Premises, supplies	4,710	4,105
Sales and marketing	2,883	1,333
Other expenses	5,486	14,652
Sum	13,079	20,090

Thinfilm has a lease agreement for premises in Oslo (Norway). The lease amount in Oslo is NOK 780 thousand per year, with a termination clause of 3 months. The agreement was terminated effective March 2019, and Thinfilm moved to a new office location in March 2019.

The new lease amounts to NOK 689 thousand per year, with a termination clause of 3 months. The lease expired on 31 August 2019 and the lease was not renewed. The Company pays rent on a month to month basis. The monthly rent is NOK 11 thousand per month.

Thinfilm ASA has not entered into any other lease agreements.

Remuneration to the auditor (ex VAT)

Amounts in NOK 1,000	2019	2018
Audit	1,141	806
Other assurance services	—	15
Tax services	30	28
Other services	—	—
Total	1,171	849

20. Guarantees

Reference is made to Note 24 in the Consolidated Financial Statements.

21. Shareholders, warrants and subscription rights

Reference is made to Note 25 in the Consolidated Financial Statements.

22. Statement on management remuneration policy

Reference is made to Note 26 in the Consolidated Financial Statements.

Corporate Social Responsibility (CSR) Statement

The Thin Film Electronics ASA Group recognizes that it has important obligations regarding 1) the treatment of its employees, 2) the conditions within its facilities, 3) its impact on the environment, and 4) the relationships it maintains with the communities in which it operates. As such, it adheres to policies related to these obligations and strives to achieve goals that engender safety, health, fairness, diversity, integrity, compliance, and sustainability.

Human rights and workplace practices

Policy

Thinfilm promotes equality and non-discrimination, fairness, and ethical behavior. The Company aims to offer a pleasant, well-equipped, and risk-free work environment. It maintains fair and balanced employment practices and complies with all applicable labor laws applicable to the countries, regions, cities, and towns in which it operates. Thinfilm encourages and expects similar commitments from its customers, partners, suppliers, and other vendors with whom the Company works.

Objective

Maintain a secure, safe, and healthy work environment for all employees of the Company. Continue to be a globally diverse company that strongly distances itself from any form of discrimination. Thinfilm makes every reasonable effort to secure a healthy, safe, and lawful work environment, and the Company complies with all applicable laws, rules, and regulations concerning occupational health, safety, and environmental protection. The Company's policies prohibit discrimination against employees, shareholders, directors, customers, partners, suppliers, and

other vendors on account of gender, race, sexual orientation, religion, disability, nationality, political opinion, and social or ethnic origin. Employees are provided with an Employee Handbook outlining corporate policy. Workplace diversity at all levels is highly encouraged and monitored. All persons shall be treated with dignity and respect and are encouraged to assist in creating a work environment free from any form of discrimination. The necessary conditions for a safe and healthy work environment shall be provided for all employees of the Company.

At Thin Film Electronics, Inc. (US subsidiary), all employees are required to complete a safety training course within their first month of employment. In compliance with the Safe Drinking Water and Toxic Enforcement Act of 1986 of the State of California, commonly referred to as Proposition 65, Thin Film Electronics, Inc. also informs employees of the onsite presence of any known chemical known to cause cancer or reproductive toxicity.

Thinfilm is committed to fully complying with all applicable laws regarding equal employment opportunities. Employees who believe they have been subjected to any form of unlawful discrimination may submit a complaint to their manager, any member of the management team, and/or Human Resources. The Company encourages all employees to immediately report incidents of harassment or other conduct prohibited by its anti-harassment policy so that complaints can be resolved in a fair and timely manner.

Conditions Within Facilities and Environmental Impact

Policy

Thinfilm requires that all subsidiaries of the Thinfilm Group follow all current environmental laws and regulations for the jurisdictions in which they reside and operate. Thinfilm routinely evaluates the environmental impact of its production – and manufacturing- related activities, with particular emphasis on the potential risks regarding present and future operations. Thinfilm operates its production facility and laboratories in San Jose, California.

Objective

Thinfilm strives to monitor waste production, such as chemicals and electronics materials, to evaluate where and how the Company can improve – such as using fewer chemicals, leveraging alternative materials, and/or maximize the usage of current materials. Thinfilm recognizes the impact that hazardous waste can have on the environment and takes every reasonable precaution to discard and recycle waste according to federal, state, and regional laws and regulations.

In the San Jose, California facility, Thinfilm partners with a licensed Environmental Services provider and strict guidelines are followed for the storage and disposal of hazardous material. The State of California tracks any Thinfilm hazardous material shipments to the final disposal/incineration site to ensure overall compliance.

Ethics and anti-corruption

Policy

It is important that Thinfilm staff members do not place themselves in situations whereby their fidelity can be undermined or in which they may be vulnerable to external pressures contrary to Thinfilm's or their own integrity. It is communicated and expected that all employees do not accept, either for themselves or on behalf of others, gifts, fees, services or other benefits which could influence the way they discharge their duties, or are intended to exert such influence by the giver.

Objective


Systematize and further improve internal training and education as it relates to ethics and anti-corruption compliance. Thinfilm's Ethical Guidelines are based on respect and fairness in all aspects of the Company's business dealings. We demand and expect that our employees – at every level of the organization – adhere to applicable laws and regulations in the countries where we do business. Thinfilm has a clear stance on corruption. Employees must always comply with applicable anti-bribery laws; and each manager and employee is responsible for compliance within his or her area of authority, and must report any suspected violation to HR, corporate management, and in certain cases, the local authorities.

Responsibility Statement

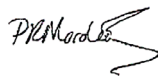
The board and the CEO have today reviewed and approved this report of the board of directors as well as the annual financial statements for the Thin Film Electronics ASA Group and parent company as of 31 December 2019. The consolidated annual financial statements have been prepared in accordance with IFRS as adopted by the EU and the additional requirements in the Norwegian accounting act. The annual financial statements for the parent company have been prepared in accordance with the Norwegian accounting act and generally accepted accounting principles in Norway. The notes are an integral part of the respective financial statements. The report of the board of directors has been prepared in accordance with the Norwegian accounting act and generally accepted accounting principles in Norway.

We confirm that, to the best of our knowledge, the information presented in the financial statements gives a true and fair view of the group's and the parent company's assets, liabilities, financial position and result for the period viewed in their entirety, and that the report from the board of directors and Managing Director (CEO) gives a true and fair view of the development, performance, and financial position of the group and the parent company, and includes a description of the principal risks and uncertainties which the group and the parent company are facing.

The board of directors of Thin Film Electronics ASA, Oslo, Norway, 11 May 2020



Morten Opstad
Chairman



Preeti Mardia
Board Member



Jon Castor
Board Member



Kelly Doss
Board Member



Kevin Barber
Managing Director (CEO)

Auditor's Report

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To the General Meeting of Thin Film Electronics ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Thin Film Electronics ASA, which comprise:

- The financial statements of the parent company Thin Film Electronics ASA (the Company), which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Thin Film Electronics ASA and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at 31 December 2019, the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements of the Group and Note 1 in the financial statements of the parent and in the Board of Directors' report. The Group and the parent have historically operated at a loss and are in immediate need of cash. There is no assurance that management will be successful in raising funds. Failure to obtain funding would adversely affect the ability to continue as a going concern and consequently the Group and the parent might enter into liquidation. As stated in Note 2 in the financial statements of the Group and note 1 in the financial statements of the parent and in the Board of Directors' report, the liquidity situation, along with other matters as set forth in the notes and the Board of Directors' report, indicate that a material uncertainty

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exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 11 May 2020
Deloitte AS



Mette Herdlevær
State Authorised Public Accountant (Norway)

Corporate Governance

Resolved by the board of directors of Thin Film Electronics ASA (the "Company") on 22 April 2020.

The statement outlines the position of the Company in relation to the recommendations contained in the Norwegian Code of Practice for Corporate Governance dated 17 October 2018 ("the Code"). The Code is available at www.nues.no and from Oslo Børs. In the following, the board of directors will address each section of the Code and explain the areas, if any, where the Company does not fully comply with the recommendations and underlying reasons.

1. Implementation and reporting on Corporate Governance

The Company seeks to create sustained shareholder value. The Company makes every reasonable effort to comply with the word and intent of the laws, rules and regulations in the countries and markets in which it operates. Thinfilm is not aware of being or having been in breach of any such statutory laws, rules or regulations. The Company pays due respect to the norms of the various stakeholders in the business. In addition to the shareholders, the Company considers its employees, Thinfilm's business partners, the society in general and the authorities as stakeholders. Thinfilm is committed to maintain a high standard of corporate governance, be a good corporate citizen and demonstrate integrity and high ethical standards in all its business dealings.

The board believes that in the present organization

- The Thinfilm Group presently has 18 ordinary employees and a few consultants on site
- The board of directors and the management have adequate monitoring and control systems in place to ensure insight into and control over the activities. (Note: In this review, the noun "the management" includes all persons conducting managerial functions, whether employed or otherwise contracted.)

The board has resolved ethical guidelines that apply to all employees, consultants and contractors as well as the elected board members. The ethical guidelines also incorporate the Company's guidelines on corporate social responsibility.

2. Thinfilm's business

As announced in January 2020, the objectives of the Company shall be Energizing Innovation™ with ultrathin, flexible, and safe energy storage solutions for wearable devices, connected sensors, and beyond. Thinfilm's innovative solid-state lithium battery (SSLB) technology is uniquely positioned to enable the production of powerful, lightweight, and cost-effective rechargeable batteries for diverse applications. These objectives may be carried out in full internally, or in whole or in part externally through collaborative efforts with one or more of the Company's ecosystem and commercial partners.

The Company's business goals and principal strategies are defined in the business plans adopted by the board of directors. The plans are reviewed and revised periodically, and when needed.

Thinfilm satisfies the recommendations under this section of the Code by publishing the material at www.thinfilmsystems.com instead of in the annual report.

3. Equity and dividends

The board is aware of and acknowledges the equity requirements and duty of action in connection with loss of equity, as set out in the Norwegian Public Limited Companies Act (the "PLCA"). In the past, the Company has been in need of raising equity on several occasions to fund its operations and working capital requirements. The board has proposed to the general meeting only reasonable authorizations for share issues and incentive schemes. Such board authorizations have explicitly stated the type and purposes of transactions in which the authorizations may be applied. As of the general meeting(s) to be held in 2020, any proposed authorizations to issue shares shall be considered and voted separately by each type and purpose of such share issues.

The board authorizations to issue shares have been valid until the next annual general meeting, as recommended by the Code. The proposals have been approved by the shareholders.

The Company has in place an authorization to the board to acquire up to 10 percent of the Company's own shares for a maximum price of NOK 1,000 per share. The board was authorized to decide upon the manner and terms of the acquisition, disposition, transfer and sale of its own shares. The length of the authorization is limited to the earlier of (i) the next annual general meeting of shareholders (scheduled for 19 May 2020) or (ii) 30 June 2020.

Thinfilm has not as yet declared or paid any dividends on its shares. The Company does not anticipate paying any cash dividends on its shares in the next few years. Thinfilm intends to retain future earnings, if any, to finance operations and the expansion of its business. Any future determination to pay dividends will depend on the Company's financial condition, results of operation and capital requirements.

4. Equal treatment of shareholders and transactions with close associates

The Company places great emphasis on ensuring equal treatment of its shareholders. The Company has one class of shares. There are no trading restrictions or limitations relating only to non-residents of Norway under the Articles of Association of the Company. Each share carries one vote. There are no restrictions on voting rights of the shares.

In the authorizations to issue shares to raise additional capital for the Company, where the existing shareholders have resolved to waive the pre-emptive right to subscribe for shares, the rationale for doing so shall be presented as part of the decision material presented to the general meeting. If and when such transactions are conducted, the justification will also be included in the announcements to the market.

All related party transactions in effect are entered into on an arm's length basis. Any material future related party transactions shall be subject to an independent third-party valuation unless the transaction by law requires shareholder approval. The Company takes legal and financial advice on these matters when relevant. Members of the board and the management are obliged to notify the board if they have any material direct or indirect interest in any transaction entered into by the Company.

5. Freely negotiable shares

All shares are freely assignable. The Articles of Association do not contain any restrictions on negotiability of the shares.

6. General meetings

The annual general meeting of shareholders, the Company's highest decision-making body, provides a forum for shareholders to raise issues with the board as such and with the individual board members. To the maximum degree possible, all members of the board shall be present at the general meeting. The Company's auditors shall also be present at the general meeting. The shareholders elect a person to chair the general meeting. The board will arrange for an independent candidate if so requested by shareholders. Notice of a meeting of the shareholders shall be sent in a timely manner and the Company shall issue the notice and documents for a general meeting, including the proxy form, no later than 21 days before the date of the general meeting. Foreign residents will receive the notice and documents in English. When appropriate, the documents will be made available at the Company's website and not sent to the shareholders.

The board of directors endeavors to provide comprehensive information in relation to each agenda item in order to facilitate productive discussion and informed resolutions at the meeting. The notice will also provide information on the procedures shareholders must observe in order to participate in and vote at the general meeting. Shareholders who are unable to attend in person will be provided the option to vote by proxy in favor or against each of the board's proposals. The notice shall contain a proxy form as well as information of the procedure for proxy representation. At the meeting, votes shall be cast separately on each subject and for each office/candidate in the elections. Consequently, the proxy form shall, to the extent possible, facilitate separate voting instructions on each subject and on each office/candidate in elections. The notice, as well as the Company's website, will set out that the shareholders have the right to propose resolutions in respect of matters to be dealt with at the general meeting.

The general meeting has included in Section 7 of the Company's Articles of Association that documents which have been made available in a timely manner on the website of the Company and which deal with matters that are to be handled at the general meeting, need not be sent to the Company's shareholders.

All reports will be issued on the Oslo Børs marketplace (www.oslobors.no and www.newsweb.no) within the Oslo Stock Exchange, and on the OTCQX International Marketplace (www.otcmarkets.com/marketplaces/otcqx). The reports and other pertinent information are also available at www.thinfilmsystems.com.

7. Nomination committee

Under the Articles of Association, Thinfilm has a nomination committee that is elected by the annual general meeting for a term of two years. The nomination committee shall have three members, including a Chairman. The nomination committee shall prepare and present proposals to the annual general meeting in respect of the following matters:

- Propose candidates for election to the board of directors
- Propose the remuneration to be paid to the board members
- Propose candidates for election to the nomination committee
- Propose the remuneration to be paid to the nomination committee members shall be resolved by the annual general meeting

The Company provides information on its website about the composition of the nomination committee and any deadlines for submitting proposals to the committee.

8. Corporate assembly and board of directors; composition and independence

Thinfilm does not have a corporate assembly.

The board acknowledges the Code's recommendation that the majority of the members of the board of directors shall be independent of the Company's management and material business contacts. All board members are required to make decisions objectively in the best interest of the Company, and the presence of independent directors is intended to ensure that additional independent advice and judgement is brought to bear. The current board meets the independence criteria of the Code. The board meets the statutory gender requirements for the board.

Board members stand for election every two years. The board believes that it is beneficial for the Company and its shareholders that the board members also are shareholders in the Company and encourages the member of the board of directors to hold shares in the Company.

The board pays attention to ensure that ownership shall not in any way affect or interfere with proper performance of the fiduciary duties, which the board and the management owe the Company and all shareholders.

As and when appropriate, the board takes independent advice with respect to its procedures, corporate governance and other compliance matters.

9. The work of the board of directors

The division of duties and responsibility between the CEO and the board of directors is based on applicable laws and well-established practices, which have been formalized in writing through a board instruction in accordance with the Norwegian Public Limited Companies Act. The board instruction also sets out the number of scheduled board meetings per year and the various routines in connection with the board's work and meetings.

The board instructions state that in situations when the Chairman is not impartial or not operative, the most senior board member shall chair the board until a deputy Chairman has been elected by and among the board members present.

The board of directors shall evaluate its performance and expertise annually. Moreover, the board will produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation.

With a compact board of only four members, there has not been any need for subcommittees to date. The future need for any sub-committees will be considered at a minimum annually in connection with the annual review of the Company's corporate governance.

Thinfilm is not obliged to have a separate audit committee and in view of the small number of board members, the Company's Audit Committee consists of all board members who are not also executives or have similar roles in the Company. The board instruction includes an instruction for the audit committee.

10. Risk management and internal control

The board of directors has adopted internal rules and guidelines regarding, amongst other things, risk management and internal control, which rules and guidelines take into account the extent and nature

of the Company's activities as well as the Company's corporate values and ethical guidelines, including the corporate social responsibility. The board of directors shall carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements.

In view of the size of the Company and the number of board members, the board has chosen to elect the full board (except any board members who hold executive positions) to constitute the audit committee. The audit committee policies and activities are compliant with the Norwegian Public Limited Companies Act.

The board of directors has adopted an insider manual with ancillary documents intended to ensure that, among other things, trading in the Company's shares by board members, executives and/or employees, including close relations to the aforementioned, are conducted in accordance with applicable laws and regulations.

Internal control and risk management of financial reporting:

Thinfilm publishes four interim financial statements in addition to the ordinary annual financial statements. The financial statements shall satisfy legal and regulatory requirements and be prepared in accordance with the adopted accounting policies and be published according to the schedule adopted by the board. Closing of accounts, financial reporting and key risks analysis are provided monthly to the board of directors.

Thinfilm has established a series of risk assessment and control measures in connection with the preparation of financial statements. In connection with subsidiaries' closing of accounts, internal review meetings are held. In addition, separate meetings are held to identify risk factors and measures linked to important accounting items or other factors. The board also has separate meetings with the external auditor to review such risk factors and measures and conducts preparatory reviews of interim financial statements and annual financial statements that particularly focus on reporting of operational costs and investments.

A financial manual provides detailed instruction for financial planning, treasury, accounting and reporting, and is reviewed and updated annually by the board.

11. Remuneration to the board of directors

A reasonable cash remuneration to the board members for their services from the annual general meeting in 2018 until the annual general meeting in 2019 was proposed to and resolved at the 2019 annual general meeting. To lessen the cash outflow, the annual general meeting granted an option to the board members to receive all or part of the remuneration in the form of shares in the Company. No board members took up this option in 2019. The nomination committee will propose board remuneration for the period between the annual general meetings of 2019 and 2020.

At the 2019 Annual General Meeting, two US residents were elected as new Board members. In order for the Company to be able to attract the interest of these two individuals, a grant of subscription rights was proposed to, and resolved by, the 2019 Annual General Meeting, as share-based incentives represent a relatively customary and expected board remuneration and incentive in the US market. The Board acknowledges that such grants were in contradiction to the Corporate Governance recommendations, but remains of the view that it was in the Company and shareholders' mutual best interest to make these grants in order to secure the services of these two US-based board members.

Advokatfirmaet Ræder AS, in which the Chairman, Morten Opstad, is a partner, renders legal services to the Company. A board member performing work for the Company beyond the board duty shall ensure that such arrangements do not in any way affect or interfere with proper performance of the fiduciary duties as a board member. Moreover, the board (without the participation of the interested member) shall approve the terms and conditions of such arrangements. Adequate details shall be disclosed in Thinfilm's annual financial statements.

12. Remuneration of the management

Thinfilm offers market-based compensation packages for the executives and employees in order to attract and retain the competence that the Company needs. The exercise price for any subscription right is equal to or higher than the market share price at the time of the grant. The subscription rights vest in tranches over three years.

The board shall determine the compensation of the CEO. There is a maximum amount of incentive remuneration per calendar year. It follows from the nature of the incentive subscription rights program resolved by the annual general meeting that the limit does not apply to the possible gain on subscription rights. The board has adopted a policy for the CEO's remuneration of the employees.

At the annual general meeting, the board will present to the shareholders for their approval a statement of remuneration to the management. The resolution by the annual general meeting is binding to the extent it relates to share-based compensation and advisory in other aspects.

13. Information and communication

The board of directors places great emphasis on the relationship and communication with the shareholders. The primary channels for communication are the interim reports, the annual report and the associated financial statements. Thinfilm also issues other notices to the shareholders when necessary or appropriate. The general meeting of shareholders provides a forum for the shareholders to raise issues with the board as such and the individual board members. All reports are issued and distributed according to the rules and practices at the market place(s) where Thinfilm shares are listed. The Company shall in due course publish an annual financial calendar for the following year; setting forth the dates for major events such as its annual general meeting, publication of interim reports, any scheduled public presentation, any dividend payment date, etc. The reports and other pertinent information are also available on the Company's website, www.thinfilmsystems.com.

The board of directors has adopted the following policies:

- Policy for reporting of financial and other information and investor relations;
- Policy for contact with shareholders outside general meeting; and
- Policy for information management in unusual situations attracting or likely to attract media or other external interest.

The financial reporting of Thinfilm is fully compliant with applicable laws and regulations. As of the interim financial information for the third quarter 2007, Thinfilm has prepared its consolidated financial reports in accordance with IFRS. The current information practices are adequate under current rules.

14. Take-overs

There are no take-over defense mechanisms in place. The board will endeavor that shareholder value is maximized and that all shareholders are treated equally. The board shall otherwise ensure full compliance with Section 14 of the Code.

15. Auditors

The Company's auditor is fully independent of the Company. Thinfilm represents a minimal share of the auditor's business. Thinfilm does not obtain business or tax planning advice from its auditor. The auditor may provide certain technical and clerical services in connection with the preparation of the annual tax return and other secondary reports, for which Thinfilm assumes full responsibility.

The board of directors has established written guidelines to the CEO with respect to assignments to the auditor other than the statutory audit.

The board of directors shall otherwise ensure full compliance with Section 15 of the Code.

Articles of Association

§1 The name of the company

The name of the Company is Thin Film Electronics ASA. The Company is a public limited company.

§2 The company's business

The company's business shall encompass multiple complimentary technologies, including but not limited to, enabling Intelligence Everywhere® through near field communications (NFC) solutions, including hardware, software and integration services. The company's business shall also include maximizing the value of its San Jose, California Roll-to-Roll factory's unique combination of capabilities, including roll-based production, process knowhow, and print expertise, which are relevant to market needs for a broad range of applications within flexible large-area electronics. The Company's objectives may be carried out in full internally or in whole or in part externally through collaborative efforts with one or more of the company's ecosystem and commercial partners. The Company's business may be carried out directly by the Company and/or through subsidiary companies. The Company may hold ownership positions in companies with similar activities.

§3 Registered office

The registered office of the Company is situated in Oslo.

§4 The company's share capital

The Company's share capital is NOK 6,445,293.91 divided into 58,593,581 shares each having a par value of NOK 0.11.

§5 The company's governance

The Company's board of directors shall consist of from three to nine members, as decided by the general meeting. The board may grant powers of procuration.

§6 The general meeting

The ordinary general meeting shall consider and decide:

- 1 Adoption of the annual financial statement and report of the board of directors, including the declaration of a dividend.
- 2 Election of chairman and members of the nomination committee, and determination of remuneration to the members of the nomination committee.
- 3 Any other business required by the laws or the articles of association to be transacted by the general meeting.

The general meetings of the Company shall as a general rule be conducted in the Norwegian language. However, the board of directors may decide that the English language shall be used.

§7 Exemption from requirements to submit documents with notice of general meeting

Documents which timely have been made available on the Internet site of the Company, and which deal with matters that are to be handled at the general meeting, do not need to be sent to the Company's shareholders.

§8 Registration for general meeting

A shareholder who wishes to attend the general meeting, in person or by proxy, shall notify its attendance to the Company no later than two days prior to the general meeting. If the shareholder does not notify the Company of its attendance in a timely manner, the Company may deny the shareholder access to the general meeting.

§9 Nomination committee

- a Thin Film Electronics ASA shall have a nomination committee. The nomination committee shall have three members, including a chairman. Members of the nomination committee shall be elected by the Annual General Meeting for a term of two years.
- b The nomination committee shall:
 - Propose candidates for election to the Board of Directors
 - Propose the remuneration to be paid to the Board members
 - Propose candidates for election to the nomination committee
 - Propose the remuneration to be paid to the nomination committee members
- c The mandate of the nomination committee shall be resolved by the Annual General Meeting.

§10 Relation to the Norwegian Public Limited Companies Act

Reference is also made to the legislation concerning public limited companies in force at the relevant time.

Board of Directors



Morten Opstad
Chairman

MORTEN OPSTAD has served as Chairman of the Board of the Company since 2 October 2006. He is a partner and Chairman of the Board of Directors in Advokatfirmaet Ræder AS in Oslo. He has rendered legal assistance with respect to establishing and organizing several technology and innovation companies within this line of business. His directorships over the last five years include current board positions in IDEX ASA (Chairman), Total Sports Online AS, Glommen Eiendom AS, Chaos AS, K-Konsult AS, and former directorships in Fileflow Technologies AS and A. Sundvall AS. Mr. Opstad was born in 1953 and is a Norwegian citizen.



Preeti Mardia
Board Member

PREETI MARDIA has diverse general management and operations expertise across electronics, semiconductors, telecommunications, aerospace, and food sectors. Preeti is currently Senior Vice President Operations at IDEX ASA, a leading fingerprint imaging and recognition technology company based in Norway. Prior to IDEX she was Vice President Operations for Axxcss Wireless UK Ltd. She previously worked within Filtronic Plc as Operations Director and established commercial and supply relationships with Tier One OEMs for mobile telecoms infrastructure. She was responsible for implementing a world class highly automated electronics manufacturing plant and establishing global supply chain partnerships. She managed and scaled a semiconductor foundry from technology phase to high volume manufacturing of Gallium Arsenide semiconductor devices for the mobile handset, aerospace, and base-station markets. Preeti has extensive FMCG experience in manufacturing, product development and quality assurance with Cadbury Schweppes Plc and supplied into major international retailers. Preeti has a degree in Food Science & Technology and is undertaking a Masters degree in Executive Management at Ashridge, UK. Mrs Mardia was born in 1967 and is a British citizen.



Jon Castor
Board Member

JON CASTOR Jon Castor is an entrepreneur and active independent private and public company director. His 25 years of senior leadership experience has included building both classic Silicon Valley venture funded startups and two new divisions for Fortune 500 companies. He also has considerable private and public company M&A experience, including leading the team of a venture he co-founded through a double exit. His industry experience includes ICs, systems, and software, digital media, consumer electronics and services, and multiple forms of advanced and renewable power generation. Jon's Silicon Valley venture successes include Omneon, where the team built the world leader in broadcast video servers, and TeraLogic, a pioneering HDTV venture supported by Sony, Mitsubishi, and Samsung, where he was co-founder and CEO. Jon has an MBA from Stanford's Graduate School of Business, and a BA with Distinction from Northwestern University. Jon joined the Thin Film Board of Directors in May 2019 and served as Chairman of the Strategy Committee.



Kelly Doss
Board Member

KELLY DOSS Kelly Doss is a senior marketing executive and brand consultant. She has over 25 years of experience in global brand management with a strong track record of delivering breakthrough revenue and sales growth in varying channels of distribution. She has considerable expertise across the marketing, innovation, and operational functions in both the alcoholic beverage and beauty categories. Her industry experience includes 15 years in the global spirits category, leading marketing for Beam Suntory in both EMEA and North America and over 10 years in the beauty industry across hair care, skin care, and color cosmetics. Over the course of her career, leading cross-functional teams, she has launched well over 100 new products & multiple global packaging restages. Kelly has a Masters in International Management from the Thunderbird School of Global Management, and a BA with honors from the University of Michigan. Kelly joined the Thin Film Board of Directors in May 2019.

Executive Management



Kevin Barber
Chief Executive Officer

KEVIN BARBER Kevin Barber joined Thinfilm as CEO in November 2018. He is responsible for driving worldwide strategic growth, scaling product innovation and manufacturing operations while increasing market penetration and identifying new business opportunities. Mr. Barber was previously Senior Vice President, General Manager Mobile Division of Synaptics, where he drove the strategy, business development, M&A and execution of growing revenue fourfold to over \$1 billion annually. Previously, he was CEO of ACCO Semiconductor a Venture Capital funded startup. Prior to ACCO, Mr. Barber served as Senior Vice President, General Manager Mobile Business at Skyworks Solutions where he led the strategy achieving top RF power amplifier market share in the high growth mobile market. Prior to Skyworks, Mr. Barber served as Senior Vice President, Operations at Conexant leading strategic efforts of global manufacturing scale, technology development, and supply chain management enabling Conexant to be a leader in diverse markets. He holds a Bachelor of Science in Electrical Engineering from San Diego State University and an MBA from Pepperdine University. Mr. Barber currently serves as a Board Director at Intevac.



Mallorie Burak
Chief Financial Officer

MALLORIE BURAK joined Thinfilm in July 2019. In her role, she oversees finance, accounting, legal, and investor relations activities. She is an experienced financial executive, bringing over 25 years of expertise across a broad spectrum of industries ranging from early stage software start-ups to multi-national, public corporations. Over the span of her career, she has negotiated and managed over five hundred million dollars of successful financing and M&A deals, having spent the last 12 years focused on turn-arounds of both public and venture backed companies. Prior to joining the Thinfilm team, she served as CFO at Alta Devices, a GaAs thin-film solar technology start-up, where she secured over \$56 million in funding to facilitate the build-out of its pilot manufacturing line. Prior to Alta Devices Ms. Burak served as CFO at FriendFinder Networks, Rainmaker Systems, FoodLink, and Southwall Technologies. She has a proven track record of creating a high-performance culture with a strong focus on operational excellence and maximizing shareholder value, as evidenced by the successful acquisition of Southwall Technologies, after having repositioned, restructured, and grown the company. Ms. Burak has significant experience working with a variety of financing sources, both public and private, as well as significant experience leading and managing M&A related activities. She holds a BSBA and MBA from San Jose State University.



Dr. Arvind Kamath
EVP Technology Development &
Manufacturing

DR. ARVIND KAMATH joined Thinfilm in January 2014 from Kovio, Inc., where he served as Sr. Director, Technology Development. At Thinfilm, he has built and led several teams in the areas of Technology Development, Engineering and Operations. Most recently, he was responsible for the flexible substrate roll to roll PDPS (Printed Dopant Polysilicon) manufacturing scale-up and led the teams that built a global ecosystem to enable this. At Kovio, Dr. Kamath led materials and process development and integration of a revolutionary printed electronics platform based on silicon ink, from feasibility to qualification and yield enhancement. Prior to Kovio, he worked at LSI Logic in various managerial and specialist roles, including process engineering, group management, R&D operations, SRAM integration and yield enhancement. Dr. Kamath earned a B.Tech degree in Metallurgical Engineering from the Indian Institute of Technology, Chennai and a Ph.D in Materials Science and Engineering from the microelectronics program at The University of Texas - Austin.



Shannon Fogle
VP Global Human Resources

SHANNON FOGLE joined Thinfilm in January 2014 from Kovio, Inc. She leads the Human Resources functions for all Thinfilm locations. Ms. Fogle led the Human Resources functions at Kovio from 2007 until 2014. Prior to Kovio, Ms. Fogle worked in various Operations roles at Spansion and Advanced Micro Devices. Shannon holds a Bachelor of Science degree in Business Management from San Jose State University and is Certified by the Society of Human Resource Management.



Annual Report 2019

Thin Film Electronics ASA

Thin Film Electronics ASA

Fourth Quarter 2020

Interim Report and
Financial Statements



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Locations

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USA — San Jose

Global Headquarters

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San Jose, CA 95134

Phone: +1 408 503 7300

Contact

Kevin Barber

Chief Executive Officer

kevin.barber@thinfilmsystems.com

thinfilmsystems.com

About Thinfilm

Thinfilm is Energizing Innovation™ with ultrathin, flexible, and safe energy storage solutions for wearable devices, connected sensors, and beyond. Thinfilm's innovative solid-state lithium battery (SSLB) technology is uniquely positioned to enable the production of powerful, lightweight, and cost-effective rechargeable batteries for diverse applications. The company's state-of-the-art flexible electronics manufacturing facility, located in the heart of Silicon

Valley, combines patented process technology and materials innovation with the scale of roll-to-roll production methods to bring the advantages of SSLB technology to established and expanding markets.

Thin Film Electronics ASA is a publicly listed company in Norway with corporate headquarters in Oslo and global headquarters in San Jose, California.

Business Review

The fourth quarter of 2020 marks the third complete quarter since Thinfilm's January 2020 announcement of and pivot toward the Company's solid-state lithium battery (SSLB) strategy. During the quarter, the Company made continued technical, manufacturability, and go-to-market progress toward its corporate objectives. On 26 January 2021, the Company announced significant progress related to SSLB commercialization and its tape out of the initial design built on Thinfilm's SSLB product platform.

Thinfilm's strategy is to develop and scale manufacturing of premium rechargeable microbatteries for applications requiring high energy density, long lifetime, and high levels of safety. The Company's solid-state chemistry, combined with unique manufacturing methods, is believed to be capable of producing products with up to double the energy density of competing rechargeable button cell batteries and up to triple the charge/discharge cycles of alternatives.

During the fourth quarter, Thinfilm announced achievement of a significant technical milestone: the successful demonstration of a multi-cell battery based on the Company's SSLB technology. By successfully stacking layers of Thinfilm SSLB cells fabricated on ultrathin stainless steel substrates, the Company has further validated its path toward the achievement of key volumetric energy density milestones in milliamp-hour-class batteries.

The Company's technologists have continued to optimize the core SSLB technology platform, including processes, materials, and tools, to target leading microbattery energy densities up to 600 Watt-hours per liter and cycling performance in excess of 1000 charge-discharge cycles. By delivering double the volumetric energy density of legacy lithium-ion coin and button cells, Thinfilm SSLB products could occupy 50% less space and enable thinner, more comfortable

hearables and other wearable devices. In addition, the expected rating of 1000 charge/discharge cycles - compared to 300-400 cycles achieved by common lithium-ion devices - means Thinfilm-enabled products could enable overnight charging of hearing aids, earbuds, and other daily-use items over the multi-year lifetimes required to both satisfy demanding consumers and minimize warranty repair costs due to premature battery failure.

Furthermore, to address the safety expectations of consumers, manufacturers, and regulators - particularly for on-body wearable and medical electronics - Thinfilm SSLB technology practically eliminates two major safety risks associated with common lithium rechargeable batteries: thermal runaway, which can lead to excessive heat, fire, and even explosion; and electrolyte leakage, which can lead to toxic chemicals contacting human skin.

In February 2021, Thinfilm CEO Kevin Barber presented a review of the Company's strategy in a video briefing with Nordnet analyst Roger Berntsen. The video and updated corporate presentation are available on the Thinfilm website at thinfilmsystems.com/investor-relations/presentations-webcasts/

With respect to financing, the Company raised funds driven by the conclusion of the exercise period for Warrants A, which were originally approved in May 2020 and expired on 31 December 2020. In total, nearly 95% of Warrants A were exercised, leading to gross proceeds of approximately NOK 30 million. Furthermore, the aggregate exercise of Warrants B through 31 December has raised an additional NOK 3 million to support the Company's strategy. As the Company enters 2021, outstanding Warrants B and C provide a further NOK 170 million of fundraising potential through August 2021.

Outlook

As Thinfilm continues to achieve key technology development milestones following the successful validation of its core SSLB device fabrication and packaging technology on the sheet line, the Company is making simultaneous progress improving core battery performance and advancing go-to-market and manufacturing scale-up activities in anticipation of initial product revenue in late 2021.

Following extensive outreach to a wide variety of potential customers across diverse industries and end uses, Thinfilm's go-to-market team identified a series of high-priority applications that will serve as initial target markets for the Company's SSLB technology. In addition to receiving broad positive feedback regarding the desirability of the increased energy density, improved charge/discharge cycle counts, and enhanced safety associated with its core SSLB technology, the Company identified particular interest and urgency for these benefits in form-factor-constrained applications in certain markets.

Based on this strong match between expected technology advantages and market needs, Thinfilm has therefore prioritized hearing aids, earbuds, and medical wearable medical devices for initial market focus due to confirmed market requirements for energy dense, reliable, and safe energy storage with form factors significantly thinner than today's commonly used button- and coin-cell batteries.

To support the microbattery needs of these target markets, the Company launched development of its innovative product platform based on the Company's core SSLB technology and has completed design of the first product built on the platform. The Company targets initial revenue shipments based on this product platform, combining Thinfilm innovations in battery cell design and fabrication and novel packaging techniques, by the end of 2021.

The Company is also able to confirm that Thinfilm's go-to-market initiatives have resulted in signed evaluation agreements with potential customers and partners. As the Company proceeds toward commercialization and scale-up of its SSLB technology, leveraging its existing roll-to-roll facility, it has prioritized those engagements with the greatest potential to leverage the energy density, form factor, and cycling advantages of the core product platform. In parallel, the Company's go-to-market team is engaging global market leaders in additional categories, such as wearables and

defense, where Thinfilm SSLB advantages address the limitations of legacy battery technologies.

As part of its expanded go-to-market and scale-up initiatives, Thinfilm has increased the breadth and depth of its battery expertise with two key appointments. Louis Golato has joined Thinfilm as vice president of operations, following decades of experience related to the bring-up and operation of semiconductor and lithium-ion battery production lines around the world. Most recently, he served as vice president, manufacturing and operations at grid-scale energy storage company VionX Energy and previously served in executive roles at Stion Corporation and A123 Systems, where he was responsible for launching multiple lithium-ion battery factories worldwide. Tim Powers joins Thinfilm as senior director of applications engineering and business development following fifteen years of direct experience in the development and deployment of innovative rechargeable microbatteries. Previously, as vice president, business development and director, applications engineering at ZPower, Powers led customer engagement and design-in activities for novel rechargeable microbatteries, resulting in pioneering design wins and rapid revenue growth in the hearables and medical device industries.

Condensed Consolidated Financial Report as of 31 December 2020

Following the announcement of its SSLB strategy in January 2020, Thinfilm rapidly restructured its business operations around the priorities of achieving technical success in SSLB development and deploying a financial model that is optimized to support the Company's critical technical and market development milestones.

Following major restructuring activities during the first quarter of 2020 and incremental headcount reductions during the second quarter, the Company has since focused its hiring activity in support of critical technology and packaging development milestones. The Company's operating plans are designed to fully support the activities necessary to achieve technical and market objectives while preserving cash.

Profit and Loss

Thinfilm's sales revenue for 2020 was USD 491 thousand, compared to USD 1,181 thousand for 2019. The USD 491 thousand revenue represented the sale of EAS onhand finished goods inventory that had been prepaid by the customer in December 2019 and delivered in January 2020. There was no income related to government grants and other funded projects during 2020 (2019: USD 519 thousand). Government grant programs ended in mid-2019.

Excluding government grants, other income amounted to USD 21 thousand for 2020 primarily related to the sublease of the second floor of its Junction Avenue, San Jose, California facility of USD 109 thousand offset by USD 89 thousand representing the loss on the disposal of fixed assets. Other income in 2019 included gains on disposal of fixed assets. Disposed assets included those acquired when the company secured the Junction Avenue facility, in addition to surplus Linköping, Sweden site assets.

Operating costs (excluding depreciation, amortization and impairment charges) amounted to USD 12,531 thousand during 2020, including the notional cost

of share-based compensation of USD 679 thousand. The corresponding figures for 2019 were USD 31,941 thousand and USD 190 thousand, respectively. The USD 19,411 thousand decrease in operating costs during 2020, compared to 2019, was primarily attributable to a significant reduction in headcount and overall cost structure. The expenses by major category are as follows:

- 1 USD 12,872 thousand lower payroll cost due to a reduction in headcount compared to 2019.
- 2 USD 489 thousand higher share-based remuneration as a result of changes in the stock price compared to 2019.
- 3 USD 3,824 thousand lower costs for premises and supplies. The worldwide downsizing of operations in 2019 led to a decrease in premises and supply costs.
- 4 USD 2,330 thousand lower services costs. Expenditures for consultants and contractors have decreased as a result of cost savings initiatives and lower activity levels.
- 5 USD 994 thousand lower sales and marketing costs. Marketing activities were reduced in part due to the Company's reduced headcount in related functions.

Historically, Thinfilm has maintained a high level of R&D activity. During 2020, nearly all of the Company's substantially reduced R&D expenditures were spent developing manufacturing processes and operating procedures for roll-to-roll manufacturing and solid-state lithium battery technology development.

Investment in fixed and intangible assets during 2020 totaled 234 thousand, compared to USD 6,187 thousand during 2019.

Net financial items for 2020 were USD 27,072 thousand compared to USD 1,367 thousand in 2019. The increase is attributable to the combination of the revaluation of previously issued Warrants A and

B and a charge related to the issuance of Warrant C, including 333,866,666 warrants issued in conjunction with the private placement approved on 19 August 2020 and 66,666,666 warrants issued in conjunction with the corresponding subsequent offering. Such warrants have an exercise price of NOK 0.25.

The group operates at a loss and there is a tax loss carryforward position in the parent company and in the U.S. subsidiaries. The group has not recognized any deferred tax assets on its balance sheet relating to these tax loss carryforward positions, as this potential asset does not yet qualify for inclusion.

The loss for 2020 was USD 39,113 thousand, corresponding to a basic loss per share of USD 0.10. During 2019, the loss amounted to USD 78,446 thousand or USD 1.34 per share adjusted for the reverse split.

Cash Flow

The group's cash balance decreased by USD 3,082 thousand during 2020, compared to a decrease of USD 23,706 thousand during 2019. The net decrease in cash balance is explained by the following principal elements:

- 1 USD 11,885 thousand outflow from operating activities,
- 2 USD 310 thousand outflow from investing activities, and
- 3 USD 9,113 thousand inflow from financing activities.

The USD 11,885 thousand outflow from operating activities is primarily explained by the smaller loss from operations reflective of the headcount reductions that took place in 2019. During 2020, the Company raised a total of USD 13,259 thousand from private placements, corresponding subsequent offerings, and warrant exercises. The cash balance of USD 5,790 thousand includes restricted cash of USD 1,600 thousand, securing the letter of credit issued in 2017 by Thin Film Electronics ASA to the landlord of the San Jose, California facility (see Note 12. Current and long-Term Debt for further detail) and USD 228 thousand paid for shares not yet issued as of the balance sheet date.

Balance Sheet

Non-current assets amounted to USD 799 thousand as of 31 December 2020 versus USD 559 thousand as of 31 December 2019. The reduction is due primarily to the impairment of all the Property, Plant and Equipment, Intangible assets, and the right-of-use for the building in San Jose, California as of 31 December 2019. Total current assets amounted to USD 7,729 thousand as of 31 December 2020 versus USD 11,679 thousand as of 31 December 2019. The largest reductions are in trade and other receivables which decreased USD 1,666 thousand from 31 December 2019. Non-current liabilities as of 31 December 2020 were USD 21,884 compared to USD 25,056 as of 31 December 2019. The difference is attributable to timing of debt payments. Total current liabilities as of 31 December were USD 32,711 thousand versus USD 6,842 thousand as of 31 December 2019 or an increase of USD 25,869 thousand. The increase is primarily driven by the inclusion of USD 26,020 thousand attributable to the issuance of warrants in conjunction with the private placements and subsequent offerings approved in the Extraordinary General Meetings of 20 May and 19 August 2020.

Principal Risks

Thinfilm is exposed to various risks of a financial and operational nature. The extraordinary current risks of the pandemic and its effect on the world economy are affecting everyone.

The Company's predominant risks are financial, technical/developmental, as well as other market and business risks, summarized in the following points:

- I The board's authorization of a substantial restructuring of the business during 2019 resulted in an annualized savings of approximately USD 23 million year-over-year versus 2018. Similarly, the ongoing restructuring of the Company through the first half of 2020 led to additional reduction of expenses in line with the revised strategy and operating plan. As of 31 December 2020, the Company had a cash balance of approximately USD 5.8 million (including restricted cash of approximately USD 1.6 million and approximately 228 thousand paid for shares not yet issued as of the balance sheet date), which is sufficient to fund the Company through the first quarter of 2021. During the fourth quarter of 2020, shareholders exercised certain Warrants A and B, including warrant exercise instructions received by the Company in December 2020 and, in January 2021 approved by the board and later issued as shares. Nearly 95% of total Warrants A were exercised prior to the 31 December 2021 deadline. Following the conclusion of the Warrant A exercise period, the Company has two categories of outstanding warrants with a total remaining fundraising potential of approximately NOK 170 million. The Company has received written exercise requests for approximately 46 million Warrants B that, as of the date of this report, have yet to be approved by the board. Following approval, receipt of payment, and subsequent issue of shares, the funding raised by such warrant exercises is sufficient to support operations well into the second quarter of 2021. Depending on the timing and quantity of additional warrant exercises, including remaining Warrants B (expiring 20 August 2021) and Warrants C (exercisable between 31 March 2021 and 30 June 2021), the Company may be able to fund planned operations well into 2021. However, if the timing and quantity of warrant exercises are insufficient to meet the Company's needs, the Company intends to pursue other sources of financing.
- II Technology development and engineering sample availability on Thinfilm's sheet line, as well as technology transfer to and scale-up activities

related to Thinfilm's roll-to-roll line, can be adversely affected by several factors including but not limited to:

- Quality, composition, and consistency of lithium-based materials, chemicals and unanticipated interactions of the various layers and processes that are key to core battery performance, resulting in longer than planned learning cycles and corrective actions, delaying customer engagements.
- Adequate environmental control of the manufacturing area and storage that might compromise the composition, performance, and defectivity of the device.
- Equipment reliability, modifications needed, and process optimization learning cycle efficiency that may limit the uptime, throughput and quality of the devices produced.
- Issues encountered during handling, processing, and assembly of ultrathin substrates and battery stacks.
- Need for new materials or processes and/or equipment to achieve full manufacturing qualification and product reliability.

The startup and product manufacturing yield ramp on the roll-to-roll line can also be negatively influenced by several of the conditions or events noted below (but not limited to):

- Achievement of return-to-manufacturing readiness and qualification of the tool set.
- On site availability of vendor personnel to assist in requalification of the machines with battery materials set.
- Electro-Static Discharge (ESD) or other phenomena that may cause the need for process or mechanical handling changes in the manufacturing line.
- Lower than anticipated throughputs and uptime of the equipment with the battery material set resulting in a lower capacity than planned.
- Adequate environmental control of the manufacturing area and storage that might compromise the composition, performance and defectivity of the device.
- New and unknown modes of yield loss necessitating process, practice, or equipment modifications that can result in a slower than planned yield ramp.
- Issues encountered during roll handling, processing, and assembly of ultrathin substrates and battery stacks.

- Our ability to provide OEMs with solutions that provide advantages in terms of size, reliability, durability, performance, and value-added features compared with alternative solutions.

III Many of the markets that Thinfilm targets in connection with its new energy storage strategy will require time in order to gain traction, and there is a potential risk of delays in the timing of sales. Risks and delays may include, but are not limited to:

- Uncertain global economic conditions may adversely impact demand for our products or cause potential customers and other business partners to suffer financial hardship, which could cause delays in market traction and adversely impact our business.
- Our ability to meet our growth targets depends on successful product, marketing, and operations innovation and successful responses to competitive innovation and changing consumer habits that may result in changes in our customers' specifications.

The Company cannot assure that the business will be successful or that we will be able to generate significant revenue. If we fail to establish and build relationships with our customers, or our customers' products which utilize our solutions do not gain widespread market acceptance, we may not be able to generate significant revenue. We do not sell any products to end users, and we do not control or influence the manufacture, promotion, distribution, or pricing of the products that incorporate our solutions. Instead, we design various devices and products that our OEM customers incorporate into their products, and we depend on such OEM customers to successfully manufacture and distribute products incorporating our solutions and to generate consumer demand through marketing and promotional activities. As a result of this, our success depends almost entirely upon the widespread market acceptance of our OEM customers' products that incorporate our devices. Even if our technologies successfully meet our customers' price and performance goals, our sales could fail to develop if our customers do not achieve commercial success in selling their products that incorporate our devices.

Our ability to generate significant revenue from new markets will depend on various factors, including the following:

- The development and growth of these markets;
- The ability of our technologies and product solutions to address the needs of these markets, the price and performance requirements of OEMs, and the preferences of end users; and
- Our ability to provide OEMs with solutions that provide advantages in terms of size, reliability, durability, performance, and value-added features compared with alternative solutions.

IV To a certain extent, Thinfilm is dependent on continued collaboration with technology, materials, and manufacturing partners.

There may be process and product development risks that arise related to time-to-development and cost competitiveness of the energy storage products Thinfilm is developing.

Many manufacturers of these products have well established relationships with competitive suppliers. Our ongoing success in these markets will require us to offer better performance alternatives to other solutions at competitive costs. The failure of any of these target markets to develop as we expect, or our failure to serve these markets to a significant extent, will impede our sales growth and could result in substantially reduced earnings and a restructuring of our operations. We cannot predict the size or growth rate of these markets or the market share we will achieve or maintain in these markets in the future. Shortages of components and materials may delay or reduce our sales and increase our costs, thereby harming our operating results. The inability to obtain sufficient quantities of components and other materials necessary for the production of our products could result in reduced or delayed sales or lost orders. Many of the materials used in the production of our products are available only from a limited number of foreign suppliers, particularly suppliers located in Asia.

V Our business results depend on our ability to successfully manage ongoing organizational changes. Our financial projections assume successfully executing certain of these organizational changes, including the motivation and retention of key employees and recruitment of qualified personnel, which is critical to our business success.

Factors that may affect our ability to attract and retain talented leadership, key individual contributors, and sufficient numbers of qualified employees include:

- Employee morale,
- Our reputation,
- Competition from other employers, and
- Availability of qualified personnel.

Our success is dependent on identifying, developing, and retaining key employees to provide uninterrupted leadership and direction for our business. This includes developing and retaining organizational capabilities in key technology areas, where the depth of skilled or experienced employees may be limited and competition for these resources is intense.

VI Thinfilm is exposed to certain financial risks related to fluctuation of exchange rates.

Going Concern

The board confirms that the financial statements of the group, as well as the parent company, have been prepared under the going concern assumption. During 2019, a strategic decision was made to pivot away from the NFC business and follow an energy storage strategy that leveraged previous investments made in the San Jose, California roll-to-roll factory and related intellectual property. A significant level of restructuring occurred during 2019 and into the first half of 2020, in order to reduce the Company's cost structure.

Per the date of this report, the group and the parent company have sufficient funds to support operations through the first quarter of 2021 independent of the exercise of outstanding warrants. The Company has received written exercise requests for approximately 46 million Warrants B that, as of the date of this report, have yet to be approved by the board. Following approval, receipt of payment, and subsequent issue of shares, the funding raised by such warrant exercises is sufficient to support operations well into the second quarter of 2021. Depending on the timing and extent of the exercise of remaining outstanding warrants, the Company may require additional sources of funding to continue further into 2021. However, if the consolidated entity is not able to successfully raise funds as planned, significant uncertainty would exist as to whether the Company and consolidated entity will continue as going concerns.

The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow. To address the funding requirements of the consolidated entity, the board of directors has, since early Q1 2020, undertaken the following initiatives:

- Secured commitments for equity funding approved by the shareholders at the 20 May 2020 extraordinary general meeting and further commitments for equity funding approved by the shareholders at the 19 August 2020 extraordinary general meeting
- Undertaken a program to continue to monitor the consolidated entity's ongoing working

capital requirements and minimum expenditure commitments; and

- Continued its focus on maintaining an appropriate level of corporate overhead that is in line with the consolidated entity's available cash resources.

The board is mindful that its fundraising activities are taking place in the context of the COVID-19 pandemic. As a consequence, the Company has prioritized raising sufficient funds to provide adequate time to demonstrate subsequent technology and market development milestones, including the production of customer validation samples and the attainment of initial design wins. Following successful attainment of such milestones and depending on the timing and extent of the exercise of outstanding warrants, the Company may seek additional sources of funding according to the previously presented business plan.

At that time, the Company plans to seek additional funds from the investor market, including the US market. Based on this premise, it is appropriate to prepare the financial statements on the going concern basis.

The financial statements for the year ending 2019 reflect a full impairment of the Company's fixed assets and right-of-use asset, given the uncertainty related to its cash position and new strategy. However, the financial statements do not include additional expenses that may be incurred as part of wind-down activities, should the Company and the consolidated entity not continue as going concerns.

In July 2020, the Board received an offer from a consortium of investors, who provided a commitment to subscribe for shares for a total subscription amount of NOK 50 million, subject to certain conditions as to price and warrants subject to approval by an Extraordinary General Meeting.

At the Extraordinary General Meeting of 19 August 2020, shareholders approved a private placement raising NOK 50 million and a subsequent offering raising up to 10 million, for a total of up to NOK 60 million. Additionally, one Warrant C was issued for each share subscribed for in the private placement.

Subscribers in the subsequent offering have also been issued one Warrant C for each share allocated and paid for.

Following the issuance of Warrants C, the Company had three categories of Warrants outstanding during the fourth quarter of 2020:

- Warrant A, which expired on 31 December 2020. Warrants A raised a total of approximately NOK 30 million.
- Warrant B, exercisable at any time until 20 August 2021 at a price of NOK 0.25. If fully exercised, Warrants B can raise a total of NOK 72 million. Following the Company's 6 January 2021 announcement, a total of approximately 12 million Warrants B have been exercised, paid for, and subsequently converted to issued shares. Of the remaining Warrants B, the Company has received written notices of exercise for approximately 46 million Warrants B that, as of the date of this report, have

yet to be approved by the board. Following approval, receipt of payment, and subsequent issue of shares, a further 233 million Warrants B will remain outstanding and unexercised, representing a further fundraising potential of approximately NOK 58 million.

- Warrant C, exercisable between 31 March 2021 and 30 June 2021 at a price of NOK 0.25. If fully exercised, Warrants C can raise a total of NOK 100 million.

The Company also intends to continue to pursue additional sources of capital, including institutional investment in Europe and the United States, to support the Company's plans beyond 2021. There is no assurance that the Company will be successful in raising funds. Failure to obtain future funding, when needed or on acceptable terms, would adversely affect its ability to continue as a going concern.

Thin Film Electronics ASA Group

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

Amounts in USD 1,000	Note	1 October - 31 December 2020	1 October - 31 December 2019	1 January - 31 December 2020	1 January - 31 December 2019
Sales revenue		0	5	491	701
Other income		1	435	22	480
Total revenue & other income		1	440	513	1,181
Operating costs	10,11	(3,394)	(3,599)	(12,531)	(31,942)
Depreciation and amortization		(14)	(809)	(23)	(3,949)
Impairment loss	3,4,5	—	(39,801)	—	(42,379)
Operating profit (loss)		(3,407)	(43,769)	(12,041)	(77,089)
Net financial items	13	(15,302)	(829)	(27,072)	(1,367)
Profit (loss) before income tax		(18,709)	(44,598)	(39,113)	(78,456)
Income tax expense		—			10
Profit (loss) for the period		(18,709)	(44,598)	(39,113)	(78,446)
Profit (loss) attributable to owners of the parent		(18,709)	(44,598)	(39,113)	(78,446)
Profit (loss) per share basic and diluted	7	(USD0.02)	(USD0.76)	(USD0.10)	(USD1.34)
Profit (loss) for the period		(18,709)	(44,598)	(39,113)	(78,446)
Other comprehensive income					
Currency translation		1,083	(177)	874	(637)
Total comprehensive income for the period, net of tax		(17,626)	(44,775)	(38,239)	(79,083)

Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	31 December 2020	31 December 2019
ASSETS	8		
Non-current assets			
Property, plant and equipment	3	225	—
Building	5	—	—
Intangible assets	4	—	—
Other financial receivables	9	574	559
Total non-current assets		799	559
Current assets			
Inventory		—	1
Trade and other receivables	9	1,140	2,806
Cash and cash equivalents (i)	12	5,790	8,872
Total current assets		6,930	11,679
TOTAL ASSETS		7,729	12,238
EQUITY			
Total equity	6	(46,866)	(19,660)
LIABILITIES	8		
Non-current liabilities			
Long-term debt	12	9,709	11,812
Long-term financial lease liabilities	12	12,175	13,244
Total non-current liabilities		21,884	25,056
Current liabilities			
Trade and other payables		3,446	5,454
Warrants liability (ii)	13	26,020	—
Current portion of long-term debt	12	3,245	1,388
Total current liabilities		32,711	6,842
TOTAL EQUITY AND LIABILITIES		7,729	12,238

(i) Includes restricted cash of USD 1,600 thousand, securing the letter of credit issued in 2017 by Thin Film Electronics ASA to the landlord of the San Jose, California facility and USD 228 thousand paid for shares not issued as of the balance sheet date.

(ii) The warrants liability is valued at fair value in accordance with International Financial Reporting Standards ("IFRS"). There are no circumstances in which the Corporation would be required to pay any cash upon exercise or expiry of the warrants. See Note 13.

Consolidated Statements of Changes in Equity

Amounts in USD 1,000	Note	Share capital	Other paid-in equity	Currency translation	Retained earnings	Total
Balance at 1 January 2020		18,660	—	(14,356)	(23,964)	(19,660)
Reduction of share capital by reduction of PAR		(17,726)	—	—	17,726	—
Share based compensation		—	626	—	—	626
Private Placement and subsequent offerings, total (approved 20 May and 19 August 2020)		11,080	(673)	—	—	10,407
Comprehensive income		—	—	874	(39,113)	(38,239)
Balance at 31 December 2020		12,014	(47)	(13,482)	(45,351)	(46,866)
Balance at 1 January 2019		18,660	321,575	(13,719)	(266,806)	59,710
Share based compensation		—	190	—	—	190
Impact of change in accounting policy*		—	—	—	(477)	(477)
Transfer for coverage of losses		—	(321,765)	—	321,765	—
Comprehensive income		—	—	(637)	(78,446)	(79,083)
Balance at 31 December 2019		18,660	—	(14,356)	(23,964)	(19,660)

*=IFRS 16 implementation

Consolidated Cash Flow Statements

Amounts in USD 1,000	Note	1 October - 31 December 2020	1 January - 31 December 2020	1 October - 31 December 2019	1 January - 31 December 2019
CASH FLOW FROM OPERATING ACTIVITIES					
Profit (loss) before tax		(18,709)	(39,113)	(44,598)	(78,456)
Share-based payment (equity part)	6	404	626	74	190
Depreciation and amortization	3,4,5	14	23	809	3,949
Write down inventory, machinery and intangible assets		23	23	38,135	42,379
Loss/(gain) on sale of fixed assets		(139)	(50)	(229)	(241)
Taxes paid for the period		—	—	—	10
Changes in working capital and non-cash items		335	(514)	1,706	1,748
Net financial items		15,352	27,122	829	1,367
Net cash from operating activities		(2,720)	(11,885)	(3,274)	(29,054)
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	3	0	(248)	(99)	(3,177)
Prepayments relating to purchase of property, plant and equipment		—	—	—	(1,653)
Capitalized development expenses	4	—	—	—	(353)
Proceeds from sale of fixed assets		(89)	(89)	100	112
Interest received		1	27	152	152
Net cash from investing activities		(88)	(310)	153	(4,919)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from issuance of shares	6	2,658	13,259	—	—
Proceeds from debt financing		—	—	—	13,200
Deposits		—	—	—	(558)
Interest paid	5	(868)	(3,186)	(812)	(1,525)
Lease payments	5	(239)	(960)	(215)	(860)
Net cash from financing activities		1,551	9,113	(1,027)	10,257
Currency translation effects on cash and bank deposits		—	—	—	—
Net increase (decrease) in cash and bank deposits		(1,257)	(3,082)	(4,148)	(23,716)
Cash and bank deposits at the beginning of the period		7,047	8,872	13,020	32,588
Cash and bank deposits at the end of the period (i)		5,790	5,790	8,872	8,872

(i) Includes restricted cash of USD 1,600 thousand, securing the letter of credit issued in 2017 by Thin Film Electronics ASA to the landlord of the San Jose, California facility and USD 228 thousand paid for shares not issued as of the balance sheet date.

Notes to the Consolidated Financial Statements

1. Information about the group

Thin Film Electronics ASA ("Thinfilm" or "the Company") was founded on 22 December 2005. Thin Film Electronics ASA Group ("Thinfilm") consists of the parent company Thinfilm ASA and the subsidiaries Thin Film Electronics Inc. ("Thinfilm Inc.") and Thin Film Holding ("Thinfilm Holding"). The group was formed on 15 February 2006, when Thinfilm ASA purchased the business and assets, including the subsidiary Thinfilm AB, from Thin Film OldCo AS ("OldCo").

In 2019, a strategic decision was made to pivot away from the NFC business and follow an energy storage strategy that leveraged previous investments made in San Jose, California roll-to-roll factory and related intellectual property.

The Company is a public limited-liability company incorporated and domiciled in Norway. The address of its registered office is Fridtjof Nansens Plass 4, Oslo, Norway. The Company's shares were admitted to listing at the Oslo Axess on 30 January 2008 and to the Oslo Børs on 27 February 2015. On 24 March 2015 Thinfilm's American Depository Receipts (ADRs) commenced trading in the United States on OTCQX International. On 23 June 2020 Thinfilm's US listing transferred to the OTCQB Venture Market.

2. Basis of preparation, accounting policies, and resolutions

This condensed interim financial report for the fourth quarter of 2020 has been prepared in accordance with IAS 34 interim financial reporting. The condensed consolidated interim financial report should be read in conjunction with the consolidated annual financial statements for 2019. The IFRS accounting policies applied in this condensed consolidated interim financial report are in all materiality consistent with those applied and described in the consolidated annual financial statements for 2019. The interim financial statements have not been subject to audit.

The board confirms that the financial statements of the group, as well as the parent company, have been prepared under the going concern assumption. It became evident by the end of 2018 that the slower than anticipated customer adoption of NFC tags on-package would significantly delay the Company's ability to reach cash breakeven. During 2019, a strategic decision was made to pivot away from the NFC business and follow an energy storage strategy that leveraged previous investments made in the San Jose, California roll-to-roll factory and related intellectual property. A significant level of restructuring occurred during 2019, in order to reduce the Company's cost structure. Depending on the timing and extent of the exercise of outstanding warrants, the Company may require additional sources of funding to continue beyond the first quarter of 2021. The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow. Refer to the Principal Risks and Going Concern sections of this Interim Report.

The report was resolved by the Thin Film Electronics ASA Board of Directors on 23 February 2021.

3. Property, plant and equipment

Amounts in USD 1,000	Tangible assets
Period ended 31 December 2020	
Net value on 1 January 2020	—
Additions	248
Disposals	(333)
Exchange differences	—
Impairments	333
Depreciation	(23)
Net book value on 31 December 2020	225
Period ended 31 December 2019	
Net value on 1 January 2019	22,548
Additions	6,187
Disposals	(571)
Exchange differences	(2)
Impairments	(25,778)
Depreciation	(2,384)
Net book value on 31 December 2019	0
Other receivables include USD 3,287 thousand prepayments related to investment in equipment and machinery that had not been received from the suppliers as of 31 December 2020.	

4. Intangible assets

Amounts in USD 1,000	Intangible assets
Period ended 31 December 2020	
Net value on 1 January 2020	—
Additions	—
Disposals	—
Exchange differences	—
Impairment	—
Amortization	—
Net book value on 31 December 2020	—
Period ended 31 December 2019	
Net value on 1 January 2019	2,352
Additions	354
Disposals	—
Exchange differences	—
Impairment	(2,578)
Amortization	(128)
Net book value on 31 December 2019	0

5. Right-of-use

The Company entered into a lease agreement in November 2016 relating to the property building of its US headquarters in San Jose, CA. The lease in San Jose expires in September 2028.

	Lease Liability
Lease liability recognized at 1 January 2020	14,204
Lease payment (see note below)	(1,959)
Interest expense	999
Lease liability as of 31 December 2020	13,244

In the statement of cash flow, principal portions of lease payments are included in line "Lease payment" with an amount of USD 960 thousand, and interest portions of the payments are included in line "Interest paid" with an amount of USD 999 thousand. Both of them are presented as cash flow from financing activities..

For maturity schedule of minimum lease payments, see Note 12.

Right of use assets

Amounts in USD 1000	31 December 2020	31 December 2019
Net value on 1 January	—	10,376
Adjustment*	—	2,543
Impairment	—	(11,504)
Amortization	—	(1,415)
Net book value at end of period	—	0

6. Shares, warrants and subscription rights

Number of shares	
Shares at 1 January 2020	58,593,581
Shares at 31 December 2020	1,041,229,144

Shares at 1 January 2019	58,593,581
Shares at 31 December 2019	58,593,581

Number of subscription rights	1 January - 31 December 2020	1 January - 31 December 2019
Subscription rights opening balance	5,373,230	4,412,622
Grant of incentive subscription rights	81,363,440	5,429,856
Terminated, forfeited and expired subscription rights	(2,568,090)	(4,469,248)
Exercise of subscription rights	—	—
Subscription rights closing balance	84,168,580	5,373,230

Number of warrants	1 January - 31 December 2020	1 January - 31 December 2019
Warrants opening balance	—	—
Allotment of warrants	982,351,512	—
Exercise and expiry of warrants*	(264,700,476)	—
Warrants closing balance*	717,651,036	0

* 38,468,864 exercised, unpaid warrants are excluded from the Exercise and expiry of warrants line in this table.

The Annual General Meeting of the Company resolved on 28 May 2019 an exchange offer program whereby continuing employees and consultants holding incentive subscription rights ("Eligible Holders") under the Company's 2015, 2016, 2017 and/or 2018 subscription rights programs (the "Former Plans") were entitled to exchange such subscription rights for new subscription rights to be granted under the Company's 2019 subscription right plan. Having been given the opportunity to participate in the exchange program, Eligible Holders holding a total of 1,864,372 subscription rights under the Former Plans have notified the Company that they wish to participate in the exchange program, whereupon such Eligible Holders explicitly waived any right to claim shares under Former Plans. As a result, the board of directors resolved on 25 September 2019 to grant a total of 1,864,372 incentive subscription rights to nineteen Eligible Holders. The grants were made under the Company's 2019 Subscription Rights Incentive Plan, as resolved at the Annual General Meeting on 28 May 2019. The exercise price of the subscription rights is NOK 4.67 per share. Subscription rights granted under this program will vest and become exercisable as follows: 33.3% of the shares subject to the new subscription rights will be vested on the grant date, and the remaining 66.7% will vest in approximately equal quarterly installments over the next 3 years, with approximately 5.55% vesting each quarter on each October 15, January 15, April 15 and July 15 thereafter, subject to the Eligible Holder's continued employment or service with the Company or its subsidiaries on each such date. The subscription rights expire on 28 May 2024.

At the Extraordinary General Meeting of 19 August 2020, the shareholders approved grants of a total of 13,800,000 incentive subscription rights to four board members. The exercise price is NOK 0.15 per share, provided, however, that, subject to the board's discretion, the exercise price may be set higher than NOK 0.15 to avoid any issues with taxation in the jurisdiction of the director. To this end, the subscription rights granted to board members Jon Castor and Kelly Doss on 19 August 2020 have an exercise price per share of NOK 0.3415 per share. 50% of the subscription rights will become vested and exercisable on the earliest of the date immediately preceding the 2021 Annual General Meeting and 30 June 2021, and the remaining 50% of the subscription rights will become vested and exercisable on the earliest of the date immediately preceding the 2022 Annual General Meeting and 30 June 2022.

The board of directors resolved on 11 September 2020 to issue 60,031,441 incentive subscription rights to employees in the Thinfilm group. The grant was made under the Company's 2020 incentive subscription rights plan as resolved at the Extraordinary General Meeting on 19 August 2020. The exercise price of the subscription rights is NOK 0.2840 per share. The subscription rights vest by 50% per year over two years and expire on 19 August 2025.

The number of shares, warrants and subscription rights have been adjusted to reflect the reserve share split resolved by the extraordinary general meeting of the Company on 23 October 2019.

In connection with the 15 April 2020 Extraordinary General Meeting, the Company conducted a reduction of paid in capital by reduction in par value of shares in accordance with the Norwegian Public Limited Companies Act to cover the losses. The implication of this is that a resolution to distribute dividends may not be adopted until three years have elapsed from the registration in the Register of Business Enterprises, unless the share capital subsequently has been increased by an amount at least equal to the reduction. The Board proposed and the shareholders approved a reduction in share capital by a reduction of the par value of the shares from NOK 2.20 to NOK 0.11 per share to cover losses.

In order to secure the commitment by the consortium of investors, in May 2020, the Board resolved, and issued 5,859,357 shares to investors at a subscription price per share of NOK 0.11, equaling the proposed subscription price in the Private Placement. The current board authorization was approved at the 23 October 2019 extraordinary general meeting.

At the Extraordinary General Meeting of 20 May 2020, the proposals in the Notice of the Extraordinary General Meeting were approved by the shareholders.

- 1 The Company completed the private placement and issued 227,272,727 new shares, thereby increasing share capital by NOK 32,089,823.15 divided into 291,725,665 shares, each share had a par value of NOK 0.11. For each private placement share offered, two warrants ("Warrants") are attached and issued to such subscriber. A total of 454,545,454 warrants were issued as part of the private placement. The warrants were issued free of charge. Each warrant will entitle the holder to demand the issuance of one (1) share in the Company. The first tranche of warrants, totaling 227,272,727 warrants ("Warrant A"), expired on 31 December 2020, and were exercisable at an exercise price per share of NOK 0.11. The second tranche of warrants, totaling 227,272,727 warrants ("Warrant B"), have a term expiring on 20 August 2021, and are exercisable at an exercise price per share of NOK 0.25. The warrants are transferable, but will not be listed and tradable on a regulated market.

- 2 The subsequent offering raised NOK 7 million with the issuance of 63,636,363 shares at a subscription price of NOK 0.11. The subscription period expired on 29 June 2020 with the payment for the offered shares due on 7 July 2020. Following payments of the subscription amounts and the registration of the subsequent offering with the Norwegian Register of Business Enterprises, the share capital was NOK 39,089,823.08 divided into 355,362,028 shares, each with a par value of NOK 0.11. For every share subscribed for and allocated in this subsequent offering, two (2) warrants have been attached and issued to such subscriber. As a consequence of this subsequent offering being fully subscribed, a total of 127,272,726 warrants were issued as part of this subsequent offering. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The first tranche of warrants, totaling 63,636,363 warrants ("Warrant A"), expired on 31 December 2020, and were exercisable at an exercise price per share of NOK 0.11. The second tranche of warrants, totaling 63,636,363 warrants ("Warrant B"), have a term expiring on 20 August 2021, and are exercisable at an exercise price per share of NOK 0.25. The warrants are transferable, but will not be listed and tradable on a regulated market. At the Extraordinary General Meeting of 19 August 2020, the proposals in the Notice of the Extraordinary General Meeting were approved by the shareholders.
- 3 The Company completed the private placement of 333,866,666 new shares at a subscription price of NOK 0.15, thereby increasing share capital by NOK 50,080,000. Each share had a par value of NOK 0.11. For each private placement share, a warrant was attached and issued to each subscriber. As a consequence of the private placement offering being fully subscribed, a total of 333,866,666 warrants were issued as part of the offering. The warrants have an exercise price of NOK 0.25, and are exercisable at any time between 31 March 2021 and 30 June 2021. The warrants are transferable, but will not be listed and tradable on a regulated market.
- 4 The subsequent offering raised NOK 10 million with the issuance of 66,666,666 shares at a subscription price of NOK 0.15. The subscription period expired on 15 September 2020 with the shares registered on 1 October 2020. For every share subscribed for and allocated in the subsequent offering, a warrant was attached and issued to such subscriber. As a consequence of the subsequent offering being fully subscribed, a total of 66,666,666 warrants were issued as part of the subsequent offering. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The warrants, totaling 66,666,666 ("Warrant C"), have an exercise price of NOK 0.25 and are exercisable at any time between 31 March 2021 and 30 June 2021. The warrants are transferable, but will not be listed and tradable on a regulated market.

7. Profit (loss) per share

	1 January - 31 December 2020	1 January - 31 December 2019
Profit (loss) attributable to shareholders (USD 1000)	(39,113)	(78,446)
Weighted average basic number of shares in issue	393,183,402	58,593,581
Weighted average diluted number of shares	393,183,402	58,593,581
Profit (loss) per share, basic and diluted	(USD0.10)	(USD1.34)

When the period result is a loss, the loss per diluted number of shares shall not be reduced by the higher diluted number of shares, but the diluted result per share equals the result per basic number of shares.

The diluted number of shares has been calculated by the treasury stock method. If the adjusted exercise price of subscription rights exceeds the average share price in the period, the subscription rights are not counted as being dilutive.

The weighted average basic and diluted number of shares have been adjusted to reflect the reserve share split resolved by the extraordinary general meeting of the Company on 23 October 2019.

8. Guarantees

As a part of the relocation of Thinfilm's US headquarters in the second quarter of 2017 a USD 1,600 thousand Letter of Credit has been issued by Thin Film Electronics ASA to the landlord. Thin Film Electronics ASA has in addition entered into a Tenancy Guarantee with the landlord. The guarantee is given to secure payment of the lease rent. The initial guarantee liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. As of 31 December 2020, the guarantee liability amounted to USD 3,500 thousand.

9. Trade and other receivables

On 31 December 2020, trade and other receivables amounted to USD 1,140 thousand. The components of this balance are specified below.

Amounts in USD 1,000	31 December 2020	31 December 2019
Accounts receivable	—	928
VAT-related receivables	201	167
Pre-payments to suppliers	926	1,710
Other current receivables	13	1
Sum	1,140	2,806

Other non-current financial receivables of USD 574 thousand mostly relates to security deposit held by Utica Leaseco, LLC.

10. Related party transactions

In the period 1 January - 31 December 2020 and 2019, Thinfilm has recorded USD 544 thousand and USD 747 thousand, respectively (net of VAT) for legal services provided by law firm Ræder, in which Thinfilm's Chairman is a partner.

In May 2020, two shareholders provided the company with a bridge loan in the amount of USD 500 thousand. The loan was repaid from the proceeds of the private placement offering approved at the Extraordinary General Meeting of 20 May 2020.

In August 2020, a shareholder provided the company with a bridge loan in the amount of USD 1,000 thousand. The loan was repaid from the proceeds of the private placement offering approved at the Extraordinary General Meeting of 19 August 2020.

The company pays a consultant, who is also a shareholder, for services provided to the company in the amount of USD 27 thousand.

The amount outstanding in Trade and other payables as of 31 December 2020 amounted to USD 176 thousand.

11. Operating costs

Amounts in USD 1000	1 January - 31 December 2020	1 January - 31 December 2019
Payroll	4,766	17,638
Share based remuneration	679	190
Services	1,808	4,138
Premises, supplies	3,270	7,094
Sales and marketing	65	1,059
Other expenses	1,943	1,823
Total operating costs	12,531	31,942

12. Current and long-term debt

In September 2019, the US subsidiary, Thinfilm Electronics, Inc., closed an equipment term loan facility with Utica Leaseco, LLC for USD 13,200 thousand, secured by select fixed assets (see Note 3). The terms of the agreement were interest-only monthly payments for the first six months, followed by three months of interim payments, and thereafter a four-year amortization period during which monthly principal and interest payments are due. The Company entered into First Amendment to lease documents (Amendment) effective 11 April 2020. The terms of the amended agreement were that the lessor agreed to accept reduced payments for the month of April 2020, and interest-only payments for May–November 2020, and thereafter to re-amortize the remaining balance of the transaction. The Company entered into the Second Amendment to the lease documents (Amendment) in December 2020. The new terms of the amended agreement are that the lessor agreed to accept modified payments through June 2021. In July 2021, regular payments will resume, and will include a lump sum “true up” payment for each Schedule to repay the difference of the amounts due and the reduced payments permitted under this Amendment. At 31 December 2020, the current portion of the loan principal of USD 3,245 thousand. The long-term portion of the principal of USD 9,709 thousand is recorded as Long-term Debt in the Consolidated Statements of Financial Position.

The Company has pledged its roll-to-roll production line equipment and certain sheet-line tools as collateral against the Utica loan. Book value of assets pledged is zero.

The Company entered into a lease agreement in November 2016 relating to its US headquarters in San Jose, California. The lease in San Jose expires in September 2028. The building element of the lease agreement is classified as a lease liability. The land element of the lease became classified as a lease liability from 1 January 2019, with the implementation of IFRS 16, having previously been accounted for separately as an operating lease. As a part of the relocation of Thinfilm’s US headquarters in the second quarter of 2017, a USD 1,600 thousand Letter of Credit was issued by Thin Film Electronics ASA to the landlord. The restricted cash of USD 1,600 thousand securing the Letter of Credit is included in the Company’s cash and cash equivalents. Thin Film Electronics ASA, in addition, entered into a Tenancy Guarantee with the landlord. The guarantee was given to secure payment of the lease rent. The initial guarantee liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. As of 31 December 2020, the guarantee liability amounted to USD 3,500 thousand.

The San Jose, California lease is reflected under this caption and the table below. In addition, see Note 8.

The interest rate for the financing is at 17%. Table below disclosures principal payment obligations for the company.

Maturity schedule - liabilities

31 December 2020	1 year	2–3 years	3–4 years	4–5 years	Over 5 years
Principal obligations due	3,245	3,856	4,581	1,274	
Interest payments	2,000	1,389	664	434	
Lease payments	1,996	2,121	2,182	2,246	9,010
Total	7,241	7,366	7,427	3,954	9,010

13. Warrants liability

In connection with the Extraordinary General Meeting held on 20 May 2020, the proposals in the Notice of the Extraordinary General Meeting were approved by the shareholders.

- The private placement and issuance of 227,272,727 new shares, resulted in two warrants (“Warrants”) issued to such subscriber. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The first tranche of warrants, totaling 227,272,727 warrants (“Warrant A”), expired on 31 December 2020, and were exercisable at an exercise price per share of NOK 0.11. The second tranche of warrants, totaling 227,272,727 warrants (“Warrant B”), have a term expiring on 20 August 2021, and are exercisable at an exercise price per share of NOK 0.25. At the time of issue, the value of these warrants was determined to be USD 17,912 thousand based on the Black-Scholes valuation model.

- 2 The subsequent offering of NOK 7 million with the issuance of 63,636,363 shares at a subscription price of NOK 0.11. The subscription period expired on 29 June 2020 with the payment for the offered shares due on 7 July 2020. In addition, for every share subscribed for and allocated in the subsequent offering, two (2) warrants were attached and issued to such subscriber. As a consequence of the subsequent offering being fully subscribed, a total of 127,272,726 warrants were issued as part of the subsequent offering. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The first tranche of warrants, totaling 63,636,363 warrants ("Warrant A"), expired on 31 December 2020, and were exercisable at an exercise price per share of NOK 0.11. The second tranche of warrants, totaling 63,636,363 warrants ("Warrant B"), have a term expiring on 20 August 2021 and are exercisable at an exercise price per share of NOK 0.25. The warrants are transferable, but will not be listed and tradable on a regulated market. At the time of issue, the value of these warrants was determined to be USD 3,725 thousand based on the Black-Scholes valuation model.

At the Extraordinary General Meeting held on 19 August 2020, the proposals in the Notice of the Extraordinary General Meeting were approved by the shareholders.

- 1 The Company completed the private placement of 333,866,666 new shares at a subscription price of NOK 0.15, thereby increasing share capital by NOK 50,080,000. Each share had a par value of NOK 0.11. For each private placement share a warrant was attached and issued to each subscriber. As a consequence of the private placement offering being fully subscribed, a total of 333,866,666 warrants ("Warrant C") were issued as part of the offering. The warrants have an exercise price of NOK 0.25, and are exercisable between 31 March 2021 and 30 June 2021. The warrants are transferable, but will not be listed and tradable on a regulated market. At the time of issue, the value of these warrants was determined to be USD 6,063 thousand based on the Black-Scholes valuation model.
- 2 The subsequent offering raised NOK 10 million with the issuance of 66,666,666 shares at a subscription price of NOK 0.15. The subscription period expired on 15 September 2020 with the shares registered on 1 October 2020. For every share subscribed for and allocated in the subsequent offering, a warrant was attached and issued to such subscriber. As a consequence of the subsequent offering being fully subscribed, a total of 66,666,666 warrants were issued as part of the subsequent offering. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The warrants, totaling 66,666,666 ("Warrant C"), have a term exercise period of between 31 March 2021 and 30 June 2021, and are exercisable at an exercise price per share of NOK 0.25. The warrants are transferable, but will not be listed and tradable on a regulated market. At the time of issue, the value of these warrants was determined to be USD 1,690 thousand based on the Black-Scholes valuation model.

The exercise price of the warrants is denominated in Norwegian Kroner (NOK); however, the functional currency of the Company is the US Dollar. As a result of this difference in currencies, the proceeds that will be received by the Company are not fixed and will vary based on foreign exchange rates. The warrants are a derivative and are required to be recognized and measured at fair value at each reporting period. Any changes in fair value from period to period are recorded as a non-cash gain or loss in the consolidated statement of net loss/(income) and comprehensive loss/(income), in accordance with IFRS 13. Upon exercise, the holders will pay the Company the respective exercise price for each warrant exercised in exchange for one common share of Thin Film Electronics ASA and the fair value at the date of exercise and the associated non-cash liability will be reclassified to share capital. The non-cash liability associated with any warrants that expire unexercised will be recorded as a gain in the consolidated statement of net loss/(income) and comprehensive loss/(income). There are no circumstances in which the Company would be required to pay any cash upon exercise or expiry of the warrants. A reconciliation of the change in fair values of the derivative is below:

	Fair Value of Warrant Liability
Balance, 31 December 2019	\$—
Warrants Issued	29,389
Warrants Exercised	(7,326)
Change in fair value of warrant liability	6,118
Balance, 31 December 2020	28,181
Deferred loss*	(2,161)
Warrants liability, 31 December 2020	26,020

* Of the difference between fair value and transaction price at issue date; USD 19,370 thousand, USD 4,860 thousand has been deferred and is being expensed over the lifetime of the warrants (remaining deferral at 31 Dec 2020 is USD 2,161 thousand) whereas the rest was expensed immediately.

The fair value of the warrants was calculated using the Black-Scholes valuation model. The inputs used in the Black-Scholes valuation model are:

As of 31 December 2020	
Private Placement and Subsequent Offering as approved on 20 May 2020	Warrant B
Share price	NOK 0.36
Exercise price	NOK 0.25
Expected term (in years)	0.64
Expected share price volatility	113.76%
Annual rate of quarterly dividends	0.00%
Risk-free interest rate	0.031%

As of 31 December 2020	
Private Placement and Subsequent Offering as approved on 19 August 2020	Warrant C
Share price	NOK 0.36
Exercise price	NOK 0.25
Expected term (in years)	0.50
Expected share price volatility	82.81%
Annual rate of quarterly dividends	0.00%
Risk-free interest rate	0.02%

See Note 6 for more details.

14. Events occurring after the balance sheet date

On 4 January 2021, Thinfilm announced that certain insiders had submitted written instructions to exercise certain Warrants A. Following subsequent approval by the board of directors and payment of the exercise price of NOK 0.11, each Warrant A was subsequently converted into one (1) new share in the Company.

On 6 January 2021, Thinfilm announced the completed registration of a share capital increase, associated with exercises of certain Warrants A and B announced by the Company on 18 December 2020, with the Register of Business Enterprises. Following the share capital increase, the Company's share capital was NOK 109,854,408.95 divided into 998,676,445 shares, each share having a par value of NOK 0.11.

On 6 January 2021, Thinfilm announced the exercise of a total of 41,480,126 Warrants A and 1,072,573 Warrants B and subsequent resolution to increase the share capital of the Company by NOK 4,680,796.89 in connection with the issuance of shares upon said exercises. Following the share capital increase, the Company's share capital was NOK 114,535,205.84 divided into 1,041,229,144 shares, each share having a par value of NOK 0.11.

On 20 January 2021, Thinfilm announced the grant of incentive subscription rights ("SR") to certain primary insiders in the Company. Kevin Barber, Thinfilm CEO, was granted 11,647,726 SRs at an exercise price of NOK 0.6225 per share. David Williamson, Thinfilm acting CFO, was granted 1,455,966 SRs at an exercise price of NOK 0.6225 per share. Arvind Kamath, Thinfilm EVP technology development & manufacturing, was granted 4,367,897 SRs at an exercise price of NOK 0.6225 per share. Morten Opstad, Chair of the board, was granted 2,341,527 SRs at an exercise price of NOK 0.15 per share. Jon Castor, member of the board, was granted 2,341,527 shares at an exercise price of NOK 0.6225 per share. Kelly Doss, member of the board, was granted 1,170,763 SRs at an exercise price of NOK 0.6225 per share. Preeti Mardia, member of the board, was granted 1,170,763 SRs at an exercise price of NOK 0.15 per share. For Thinfilm employees, 50% of the SRs vest after one year following the date of grant, while the remaining 50% vest two years after the date of grant. The SRs expire on 19 August 2025. For board members, 50% of the SRs will become vested and exercisable on the earliest of the date immediately preceding the first Annual General Meeting after the date of grant and 30 June in the year of such Annual General Meeting, and the remaining 50% of the SRs will become vested and exercisable on the earliest of the date

immediately preceding the Annual General Meeting in the subsequent year and 30 June in such subsequent year. The SRs expire on 19 August 2025.

On 20 January 2021, Thinfilm announced a resolution of the board directors to issue 24,295,824 subscription rights, with an exercise price of NOK 0.6225, to employees in the Thinfilm group. The grant was made under the terms of the Company's 2020 incentive subscription rights plan as resolved at the Extraordinary General Meeting of 19 August 2020, will vest by 50% per year over two years, and expire on 19 August 2025. Following the grant, there are 115,488,714 subscription rights issued and outstanding in Thinfilm.

On 26 January 2021, Thinfilm announced the next phase of its strategy to support the commercialization of the Company's premium microbattery products based on solid-state lithium battery ("SSLB") technology. To support the microbattery needs of its target markets, Thinfilm has launched development of its innovative product platform based on the Company's core SSLB technology and has completed the design of the first product optimized for its initial target markets. The Company also announced that Thinfilm's go-to-market initiatives have resulted in signed evaluation agreements with potential customers and partners. As the Company proceeds toward commercialization and scale-up of its SSLB technology, leveraging its existing roll-to-roll facility, it has prioritized those engagements with the greatest potential to leverage the energy density, form factor, and cycling advantages of the core product platform. In parallel, the Company's go-to-market team is engaging global market leaders in additional categories, such as wearables and defense, where Thinfilm SSLB advantages address the limitations of legacy battery technologies.

On 26 January 2021, Thinfilm announced the completed registration of a share capital increase, associated with exercises of certain Warrants A and B announced by the Company on 6 January 2021, with the Register of Business Enterprises. Following the share capital increase, the Company's share capital was NOK 114,535,205.84 divided into 1,041,229,144 shares, each share having a par value of NOK 0.11.

On 9 February 2021, Thinfilm announced the availability of an updated corporate presentation and a Nordnet video briefing featuring Thinfilm CEO Kevin Barber.

Thin Film Electronics ASA

Second Quarter 2019

Interim Report and
Financial Statements



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Highlights

- Product revenue in the first half of 2019 declined approximately 35% versus the same period in 2018
- Company announced a corporate restructuring on July 19, 2019, designed to yield nearly \$15 million in annualized savings at the operating level and resulting in over a 50 percent reduction in the work force
- Company evaluating financing alternatives after cancellation of Private Placement
- As of June 30, 2019, the company's cash and cash equivalents totaled approximately USD 8.4 million. The company believes that the existing cash and cash equivalents will be sufficient to meet its anticipated cash needs through the third quarter of 2019. The company is currently seeking alternative forms of financing to meet its financial obligations. There is no assurance that the company will be successful in raising funds. Failure to obtain future funding when needed, or on acceptable terms, would adversely affect its ability to continue as a going concern.

Locations

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ThinfilmNFC.com

Business Review

Thinfilm's transformation continued during the second quarter of 2019 as detailed in its restructuring announcement in March 2019. This announcement was followed by a second restructuring announcement in July 2019, identifying further action taken by the company to reduce its cost structure. The first half of 2019 focused on developing and building market adoption of its brand protection and consumer engagement solutions and maximizing the value of its Junction Avenue, San Jose, CA roll-to-roll printed electronics technology and factory. With an attempted private placement in June proving unsuccessful, the company is pursuing alternative paths to financing the company's strategic initiatives.

Thinfilm has also been actively evaluating strategic alternatives to find new and interesting applications for the San-Jose-based roll-to-roll printed dopant polysilicon (PDPS) line and continues to pursue paths to maximize the value of the assets and technology. The factory's combination of capabilities, including roll-based production, robust metal foil substrate handling, CMOS TFT production, materials and process knowhow, and print expertise, position it to effectively address market needs for R&D, initial production, and scale-up activities necessary between basic research and prototyping at university facilities and large-scale contract manufacturing. Beyond the product categories prioritized by Thinfilm, opportunities exist to utilize the factory's unique technology in flexible large-area electronics applications, flexible sensors, novel energy conversion devices, thin and flexible batteries, displays, and barriers.

Events

FUTR **London, England**

April 24-25, 2019

FUTR is a conference and expo for brands and retailers across digital, marketing, e-commerce, retail, innovation and customer experience within various verticals including spirits and beauty. Thinfilm exhibited in the main hall, and about 2,500 attendees had the opportunity to visit the booth to discuss consumer engagement and supply chain visibility capabilities of the NFC-enabled solutions.

Scotch Whisky Association Event (SWA) **Edinburgh, Scotland**

May 22-23, 2019

Thinfilm was proud to be an exhibitor as part of the annual SWA event in Edinburgh for the first time. Scotch Whisky is the UK's largest food and drink export, accounting for 21% of all food and drink exports and adding \$6.9B in Gross Value to the UK economy. The industry also recently announced it has surpassed the 2m distillery visitor mark in 2018.

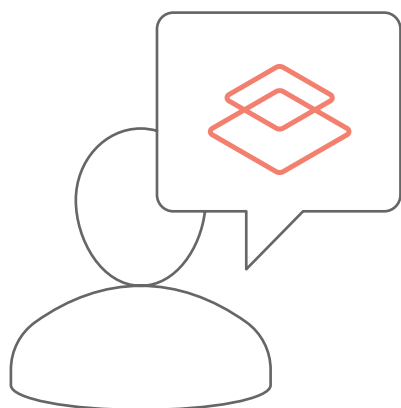
The event brings together all key players in the industry, so it presented an opportunity to network and build upon previous relevant work with Diageo (Johnnie Walker), Kilchoman and William Grant & Sons (The Balvenie). The event took place the day after the Balvenie Stories announcement, and there was great interest in that partnership and our well-publicised work with other whisky brands.

Active & Intelligent Packaging Summit Americas (AIPIA)

Jersey City, New Jersey, USA

June 3-4, 2019

AIPIA is the "smart packaging" trade group, of which Thinfilm is a board member. Attendees are primarily packaging converters and brands. Thinfilm, perceived as a leader and pioneer among NFC solution providers, exhibited its NFC connected products solutions and attracted significant interest at the booth. In addition, Thinfilm representatives led a 30-minute seminar on "Empowering Brands & Engaging Consumers with a Connected Products Platform." More than a dozen solution providers were invited to pitch to Mondelez to create potential new packaging for its Toblerone chocolate brand. As in the previous year, Thinfilm partnered with Jones Packaging on this pitch.



Thinfilm was proud to be an exhibitor as part of the annual SWA event in Edinburgh for the first time.

About Thinfilm

Thinfilm is enabling Intelligence Everywhere® through our Near Field Communications (NFC) solutions. We help clients engage directly with consumers, protect brand equity, and understand their supply chains as never before.

Our award-winning, fully integrated NFC solutions reduce complexity and accelerate client success by overcoming the limitations of search and email marketing, defending against counterfeiting and gray market trade, and providing actionable supply chain insights throughout the product and consumer journeys. We enable companies to take back control to protect their brands and engage their consumers directly.

By combining state-of-the-art NFC tag hardware, integration expertise, and the flexibility enabled by the CNECT® Cloud Platform, Thinfilm brings dynamic digital life to everyday products and packages. Thinfilm is a leading participant in the NFC community through its participation on the NFC Forum board of directors, committees, and working groups.

Thin Film Electronics ASA is a publicly listed company in Norway with corporate headquarters in Oslo, global headquarters in San Jose, California, and offices worldwide.

Condensed Consolidated Financial Report as of 30 June 2019

Thinfilm sales revenue decreased in the first six months of 2019 compared to the same period in 2018. Both EAS (electronic article surveillance) and NFC (near-field communications) shipments declined, resulting in a 35% decrease in product revenue year over year. Total revenues and other income decreased 53% in the first six months of 2019 compared to the same period in 2018, primarily due to extraordinary accounting gains related to the sale of excess equipment in 2018. The company continued to reduce its operating cost base, primarily driven by restructuring, cost control activities, and lower manufacturing activity level.

Profit and Loss

Thinfilm's sales revenue in the first six months of 2019 was USD 567 thousand, compared to USD 866 thousand during the same period last year, with 5.3 million EAS tags shipped to date versus 11.3 million for the same period last year. Shipment of NFC SpeedTap increased to 838 thousand tags for the first six months of 2019, from 713 thousand for the same period last year.

Income related to government grants and other funded projects amounted to USD 529 thousand in the first six months of 2019 and USD 1,119 thousand in the first six months of 2018. The decrease is explained by certain EU funded projects being completed during the year 2018 and the first six months of 2019.

Excluding government grants, other income amounted to USD 113 thousand in the first six months of 2019, compared to USD 406 thousand during the same period last year. Other income for the first six months of 2018 was primarily related to gains on the disposal of fixed assets. Disposed assets included those acquired when the Company secured the Junction Avenue facility, in addition to surplus Linköping site assets. Beginning in Q3 2018, the company has received sublease income from the second floor of its Junction Avenue, San Jose facility.

Operating costs (excluding depreciation and amortization charges) amounted to USD 21,612 thousand during the first six months of 2019, including the notional cost of share-based compensation of USD 635 thousand. The corresponding figures for the same period last year were USD 27,219 thousand and USD 695 thousand, respectively. The decrease in operating costs during the first six months of 2019, compared to the same period of 2018, was USD 5,607 thousand, and was primarily attributable to:

- 1) USD 1,858 thousand lower costs for premises and supplies. The downsizing of activities during the first six months of 2019 led to a decrease in premises and supply costs in San Jose. During 2018, Thinfilm's San Jose site was operating 24 hours per day, 7 days per week. In addition, with the implementation of IFRS 16 from 1 January 2019, the land component of the San Jose premises is treated as a financial lease, and therefore, no longer recognized as a rental expense, resulting in USD 30 thousand lower rent expense on a monthly basis.
- 2) USD 937 thousand lower sales and marketing costs. Cost savings initiatives have reduced travel expenses and other sales and marketing-related costs during the first six months of 2019 compared to the same period of 2018.
- 3) USD 2,283 thousand lower employee share based remuneration costs. The fair value of granted employee subscription rights are valued based on the Black-Scholes formula and expensed over the vesting period. This expense is lower in the first six months of 2019 compared to the same period of 2018.

Thinfilm maintains its core R&D activity. During the first six months of 2019, USD 811 thousand was spent developing manufacturing processes and operating procedures for roll-to-roll manufacturing. The corresponding amount for the same period of 2018 was USD 4,893 thousand. The capitalized development costs relating to EAS were impaired as of 30 December 2018, as Thinfilm will discontinue the current EAS business after exhausting existing inventory.

Investments in fixed and intangible assets amounted to USD 2,129 thousand during the first six months of 2019, compared to USD 9,018 thousand during the same period of 2018. The significant investments made during the first six months of 2018 were primarily related to equipment for the new roll-based production line at the San Jose site. For the period ending 30 June 2019, Thinfilm had also made prepayments amounting to USD 4,977 thousand relating to investments in equipment and machinery and USD 9,748 during the first six months of 2018. These pre-payments are recognized as other receivables, since only part of the equipment and machinery had been received from suppliers as of 30 June 2019. Thinfilm's roll-to-roll capital expenditure program is expected to cost USD 33,500 thousand versus USD 32,000 thousand initially budgeted in November 2016. Approximately eighty-six percent of these costs have been incurred as at 30 June 2019, including the pre-payments referred to above. Depreciation, amortization and impairment charges during the first six months of 2019 amounted to USD 2,163 thousand and during the first six months of 2018 the charges amounted to USD 1,988 thousand.

Net financial items for the first six months of 2019 amounted to a gain of USD 73 thousand compared to the first six months of 2018, which amounted to a gain of USD 1,973 thousand. The first six months of 2019 included realized gains offset by interest expense, while for the first six months of 2018, unrealized foreign currency gains was the largest component.

The Company operates at a loss, and there is a tax loss carryforward position in the parent company and in the Swedish and U.S. subsidiaries. While local taxes are incurred in some of the subsidiaries, the parent company in Norway has not incurred any tax costs during the first six months of 2019, nor in the same period of the prior year. The Company has not recognized any deferred tax assets on its balance sheet relating to these tax loss carryforward positions, as this potential asset does not yet qualify for inclusion.

The loss for the first six months of 2019 was USD 22,597 thousand, corresponding to a basic loss per share of USD 0.02. During the same period of 2018, the loss amounted to USD 25,255 thousand, corresponding to a basic loss per share of USD 0.02.

Cash Flow

The group's cash balance decreased by USD 24,149 thousand during the first six months of 2019, compared to a decrease of USD 31,892 thousand during the same period last year. The net decrease in cash balance is explained by the following principal elements:

- 1) USD 19,028 thousand outflow from operating activities,
- 2) USD 4,662 thousand outflow from investing activities,
- 3) USD 474 thousand outflow from financing activities, and
- 4) USD 15 thousand currency translation gain on cash and bank deposits.

The USD 19,028 thousand outflow from operating activities is primarily explained by an operating loss, excluding depreciation, amortization and impairment charges, of USD 2,163 thousand. The cash balance on 30 June 2019 was USD 8,439 thousand, as compared to the cash balance on 30 June 2018 of USD 66,228 thousand.

Balance Sheet

Fixed assets on 30 June 2019 amounted to USD 22,630 thousand and mainly stem from machinery and equipment in San Jose, California. Other receivables include USD 4,977 thousand prepayments related to equipment and machinery that had yet to be received from the suppliers as of 30 June 2019. The Company has a financial lease on the balance sheet which amounts to USD 12,166 thousand and relates to the new US headquarters. With the implementation of IFRS 16 from 1 January 2019, the financial lease includes both the building and land component of the San Jose site, whereas it previously only included the building component. Intangible assets amounted to USD 2,626 thousand as of 30 June 2019. Intangible assets include the value of patents acquired from Kovio, Inc. in 2014, and certain capitalized development costs.

Principal Risks

Thinfilm is exposed to various risks of a financial and operational nature. It is the duty of the board to present the principal risks of Thinfilm and its business. The company's predominant risks are market and business risks, summarized in the following points:

- I The company is not yet cash generative and operates at a loss, and there is uncertainty tied to the generation of future cash flow. The company is currently exploring financing alternatives to fund operations after restructuring. The company's cash and cash equivalents as of June 2019 was approximately USD 8.4 million. The company believes that the existing cash balance will be sufficient to meet its anticipated cash needs through the third quarter of 2019. With respect to the company's financial obligations, there is no assurance that the company will be successful in raising funds. Failure to obtain future funding when needed, or on acceptable terms, would adversely affect its ability to continue as a going concern.
- II Many of the emerging markets that Thinfilm targets, as well as the markets it intends to pursue, are still immature for in-market deployments and there is a potential risk of delays in the timing of sales.
- III To a certain extent, Thinfilm is dependent on continued collaboration with technology, material, and manufacturing partners.
- IV There may be process and product-development risks that arise related to cost-functionality competitiveness of the products Thinfilm is developing.

Going forward, Thinfilm foresees four important revenue sources:

- 1 Sales of its own designed products, and;
- 2 Sales of conventional NFC labels manufactured for Thinfilm and suitably encoded for use by its platforms, and;
- 3 Monetization of Thinfilm's CNECT software platform, and;
- 4 Licensing/royalty revenue, where partners and customers pay for using the company's intellectual property rights (IPR).

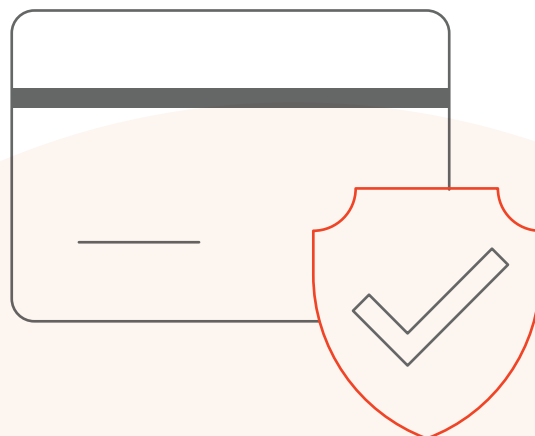
Thinfilm is exposed to certain financial risks related to fluctuation of exchange rates and interest level.

For the period ending 30 June 2019, equity amounted to USD 35,692 thousand, representing 62% of the gross balance sheet and 191% of the share capital.

Outlook

Thinfilm has been actively evaluating strategic alternatives to find new and interesting applications for the San-Jose-based roll-to-roll printed dopant polysilicon (PDPS) line and continues to pursue paths to maximize the value of the assets and technology. The factory's combination of capabilities, including roll-based production, robust metal foil substrate handling, CMOS TFT production, materials and process knowhow, and print expertise, position it to effectively address market needs for R&D, initial production, and scale-up activities necessary between basic research and prototyping at university facilities and large-scale contract manufacturing. Beyond the product categories prioritized by Thinfilm, opportunities exist to utilize the factory's unique technology in flexible large-area electronics applications, flexible sensors, novel energy conversion devices, thin and flexible batteries, displays, and barriers.

While the management team is confident in the viability of NFC technology in the long term, market adoption has been slower than anticipated. This slower-than-expected growth rate of NFC tags on-package deployment has required the company to analyze how to best fit this longer-term strategy into its near term need to generate a path to breakeven. On July 19, 2019, the company, in delivering against its strategy, announced a restructuring to further right size the business. After the cancellation of Private Placement Financing, alternatives are being considered. The company plans to maintain its focus on developing and building market adoption of its brand protection and consumer engagement solutions and maximizing the value of its Junction Avenue, San Jose, CA roll-to-roll printed electronics technology and factory.



Thin Film Electronics ASA Group

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

Amounts in USD 1,000	Note	1 January – 30 June 2019	1 January – 30 June 2018	1 January – 31 December 2018
Sales revenue		567	866	1,288
Other operating revenue		–	–	–
Other income		529	1,119	2,110
Total revenue & other income		1,096	1,985	3,397
Operating costs	10,11	(21,612)	(27,219)	(54,473)
Depreciation, amortization and impairment loss	3,4,5	(2,163)	(1,988)	(19,546)
Operating profit (loss)		(22,679)	(27,222)	(70,622)
Net financial items		73	1,973	(1,089)
Profit (loss) before income tax		(22,606)	(25,249)	(71,711)
Income tax expense		9	(5)	(11)
Profit (loss) for the period		(22,597)	(25,255)	(71,722)
Profit (loss) attributable to owners of the parent		(22,597)	(25,255)	(71,722)
Profit (loss) per share basic and diluted	7	(USD0,02)	(USD0,02)	(USD0,06)
Profit (loss) for the period		(22,597)	(25,255)	(71,722)
Other comprehensive income				
Currency translation		(73)	(360)	(198)
Total comprehensive income for the period, net of tax		(22,670)	(25,615)	(71,921)

Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	30 June 2019	30 June 2018	31 December 2018
ASSETS	8			
Non-current assets				
Property, plant and equipment	3	22,630	26,789	22,548
Financial lease	5	12,166	10,997	10,375
Intangible assets	4	2,626	2,930	2,353
Total non-current assets		37,422	40,716	35,276
Current assets				
Inventory		2,029	2,698	2,640
Trade and other receivables	9	8,794	14,781	8,862
Cash and cash equivalents		8,439	66,228	32,588
Total current assets		19,262	83,708	44,090
TOTAL ASSETS		56,684	124,423	79,366
EQUITY				
Ordinary shares	6	18,660	18,660	18,660
Other paid-in equity		322,175	320,540	321,575
Currency translation		(15,958)	(13,881)	(13,719)
Retained earnings		(289,185)	(220,338)	(266,806)
Total equity		35,692	104,981	59,709
LIABILITIES	8			
Non-current liabilities				
Deferred tax liabilities			-	-
Long-term financial lease liabilities		13,799	11,818	11,525
Total non-current liabilities		13,799	11,818	11,525
Current liabilities				
Trade and other payables		7,193	7,624	8,132
Total current liabilities		7,193	7,624	8,132
Total equity and liabilities		56,684	124,423	79,366

Consolidated Statements of Changes in Equity

Amounts in USD 1,000	Share capital	Other paid-in equity	Currency translation	Retained earnings	Total
Balance at 1 January 2019	18,660	321,575	(13,719)	(266,806)	59,710
Share issues	—	—	—	—	—
Share based compensation	—	635	—	—	635
Impact of change in accounting policy*	—	(35)	(2,166)	218	(1,983)
Comprehensive income	—	—	(73)	(22,597)	(22,670)
Balance at 30 June 2019	18,660	322,175	(15,958)	(289,185)	35,692
Balance at 1 January 2018	18,660	319,819	(13,521)	(195,084)	129,874
Share issues	—	(15)	—	—	(15)
Share based compensation	—	736	—	—	736
Comprehensive income	—	—	(360)	(25,255)	(25,615)
Balance at 30 June 2018	18,660	320,540	(13,881)	(220,338)	104,981
Balance at 1 January 2018	18,660	319,819	(13,521)	(195,084)	129,874
Share issues	—	(15)	—	—	(15)
Share based compensation	—	1,771	—	—	1,771
Comprehensive income	—	—	(198)	(71,722)	(71,921)
Balance at 31 December 2018	18,660	321,575	(13,719)	(266,806)	59,709

*=IFRS 16 implementation

Consolidated Cash Flow Statements

Amounts in USD 1,000	Note	1 January – 30 June 2019	1 January – 30 June 2018	1 January – 31 December 2018
Cash flow from operating activities				
Profit (loss) before tax		(22,606)	(25,249)	(71,711)
Share-based payment (equity part)	6	635	736	1,771
Depreciation and amortization	3,4,5	2,163	1,988	3,947
Write down inventory, machinery and intangible assets		—	—	14,832
Gain on sale of fixed assets		(12)	(399)	(479)
Taxes paid for the period		(46)	(51)	(91)
Changes in working capital and non-cash items		838	(5,866)	(686)
Net cash from operating activities		(19,028)	(28,841)	(52,418)
Cash flow from investing activities				
Purchase of property, plant and equipment	3	(1,781)	(2,846)	(6,004)
Prepayments relating to purchase of property, plant and equipment		(2,735)	(2,683)	(5,005)
Financial lease payments		—	—	—
Purchases of intangible assets		—	—	—
Capitalized development expenses	4	(229)	(814)	(1,580)
Proceeds from sale of fixed assets		12	1,186	1,389
Interest received		71	188	291
Net cash from investing activities		(4,662)	(4,969)	(10,908)
Cash flow from financing activities				
Proceeds from issuance of shares	6	—	(15)	(15)
Financial lease payments		(474)	(307)	(600)
Net cash from financing activities		(474)	(322)	(615)
Currency translation effects on cash and bank deposits		15	2,241	(1,590)
Net increase (decrease) in cash and bank deposits		(24,149)	(31,892)	(65,532)
Cash and bank deposits at the beginning of the period		32,588	98,120	98,120
Cash and bank deposits at the end of the period		8,439	66,228	32,588

Notes to the Consolidated Financial Statements

1. Information about the group

Thin Film Electronics ASA ("Thinfilm" or "the Company") was founded on 22 December 2005. Thin Film Electronics ASA Group ("Thinfilm") consists of the parent company Thinfilm ASA and the subsidiaries Thin Film Electronics AB ("Thinfilm AB"), Thin Film Electronics Inc. ("Thinfilm Inc."), Thin Film Holding ("Thinfilm Holding"), Thin Film Electronics KK ("Thinfilm KK"), Thin Film Electronics HK Limited ("Thinfilm HK"), Thin Film Electronics UK Ltd. ("Thinfilm UK"), Thin Film Electronics Co. Ltd. ("Thinfilm China"), Thin Film Electronics Singapore pte. Ltd. ("Thinfilm SING"). The group was formed on 15 February 2006, when Thinfilm ASA purchased the business and assets, including the subsidiary Thinfilm AB, from Thin Film OldCo AS ("OldCo").

The objectives of the Company shall be to enable Intelligence Everywhere® through near field communications (NFC) solutions, including hardware, software and integration services. These objectives may be carried out in full internally, or in whole or in part externally through collaborative efforts with one or more of the Company's ecosystem partners.

The Company is a public limited-liability company incorporated and domiciled in Norway. The address of its registered office is Fridtjof Nansens Pluss 4, Oslo, Norway. The Company's shares were admitted to listing at the Oslo Axess on 30 January 2008 and to the Oslo Børs on 27 February 2015. On 24 March 2015 Thinfilm's American Depository Receipts (ADRs) commenced trading in the United States on OTCQX International.

2. Basis of preparation, accounting policies, and resolutions

This condensed interim financial report for the first six months of 2019 has been prepared in accordance with IAS 34 interim financial reporting. The condensed consolidated interim financial report should be read in conjunction with the consolidated annual financial statements for 2018. The IFRS accounting policies applied in this condensed consolidated interim financial report are in all materiality consistent with those applied and described in the consolidated annual financial statements for 2018.

The group has applied IFRS 16 from 1 January 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Please refer to note 5 for details. There is no further material impact on the consolidated financial statements as a result of new IFRS standards.

The going concern assumption has been applied when preparing this interim financial report. This consolidated interim financial report has not been subject to audit. As of June 30, 2019, the company currently has approximately USD 8.4 million of cash and cash equivalents. The company believes that the existing cash and cash equivalents will be sufficient to meet its anticipated cash needs through the third quarter of 2019. The company is currently seeking alternative forms of financing to meet its financial obligations. There is no assurance that the company will be successful in raising funds. Failure to obtain future funding when needed, or on acceptable terms, would adversely affect its ability to continue as a going concern.

The report was resolved by the Board of Directors on August 29, 2019.

3. Property, plant and equipment

Amounts in USD 1,000	Tangible assets
Period ended 30 June 2019	
Net value on 1 January 2019	22,548
Additions	1,781
Disposals	—
Exchange differences	(364)
Impairments	—
Depreciation	(1,335)
Net book value on 30 June 2019	22,630
Other receivables include USD 4,977 thousand prepayments related to investment in equipment and machinery that had not been received from the suppliers as of 30 June 2019.	
Period ended 30 June 2018	
Net value on 1 January 2018	20,522
Additions	8,204
Disposals	(552)
Exchange differences	(10)
Impairments	—
Depreciation	(1,376)
Net book value on 30 June 2018	26,789
Other receivables include USD 9,748 thousand prepayments related to investment in equipment and machinery that had not been received from the suppliers as of 30 June 2018.	
Year ended 31 December 2018	
Net value on 1 January 2018	20,522
Additions	19,024
Disposals	(692)
Exchange differences	2
Impairments	(13,565)
Depreciation	(2,742)
Net book value on 31 December 2018	22,548
Other receivables include USD 4,846 thousand prepayments related to investment in equipment and machinery that had not been received from the suppliers as of 31 December 2018.	

4. Intangible assets

Amounts in USD 1,000	Intangible assets
Period ended 30 June 2019	
Net value on 1 January 2019	2,353
Additions	348
Disposals	—
Exchange differences	—
Impairment	—
Amortization	(75)
Net book value on 30 June 2019	2,626
Period ended 30 June 2018	
Net value on 1 January 2018	2,190
Additions	814
Disposals	—
Exchange differences	—
Impairment	—
Amortization	(75)
Net book value on 30 June 2018	2,930
Year ended 31 December 2018	
Net value on 1 January 2018	2,190
Additions	1,582
Disposals	—
Exchange differences	—
Impairment	(1,268)
Amortization	(151)
Net book value on 31 December 2018	2,353

5. Financial lease

The Company entered into a lease agreement in November 2016 relating to the property building of its new US headquarter in San Jose, CA. The lease in San Jose expires in September 2028. The building element of the lease agreement is classified as a financial lease, as the present value of the minimum lease payments amounts to substantially all of the fair value of the leased asset. The land element of the lease became classified as a financial lease from 1 January 2019, with the implementation of IFRS 16, having previously been accounted for separately as an operating lease.

Net book value of financial lease asset:

Amounts in USD 1,000	30 June 2019	30 June 2018	31 December 2018
Net value on 1 January	10,375	11,534	11,534
Adjustment*	2,544	—	(105)
Amortization	(753)	(536)	(1,053)
Net book value at end of period	12,166	10,997	10,375

*Mainly impact of change in accounting policy 1 January 2019

Present value of minimum lease payments:

Amounts in USD 1,000	30 June 2019	30 June 2018	31 December 2018
Less than one year	1,519	1,418	1,493
Between one and five years	5,526	5,403	5,481
More than five years	5,454	6,453	5,697
Sum	12,499	13,274	12,671

IFRS 16 implementation:

On transition to IFRS 16, the Group recognized an additional USD 2,036 thousand right-of-use assets, USD 2,761 thousand lease liability, USD 250 thousand deferred rent balance, and USD 476 thousand to retained earnings. The recognized amounts relate in full to the land component of the San Jose site, previously recognized as an operating lease. The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense.

Amounts in USD 1,000	
Operating lease commitment at 31 December 2018	4,418
Discounted using incremental borrowing rate	(992)
Financial lease liability 31 December 2018	3,425
Recognition exemption for short-term leases and low-value assets	(664)
Lease liabilities recognized at 1 January 2019	2,761

Right-of-use asset recognized 1 January 2019	2,036
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The right-of-use asset is calculated as the lease liability at commencement, adjusted for the percentage of term remaining and deferred rent balance.

6. Shares, warrants and subscription rights

Number of shares			
Shares at 1 January 2019			1,171,871,617
Shares at 30 June 2019			1,171,871,617
Shares at 1 January 2018			1,171,871,617
Shares at 31 December 2018			1,171,871,617
Number of warrants and subscription rights	1 January – 30 June 2019	1 January – 30 June 2018	1 January – 31 December 2018
Warrants and subscription rights opening balance	88,252,432	122,422,326	122,422,326
Grant of incentive subscription rights	13,990,000	4,530,000	52,067,432
Terminated, forfeited and expired subscription rights	(20,212,500)	(18,120,000)	(29,220,000)
Exercise of subscription rights	—	—	—
Allotment of warrants	—	—	—
Exercise and expiry of warrants	—	(40,000,000)	(57,017,326)
Warrants and subscription rights closing balance	82,029,932	68,832,326	88,252,432

7. Profit (loss) per share

	1 January – 30 June 2019	1 January – 30 June 2018	1 January – 31 December 2018
Profit (loss) attributable to shareholders (USD 1,000)	(22,597)	(25,255)	(71,722)
Weighted average basic number of shares in issue	1,171,871,617	1,171,871,617	1,171,871,617
Weighted average diluted number of shares	1,171,871,617	1,171,871,617	1,171,871,617
Profit (loss) per share, basic and diluted	(USD0,02)	(USD0,02)	(USD0,06)

When the period result is a loss, the loss per diluted number of shares shall not be reduced by the higher diluted number of shares, but the diluted result per share equals the result per basic number of shares.

The diluted number of shares has been calculated by the treasury stock method. If the adjusted exercise price of subscription rights exceeds the average share price in the period, the subscription rights are not counted as being dilutive.

8. Contingent assets and liabilities

As a part of the relocation of Thinfilm's US headquarters in the second quarter of 2017 a USD 1,600 thousand Letter of Credit has been issued to the new landlord. The Company has in addition entered into a Tenancy Guarantee with the new landlord. The guarantee is given to secure payment of the lease rent. The initial guarantee liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. As at 30 June 2019, the guarantee liability amounted to USD 4,500 thousand.

9. Trade and other receivables

On 30 June 2019, trade and other receivables amounted to USD 8,794 thousand. The components of this balance are specified below.

Amounts in USD 1,000	30 June 2019	30 June 2018	31 December 2018
Accounts receivable	1,109	1,349	943
Receivables from grants	1,617	1,725	1,249
VAT-related receivables	(194)	400	167
Pre-payments to suppliers	6,195	11,005	6,141
Other current receivables	67	302	362
Sum	8,794	14,781	8,862

10. Related party transactions

In the period 1 January – 30 June 2019, Thinfilm has recorded USD 465 thousand (net of VAT) for legal services provided by law firm Ræder, in which Thinfilm's Chairman is a partner.

11. Operating costs

Amounts in USD 1,000	1 January – 30 June 2019	1 January – 30 June 2018	1 January – 31 December 2018
Payroll	13,338	15,561	31,875
Share-based remuneration	635	695	1,369
Services	3,162	3,089	5,480
Premises, supplies	3,492	5,360	12,047
Sales and marketing	759	1,696	2,889
Other expenses	226	817	814
Total operating costs	21,612	27,219	54,473

12. Events occurring after the balance sheet date

As part of the restructuring of the company to support its new strategy and address that it has become increasingly based in San Jose, CA, Thinfilm:

- 1 Announced on 1 July 2019 that they have replaced their Chief Financial Officer and has appointed Mallorie Burak as their new Chief Financial Officer effective July 1, 2019.
- 2 Announced on 19 July 2019 a restructuring plan to further right-size the business, designed to yield nearly \$15 million in annualized savings at the operating level and as an over 50 percent reduction in the work force.
- 3 In a Board meeting on 23 July 2019, the Board resolved to grant Ms Burak a total of 9,360,000 Employee Subscription Rights ("SRs") under Thinfilm's 2019 Subscription Rights Incentive Plan with an exercise price of NOK 0.15 per share.

Responsibility Statement

The board of directors and the managing director have today reviewed and approved the Thin Film Electronics ASA unaudited interim condensed financial statements as of 30 June 2019.

- The interim condensed consolidated financial statements with notes for the first half of 2019 have been prepared in accordance with IAS 34 – Interim Financial Reporting and additional disclosure requirements as stated in the Norwegian Securities Trading Act section 5-6.
- The interim condensed consolidated financial statements for the first half year of 2019 give a true and fair view of Thin Film's assets, liabilities, financial position and results for the period viewed in their entirety.
- The report from the board of directors issued in concert with these condensed financial statements give a true and fair view of the development,

performance and financial position of the group, and a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements.

- A description of the principal risks and uncertainties for the remaining six months of the financial year have been disclosed in note 2 of the financial statements.
- Major related party transactions have been disclosed in note 10 of the financial statements.
- The report from the board of directors have been prepared in accordance with the Norwegian accounting act and generally accepted accounting practice in Norway.

The board of directors of Thin Film Electronics ASA, Oslo, Norway, 29 August 2019

Morten Opstad
Chairman

Jon S. Castor
Board Member

Preeti Mardia
Board Member

Kelly S. Doss
Board Member

Kevin Barber
Managing Director (CEO)

Thin Film Electronics ASA

Second Quarter 2020

Interim Report and
Financial Statements



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About Thinfilm

Thinfilm is Energizing Innovation™ with ultrathin, flexible, and safe energy storage solutions for wearable devices, connected sensors, and beyond. Thinfilm's innovative solid-state lithium battery (SSLB) technology is uniquely positioned to enable the production of powerful, lightweight, and cost-effective rechargeable batteries for diverse applications. The company's state-of-the-art flexible electronics manufacturing facility, located in the heart of Silicon

Valley, combines patented process technology and materials innovation with the scale of roll-to-roll production methods to bring the advantages of SSLB technology to established and expanding markets.

Thin Film Electronics ASA is a publicly listed company in Norway with corporate headquarters in Oslo and global headquarters in San Jose, California.

Business Review

The second quarter of 2020, Thinfilm's first complete fiscal quarter since the Company announced its Solid-State Lithium Battery (SSLB) strategy, featured multiple accomplishments in technology development and fundraising. As communicated in Thinfilm's January strategy presentation, the Company focused on delivering several milestones, including the expansion of the Company's IP portfolio to include technology related to SSLB production and the production of complete batteries based on Thinfilm's unique stainless steel substrate technology.

Thinfilm's battery strategy is focused on the development and production of premium microbatteries for wearable electronics and connected sensors. The Company's key corporate milestones are built around the development of a positively differentiated microbattery technology featuring superior volumetric energy density, enhanced charge/discharge cycling performance, and additional form factor options compared to currently available coin-cell and pouch-based microbattery products. The Company has therefore prioritized the expansion of its existing, core flexible electronics IP portfolio with SSLB-specific innovation and on 14 April announced the filing of multiple SSLB-related provisional patent applications. Subsequently, Thinfilm announced on 15 June that it had completed successful deposition of critical layers of its SSLB stack. Initial testing of the deposited materials confirmed that Thinfilm's process had already nearly achieved the maximum entitled energy densities expected of its SSLB technology.

On 10 July, Thinfilm announced the achievement of a major milestone: the successful production of the Company's first complete solid-state lithium batteries on steel substrates. Initial characterization testing demonstrated expected energy densities, thereby enabling differentiated microbattery products compared to alternatives. The Company continues the development of its core battery stack technology as well as its cell packaging and stacking technology toward the objective of producing customer validation samples in the third quarter of 2020.

As Thinfilm has continued to validate applications for its differentiated microbattery products, the Company has identified specific market demand in medical wearables and hearables applications for improved energy density and extended cycling. Discussions with

a wide range of prospects, from innovative startups to major global enterprises, have validated demand for the advantages of Thinfilm SSLB technology by emphasizing a desire for smaller batteries, higher energy densities, customized form factors, and longer lifetimes compared to competing rechargeable options. Furthermore, to streamline the integration of Thinfilm SSLBs in next-generation applications within existing markets, the Company plans to partner with leading providers of wireless charging and energy harvesting technology to leverage the superior cycling performance of Thinfilm products.

Following the successful attainment of technical milestones, Thinfilm announced additional committed funding to facilitate the next phase of the Company's technology development and commercialization strategy. Following the pursuit of funding, the board of directors received an offer and commitments from certain investors to subscribe for shares for a total subscription amount of approximately NOK 50 million at a price per share of NOK 0.15. The terms of the committed private placement, announced by the Company on 23 July, include the issuance of one warrant ("Warrant C") for each share subscribed for in the private placement. The Warrant would have an exercise price of NOK 0.25 per share and be exercisable at any time from 31 March 2021 until 30 June 2021. In addition to the private placement, the Company announced a subsequent offering on 23 July. The subsequent offering is designed to raise up to NOK 10 million with a share price and warrant terms identical to those of the private placement. Both the private placement and subsequent offering were proposed by the board and approved by the shareholders in the Extraordinary General Meeting of 19 August 2020. In addition to the total funding amount of up to NOK 60 million, the issued Warrants C could raise up to a combined NOK 100 million if fully exercised, including warrants issued in the private placement and subsequent offering. The potential funding due to exercise of Warrants C is separate from potential funding due to exercise of previously issued Warrants A (totaling up to NOK 32 million, if fully exercised) and Warrants B (totaling up to NOK 72 million, if fully exercised). Remaining Warrants A can be exercised at any time until 31 December 2020 and remaining Warrants B can be exercised at any time until 20 August 2021.

Outlook

Following the January 2020 announcement of an updated corporate strategy, Thinfilm continues to focus on the development, production, and sales of solid-state lithium battery (SSLB) products. For the second half of 2020, the Company is focused on attaining core technology development and market development milestones, including the production of customer validation samples and the Company's initial design wins.

The Company has taken steps to enable continued rapid development of SSLB technology and products. In July, the Company took action to increase the robustness and operational flexibility of its manufacturing environment by accelerating the consolidation of remaining process equipment in its San Jose, California facility. This streamlined approach gives Thinfilm complete control over the material processing environment to increase manufacturing consistency as well as operational flexibility, resulting in increased tool utilization and cycle time reductions of 50% or more.

Based on this consolidated manufacturing environment, Thinfilm is now actively developing customer-ready samples to enable validation of key performance characteristics of the Company's SSLB technology in diverse applications, including wearable devices and connected sensors. These samples will also allow the Company and its ecosystem partners to evaluate Thinfilm SSLB performance together with partner technologies to jointly enable innovative rechargeable systems.

In parallel with technology and product development, Thinfilm is actively pursuing design win opportunities in target markets where SSLB technology can provide positive differentiation. Based on engagements with leading manufacturers of wearable devices and connected sensors, the Company has expanded its potential market to include applications with forecasted annual volumes totaling more than one billion units by 2025.

The Company is prioritizing engagements with customers whose applications value high volumetric energy density, superior cycling performance, and the enhanced form factor options inherent in Thinfilm SSLB products. Substantive discussions with leading wearables OEMs reveal a desire for long product lifetimes and superior reliability – corresponding to

the superior cycling performance of Thinfilm SSLB technology – to minimize service costs and user inconvenience due to premature replacement of failed batteries. Similar discussions with wearable and medical device OEMs demonstrate the value of Thinfilm's superior energy density and form factor options to minimize the battery footprint inside increasingly sleek, lightweight devices.

Following the 19 August 2020 approval of a private placement raising approximately NOK 50 million and a subsequent offering raising up to NOK 10 million, the Company is confident it can fund planned operations well into the fourth quarter of 2020. Depending on the timing and quantity of warrant exercises, including Warrant A (expiring 31 December 2020), Warrant B (expiring 20 August 2021), and Warrant C (exercisable between 31 March 2021 and 30 June 2021), the Company may be able to fund planned operations well into 2021. However, if the timing and quantity of warrant exercises are insufficient to meet the Company's needs, the Company intends to pursue other sources of financing.

Condensed Consolidated Financial Report as of 30 June 2020

Following the announcement of its SSLB strategy in January 2020, Thinfilm rapidly restructured its business operations around the priorities of achieving technical success in SSLB development and deploying a financial model that is optimized to support the Company's critical technical and market development milestones.

Following major restructuring activities during the first quarter of 2020, the Company made incremental reductions in headcount during the second quarter in functions unrelated to core SSLB activities, partially offset by targeted hiring in critical areas including battery technology, process integration, packaging development, and equipment engineering. On 27 May 2020, the Company announced that Mallorie Burak would step down as Chief Financial Officer. Dave Williamson, the Company's corporate controller, was appointed Acting Chief Financial Officer effective 28 May 2020. The Company's revised structure is intended to fully support the activities necessary to achieve technical and market objectives while preserving cash.

Profit and Loss

Thinfilm's sales revenue for the first six months of 2020 was USD 495 thousand, compared to USD 1,181 thousand for the same period last year. For the first six months of 2020, the USD 491 thousand represented the sale of EAS on-hand finished goods inventory that had been prepaid by the customer in December 2019 and delivered in January 2020. There was no income related to government grants and other funded projects during the first six months of 2020 (first half 2019: USD 529 thousand).

Excluding government grants, other income amounted to USD 4 thousand for the first six months of 2020

primarily related to the sublease of the second floor of its Junction Avenue, San Jose, California facility of USD 93 offset by USD 89 thousand representing the loss on the disposal of fixed assets. Other income in the first six months of 2019 included gains on disposal of fixed assets. Disposed assets included those acquired when the company secured the Junction Avenue facility, in addition to surplus Linköping, Sweden site assets.

Operating costs amounted to USD 6,056 thousand during the first six months of 2020, including the notional cost of share based compensation of USD 147 thousand. The corresponding figures for the same period last year were USD 21,612 thousand and USD 635 thousand, respectively. The decrease in operating costs during the first six months of 2020, compared to the same period of 2019, was USD 15,556 thousand primarily attributable to a significant reduction in headcount and its overall cost structure. The expenses by major category are as follows:

- 1 USD 11,612 thousand lower payroll cost due to a reduction in headcount compared to 2019.
- 2 USD 484 thousand lower share based remuneration as a result of lower headcount compared to 2019.
- 3 USD 2,372 thousand lower costs for premises and supplies. The worldwide downsizing of operations in 2019 led to a decrease in premises and supply costs.
- 4 USD 2,027 thousand lower services costs. Expenditures for consultants and contractors have decreased as a result of cost savings initiatives and lower activity levels.
- 5 USD 732 thousand lower sales and marketing costs.

Historically, Thinfilm has maintained a high level of R&D activity. During the first six months of 2020,

nearly all of the Company's substantially reduced R&D expenditures were spent developing manufacturing processes and operating procedures for roll-to-roll manufacturing and solid-state lithium battery technology development.

There was minimal investment in fixed and intangible assets during the first six months of 2020, compared to USD 1,781 thousand during the same period of 2019.

Net financial items for the first six months of 2020 were USD 2,521 thousand compared to USD 73 thousand in the first six months of 2019. The increase is attributable to Interest expense of USD 1,555 thousand and USD 995 thousand charge related to the issuance of warrants tied to the private placement of 227,272,727 warrants and 63,636,363 warrants issued in conjunction with the subsequent offering, both at NOK 0.11.

The Group operates at a loss and there is a tax loss carryforward position in the parent company and in the Swedish and U.S. subsidiaries. The Group has not recognized any deferred tax assets on its balance sheet relating to these tax loss carryforward positions, as this potential asset does not yet qualify for inclusion.

The loss for the first six months of 2020 was USD 8,083 thousand, corresponding to a basic loss per share of USD 0.07. During the same period last year, the loss amounted to USD 22,597 thousand or USD 0.39 per share adjusted for the reverse split.

Cash Flow

The group's cash balance decreased by USD 5,209 thousand during the first six months of 2020, compared to a decrease of USD 24,149 thousand during the same period last year. The net decrease in cash balance is explained by the following principal elements:

- 1 USD 5,869 thousand outflow from operating activities.
- 2 USD 40 thousand outflow from investing activities, and
- 3 USD 700 thousand inflow from financing activities.

The USD 5,869 thousand outflow from operating activities is primarily explained by the smaller loss from operations reflective of the headcount reductions that took place in 2019. During the first half of 2020, the Company raised USD 2,642 thousand in a private placement offering. The cash balance of USD 3,663 includes restricted cash of USD 1,600 thousand, securing the letter of credit issued in 2017 by Thin Film Electronics ASA to the landlord of the San Jose, California facility. (see Note 12: "Current and long-term debt" for further details).

Balance Sheet

Non-current assets amounted to USD 637 thousand as of 30 June 2020 versus USD 559 thousand as of 31 December 2019. The increase is due primarily to additions to property, plant, and equipment. Total current assets amounted to USD 5,260 thousand as of 30 June 2020 versus USD 11,679 thousand as of 31 December 2019. The largest reductions are in cash, which is down USD 5,209 thousand from 31 December 2019, and trade and other receivables, which are down USD 1,210 thousand from 31 December 2019. Non-current liabilities as of 30 June 2020 were USD 24,139 compared to USD 25,056 as of 31 December 2019. Long-term debt decreased by USD 410 thousand and Long-term financial lease decreased by USD 507 thousand, which all related to the total equipment lease (Utica) amount of USD 13,200 thousand. Total current liabilities as of 30 June were USD 6,760 thousand versus USD 6,842 thousand as of 31 December 2019, a decrease of 82 thousand. Included in the first six months of 2020 is USD 995 thousand attributable to the issuance of 581,818,180 warrants in conjunction with the private placement of 227,272,727 shares, and subsequent offering of 63,636,363 shares, as approved by the Extraordinary General Meeting of 20 May 2020. For each share issued as part of that private placement and subsequent offering, the shareholder was issued one "Warrant A", exercisable at a price of NOK 0.11 and expiring 31 December 2020, and one "Warrant B", exercisable at a price of NOK 0.25 and expiring 20 August 2021. If fully exercised, the combined Warrants A and B could raise up to NOK 104,727 thousand.

Principal Risks

Thinfilm is exposed to various risks of a financial and operational nature. The extraordinary current risks of the pandemic and its effect on the world economy are affecting everyone.

The Company's predominant risks are related to the availability and adequacy of financing as well as market and business risks, summarized in the following points:

- I The board's authorization of a substantial restructuring of the business during 2019 resulted in an annualized savings of approximately USD 23 million year-over-year versus 2018. As of 30 June 2020, the Company had a cash balance of approximately USD 3.2 million (including restricted cash of USD 1.6 million), which is sufficient to fund the company into the third quarter of 2020. In connection with the NOK 50 million equity investment approved at the 19 August 2020 Extraordinary General Meeting, a lead participant in the investor consortium has agreed to and has provided the Company with a USD 1 million bridge loan to ensure that the Company has sufficient levels of cash to continue its operations until such time that the equity financing closes. In addition, the Company also expects to issue a subsequent offering of up to NOK 10 million at the same terms offered in the private placement. In aggregate, the proposed equity offerings total NOK 60 million. Following the close of the private placement and assuming full subscription in the subsequent offering, the Company is confident it can fund planned operations well into the fourth quarter of 2020. Depending on the timing and quantity of warrant exercises, including Warrant A (expiring 31 December 2020), Warrant B (expiring 20 August 2021), and Warrant C (exercisable between 31 March 2021 and 30 June 2021), the Company may be able to fund planned operations well into 2021. However, if the timing and quantity of warrant exercises are insufficient to meet the Company's needs, the Company intends to pursue other sources of financing.
- II Technology development and engineering sample availability on Thinfilm's sheet line can be adversely affected by several factors including but not limited to:
 - Quality, composition, and consistency of lithium-based materials, chemicals and unanticipated interactions of the various layers and processes

resulting in longer than planned learning cycles and corrective actions, delaying customer sample engagements.

- Adequate environmental control of the manufacturing area and storage that might compromise the composition, performance, and defectivity of the device.
- Equipment reliability, modifications needed, and process optimization learning cycle efficiency that may limit the uptime, throughput and quality of the devices produced.
- Issues encountered during handling, processing, and assembly of ultrathin substrates and battery stacks.
- Need for new materials or processes and/or equipment to achieve full manufacturing qualification and product reliability.
- The startup and product manufacturing yield ramp on the roll-to-roll line can also be negatively influenced by several of the conditions or events noted below (but not limited to):
 - Achievement of return-to-manufacturing readiness and qualification of the tool set.
 - On site availability of vendor personnel to assist in requalification of the machines with battery materials set.
 - Electro-Static Discharge (ESD) or other phenomena that may cause the need for process or mechanical handling changes in the manufacturing line.
 - Lower than anticipated throughputs and uptime of the equipment with the battery material set resulting in a lower capacity than planned.
- Adequate environmental control of the manufacturing area and storage that might compromise the composition, performance and defectivity of the device.
- New and unknown modes of yield loss necessitating process, practice, or equipment modifications that can result in a slower than planned yield ramp.
- Issues encountered during roll handling, processing, and assembly of ultrathin substrates and battery stacks.
- Our ability to provide OEMs with solutions that provide advantages in terms of size, reliability, durability, performance, and value-added features compared with alternative solutions.

III Many of the markets that Thinfilm targets in connection with its new energy storage strategy will require time in order to gain traction, and there is a potential risk of delays in the timing of sales. Risks and delays may include, but are not limited to:

- Uncertain global economic conditions may adversely impact demand for our products or cause potential customers and other business partners to suffer financial hardship, which could cause delays in market traction and adversely impact our business.
- Our ability to meet our growth targets depends on successful product, marketing, and operations innovation and successful responses to competitive innovation and changing consumer habits that may result in changes in our customers' specifications.

The Company cannot assure that the business will be successful or that we will be able to generate significant revenue. If we fail to establish and build relationships with our customers, or our customers' products which utilize our solutions do not gain widespread market acceptance, we may not be able to generate significant revenue. We do not sell any products to end users, and we do not control or influence the manufacture, promotion, distribution, or pricing of the products that incorporate our solutions. Instead, we design various devices and products that our OEM customers incorporate into their products, and we depend on such OEM customers to successfully manufacture and distribute products incorporating our solutions and to generate consumer demand through marketing and promotional activities. As a result of this, our success depends almost entirely upon the widespread market acceptance of our OEM customers' products that incorporate our devices. Even if our technologies successfully meet our customers' price and performance goals, our sales could fail to develop if our customers do not achieve commercial success in selling their products that incorporate our devices.

Our ability to generate significant revenue from new markets will depend on various factors, including the following:

- The development and growth of these markets;
- The ability of our technologies and product solutions to address the needs of these markets, the price and performance requirements of OEMs, and the preferences of end users; and
- Our ability to provide OEMs with solutions that provide advantages in terms of size, reliability, durability, performance, and value-added features compared with alternative solutions.

IV To a certain extent, Thinfilm is dependent on continued collaboration with technology, materials, and manufacturing partners.

There may be process and product development risks that arise related to time-to-development and cost competitiveness of the energy storage products Thinfilm is developing.

Many manufacturers of these products have well established relationships with competitive suppliers. Our ongoing success in these markets will require us to offer better performance alternatives to other solutions at competitive costs. The failure of any of these target markets to develop as we expect, or our failure to serve these markets to a significant extent, will impede our sales growth and could result in substantially reduced earnings and a restructuring of our operations. We cannot predict the size or growth rate of these markets or the market share we will achieve or maintain in these markets in the future. Shortages of components and materials may delay or reduce our sales and increase our costs, thereby harming our operating results. The inability to obtain sufficient quantities of components and other materials necessary for the production of our products could result in reduced or delayed sales or lost orders. Many of the materials used in the production of our products are available only from a limited number of foreign suppliers, particularly suppliers located in Asia.

V Our business results depend on our ability to successfully manage ongoing organizational changes. Our financial projections assume successfully executing certain of these organizational changes, including the motivation and retention of key employees and recruitment of qualified personnel, which is critical to our business success.

Factors that may affect our ability to attract and retain talented leadership, key individual contributors, and sufficient numbers of qualified employees include:

- Employee morale,
- Our reputation,
- Competition from other employers, and
- Availability of qualified personnel.

Our success is dependent on identifying, developing, and retaining key employees to provide uninterrupted leadership and direction for our business. This includes developing and retaining organizational capabilities in key technology areas, where the depth of skilled or experienced employees may be limited and competition for these resources is intense.

VI Thinfilm is exposed to certain financial risks related to fluctuation of exchange rates.

Going Concern

The board confirms that the financial statements of the group, as well as the parent company, have been prepared under the going concern assumption. During 2019, a strategic decision was made to pivot away from the NFC business and follow an energy storage strategy that leveraged previous investments made in the San Jose, California roll-to-roll factory and related intellectual property. A significant level of restructuring occurred during 2019 and into the first and second quarters of 2020, in order to reduce the Company's cost structure.

Per the date of this report, following the approvals of the private placement and subsequent offering at the Extraordinary General Meeting of 19 August 2020, the group and the parent company have sufficient funds to support operations well into the fourth quarter of 2020 independent of the exercise of outstanding warrants. Depending on the timing and extent of the exercise of warrants, the Company may require additional sources of funding to continue beyond the fourth quarter of 2020. The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow. To address the funding requirements of the consolidated entity, the board of directors has, since early Q1 2020, undertaken the following initiatives:

- Securing commitments for equity funding approved by the shareholders at the 20 May 2020 Extraordinary General Meeting and further commitments for equity funding approved by the shareholders at the 19 August 2020 Extraordinary General Meeting
- Undertaken a program to continue to monitor the consolidated entity's ongoing working capital requirements and minimum expenditure commitments; and
- Continued its focus on maintaining an appropriate level of corporate overhead that is in line with the consolidated entity's available cash resources.

The board is mindful that its fundraising activities are taking place in the context of the COVID-19 pandemic. As a consequence, the Company has raised sufficient funds to provide adequate time to demonstrate

subsequent technology and market development milestones, including the production of customer validation samples and the attainment of initial design wins. Following successful progress toward such milestones and depending on the timing and extent of the exercise of outstanding warrants, the Company may seek additional sources of funding according to the previously presented business plan.

At that time, the Company plans to seek additional funds from the investor market, including the US market. Based on this premise, it is appropriate to prepare the financial statements on the going concern basis. However, if the consolidated entity is not able to successfully complete a fundraising as planned, significant uncertainty would exist as to whether the Company and consolidated entity will continue as going concerns.

The financial statements for the year ending 2019 reflect a full impairment of the Company's fixed assets and financial lease, given the uncertainty related to its cash position and new strategy. However, the financial statements do not include adjustments related to the amounts of liabilities that might be necessary, should the Company and the consolidated entity not continue as going concerns.

In July 2020, the board received an offer from a consortium of investors, who provided a commitment to subscribe for shares for a total subscription amount of NOK 50 million, subject to certain conditions as to price and warrants subject to approval by an Extraordinary General Meeting.

At the Extraordinary General Meeting of 19 August 2020, shareholders approved a private placement raising NOK 50 million and a subsequent offering raising up to 10 million, for a total of up to NOK 60 million. Additionally, one Warrant C will be issued for each share subscribed for in the private placement. Subscribers in the subsequent offering will also receive one Warrant C for each share allocated and paid for. Following the issuance of Warrants C, the Company will have three categories of Warrants outstanding, with a total fundraising potential of approximately NOK 204 million:

- Warrant A, exercisable at any time until 31 December 2020 at a price of NOK 0.11. If fully exercised, Warrants A can raise a total of NOK 32 million.
- Warrant B, exercisable at any time until 20 August 2021 at a price of NOK 0.25. If fully exercised, Warrants B can raise a total of NOK 72 million.
- Warrant C, exercisable between 31 March 2021 and 30 June 2021 at a price of NOK 0.25. If fully exercised, Warrants C can raise a total of NOK 100 million.

In connection with the private placement approved 19 August 2020, lead investors have provided a bridge loan of approximately USD 1 million to the Company to ensure adequate cash remains available to operate until the equity financing closes. Meanwhile, the Company intends to continue to pursue sources of capital in Europe while also expanding outreach to investors based in the United States. There is no assurance that the Company will be successful in raising funds. Failure to obtain future funding, when needed or on acceptable terms, would adversely affect its ability to continue as a going concern.

Thin Film Electronics ASA Group

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

Amounts in USD 1,000	Note	1 January - 30 June 2020	1 January - 30 June 2019	1 January - 31 December 2019
Sales revenue		491	567	701
Other income		4	529	480
Total revenue & other income		495	1,096	1,181
Operating costs	10,11	(6,056)	(21,612)	(31,942)
Depreciation and amortization		(1)	(2,163)	(3,949)
Impairment loss	3,4,5		—	(42,379)
Operating profit (loss)		(5,562)	(22,679)	(77,089)
Net financial items*		(2,521)	73	(1,367)
Profit (loss) before income tax		(8,083)	(22,606)	(78,456)
Income tax expense		—	9	10
Profit (loss) for the period		(8,083)	(22,597)	(78,446)
Profit (loss) attributable to owners of the parent		(8,083)	(22,597)	(78,446)
Profit (loss) per share basic and diluted	7	(USD 0.07)	(USD 0.39)	(USD 1.34)
Profit (loss) for the period		(8,083)	(22,597)	(78,446)
Other comprehensive income				
Currency translation		(48)	(73)	(637)
Total comprehensive income for the period, net of tax		(8,131)	(22,670)	(79,083)

*Net financial items includes a warrants charge of USD 995 thousand and net interest expense of USD 1,526 thousand.

Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	30 June 2020	30 June 2019	31 December 2019
ASSETS	8			
Non-current assets				
Property, plant and equipment	3	64	22,630	—
Building – financial lease	5	—	12,166	—
Intangible assets	4	—	2,626	—
Other financial receivables	9	573	—	559
Total non-current assets		637	37,422	559
Current assets				
Inventory		1	2,029	1
Trade and other receivables	9	1,596	8,794	2,806
Cash and cash equivalents*	13	3,663	8,439	8,872
Total current assets		5,260	19,262	11,679
TOTAL ASSETS		5,897	56,684	12,238
EQUITY				
Ordinary shares	6	3,576	18,660	18,660
Other paid-in equity		147	322,175	—
Currency translation		(14,404)	(15,958)	(14,356)
Retained earnings		(14,321)	(289,185)	(23,964)
Total equity		(25,002)	35,692	(19,660)
LIABILITIES	8			
Non-current liabilities				
Long-term debt	12	11,402	—	11,812
Long-term financial lease liabilities		12,737	13,799	13,244
Total non-current liabilities		24,139	13,799	25,056
Current liabilities				
Trade and other payables		3,967	7,193	5,454
Warrants liability	13	995	—	—
Current portion of long-term debt	12	1,798	—	1,388
Total current liabilities		6,760	7,193	6,842
TOTAL EQUITY AND LIABILITIES		5,897	56,684	12,238

*Cash and cash equivalents includes a restricted cash of USD 1,600 thousand.

Consolidated Statements of Changes in Equity

Amounts in USD 1,000	Share capital	Other paid-in equity	Currency translation	Retained earnings	Total
Balance at 1 January 2020	18,660	—	(14,356)	(23,964)	(19,660)
Reduction of share capital by reduction of PAR	(17,726)	—	—	17,726	—
Share based compensation	—	147	—	—	147
Private placement approved 20 May 2020	2,642	—	—	—	2,642
Comprehensive income	—	—	(48)	(8,083)	(8,131)
Balance at 30 June 2020	3,576	147	(14,404)	(14,321)	(25,002)
Balance at 1 January 2019	18,660	321,575	(13,719)	(266,806)	59,710
Share based compensation	—	635	—	—	635
Impact of change in accounting policy*	—	(35)	(2,166)	218	(1,983)
Comprehensive income	—	—	(73)	(22,597)	(22,670)
Balance at 30 June 2019	18,660	322,175	(15,958)	(289,185)	35,692
Balance at 1 January 2019	18,660	321,575	(13,719)	(266,806)	59,710
Share based compensation	—	190	—	—	190
Impact of change in accounting policy*	—	—	—	(477)	(477)
Transfer for coverage of losses	—	(321,765)	—	321,765	—
Comprehensive income	—	—	(637)	(78,446)	(79,083)
Balance at 31 December 2019	18,660	—	(14,356)	(23,964)	(19,660)

*=IFRS 16 implementation.

Consolidated Cash Flow Statements

Amounts in USD 1,000	Note	1 January – 30 June 2020	1 January – 30 June 2019	1 January – 31 December 2019
Cash flow from operating activities				
Profit (loss) before tax		(8,083)	(22,606)	(78,456)
Share-based payment (equity part)	6	147	635	190
Depreciation and amortization	3,4,5	1	2,163	3,949
Write down inventory, machinery and intangible assets		—	—	42,379
Loss/(gain) on sale of fixed assets		89	(12)	(241)
Taxes paid for the period		—	(46)	10
Changes in working capital and non-cash items		(544)	838	1,748
Net financial items		2,521	—	1,367
Net cash from operating activities		(5,869)	(19,028)	(29,054)
Cash flow from investing activities				
Purchase of property, plant and equipment	3	(65)	(1,781)	(3,177)
Prepayments relating to purchase of property, plant and equipment		—	(2,735)	(1,653)
Capitalized development expenses	4	—	(229)	(353)
Proceeds from sale of fixed assets		—	12	112
Interest received		25	71	152
Net cash from investing activities		(40)	(4,662)	(4,919)
Cash flow from financing activities				
Proceeds from issuance of shares		2,642	—	—
Proceeds from debt financing		—	—	13,200
Deposits		—	—	(558)
Interest paid		(1,466)	—	(1,525)
Lease payments		(476)	(474)	(860)
Net cash from financing activities		700	(474)	10,257
Currency translation effects on cash and bank deposits		—	15	—
Net increase (decrease) in cash and bank deposits		(5,209)	(24,149)	(23,716)
Cash and bank deposits at the beginning of the period (of which USD 1,600 thousand is restricted cash)		8,872	32,588	32,588
Cash and bank deposits at the end of the period		3,663	8,439	8,872

Notes to the Consolidated Financial Statements

1. Information about the group

Thin Film Electronics ASA ("Thinfilm" or "the Company") was founded on 22 December 2005. Thin Film Electronics ASA Group ("Thinfilm") consists of the parent company Thinfilm ASA and the subsidiaries Thin Film Electronics AB ("Thinfilm AB"), Thin Film Electronics Inc. ("Thinfilm Inc."), Thin Film Holding ("Thinfilm Holding"), Thin Film Electronics KK ("Thinfilm KK"), Thin Film Electronics HK Limited ("Thinfilm HK"), Thin Film Electronics UK Ltd. ("Thinfilm UK"), Thin Film Electronics Singapore pte. Ltd. ("Thinfilm SING"). The group was formed on 15 February 2006, when Thinfilm ASA purchased the business and assets, including the subsidiary Thinfilm AB, from Thin Film OldCo AS ("OldCo"). The Company is in the process of dissolving some of these subsidiaries in 2020.

In 2019, a strategic decision was made to pivot away from the NFC business and follow an energy storage strategy that leveraged previous investments made in San Jose, California roll-to-roll factory and related intellectual property.

The Company is a public limited-liability company incorporated and domiciled in Norway. The address of its registered office is Fridtjof Nansens Pluss 4, Oslo, Norway. The Company's shares were admitted to listing at the Oslo Axess on 30 January 2008 and to the Oslo Børs on 27 February 2015. On 24 March 2015 Thinfilm's American Depository Receipts (ADRs) commenced trading in the United States on the OTCQX market. On 23 June 2020, Thinfilm's US listing transferred to the OTCQB Venture Market.

2. Basis of preparation, accounting policies, and resolutions

This condensed interim financial report for the second quarter of 2020 has been prepared in accordance with IAS 34 interim financial reporting. The condensed consolidated interim financial report should be read in conjunction with the consolidated annual financial statements for 2018. The IFRS accounting policies applied in this condensed consolidated interim financial report are in all materiality consistent with those applied and described in the consolidated annual financial statements for 2019.

The board confirms that the financial statements of the group, as well as the parent company, have been prepared under the going concern assumption. It became evident by the end of 2018 that the slower than anticipated customer adoption of NFC tags on-package would significantly delay the Company's ability to reach cash break-even. During 2019, a strategic decision was made to pivot away from the NFC business and follow an energy storage strategy that leveraged previous investments made in the San Jose, California roll-to-roll factory and related intellectual property. A significant level of restructuring occurred during 2019, in order to reduce the Company's cost structure. Per the date of this report, the group and the parent company do not have sufficient funds to support operations throughout the financial year 2020. The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow. Refer to Principal Risks and Going Concern on pages 6 through 9.

The report was resolved by the Thin Film Electronics ASA Board of Directors on 19 August 2020.

3. Property, plant and equipment

Amounts in USD 1,000	Tangible assets
Period ended 30 June 2020	
Net value on 1 January 2020	—
Additions	65
Disposals	—
Exchange differences	—
Impairments	—
Depreciation	(1)
Net book value on 30 June 2020	64
Period ended 30 June 2019	
Net value on 1 January 2019	22,548
Additions	1,781
Disposals	—
Exchange differences	(364)
Impairments	—
Depreciation	(1,335)
Net book value on 30 June 2019	22,630
Other receivables include USD 4,977 thousand prepayments related to investment in equipment and machinery that had not been received from the suppliers as of 30 June 2019.	
Year ended 31 December 2019	
Net value on 1 January 2019	22,548
Additions	6,187
Disposals	(571)
Exchange differences	(2)
Impairments	(25,778)
Depreciation	(2,384)
Net book value on 31 December 2019	—

4. Intangible assets

Amounts in USD 1,000	Intangible assets
Period ended 30 June 2020	
Net value on 1 January 2020	—
Additions	—
Disposals	—
Exchange differences	—
Impairment	—
Amortization	—
Net book value on 30 June 2020	-
Period ended 30 June 2019	
Net value on 1 January 2019	2,353
Additions	348
Disposals	—
Exchange differences	—
Impairment	—
Amortization	(75)
Net book value on 30 June 2019	2,626
Year ended 31 December 2019	
Net value on 1 January 2019	2,352
Additions	354
Disposals	—
Exchange differences	—
Impairment	(2,578)
Amortization	(128)
Net book value on 31 December 2019	—

5. Financial lease

The Company entered into a lease agreement in November 2016 relating to the property building of its new US headquarters in San Jose, California. The lease in San Jose expires in September 2028.

	Lease Liability
Lease liability recognized at 1 January 2020	14,214
Lease payment (see note below)	(984)
Interest expense	508
Lease liability as of 30 June 2020	13,738

In the statement of cash flow, principal portions of lease payments are included in the line "Lease payment" with an amount of USD 476 thousand, and interest portions of the payment are included in the line "interest paid" with an amount of USD 508 thousand. Both of them are presented as cash flow from financing activities.

For the maturity schedule of minimum lease payments, see Note 12

Right of use assets

Amounts in USD 1,000	30 June 2020	30 June 2019	31 December 2019
Net value on 1 January	—	10,376	10,376
Adjustment*	—	2,543	2,543
Impairment	—	—	(11,504)
Amortization	—	(753)	(1,415)
Net book value at end of period	—	12,166	—

6. Shares, warrants, and subscription rights

Number of shares	
Shares at 1 January 2020	58,593,581
Shares at 30 June 2020	291,725,665

Shares at 1 January 2019	58,593,581
Shares at 31 December 2019	58,593,581

Number of warrants and subscription rights	1 January – 30 June 2020	1 January – 30 June 2019	1 January – 31 December 2019
Warrants and subscription rights opening balance	5,373,230	4,412,622	4,412,622
Grant of incentive subscription rights	132,000	699,500	5,429,856
Warrants granted from the Private Placement and the Subsequent Offering	581,818,180	—	—
Terminated, forfeited and expired subscription rights	(673,312)	(1,010,625)	(4,469,248)
Exercise of subscription rights	—	—	—
Allotment of warrants	—	—	—
Exercise and expiry of warrants	—	—	—
Warrants and subscription rights closing balance	586,650,098	4,101,497	5,373,230

The Annual General Meeting of the Company resolved on 28 May 2019 an exchange offer program whereby continuing employees and consultants holding incentive subscription rights ("Eligible Holders") under the Company's 2015, 2016, 2017 and/or 2018 subscription rights programs (the "Former Plans") were entitled to exchange such subscription rights for new subscription rights to be granted under the Company's 2019 subscription right plan. Having been given the opportunity to participate in the exchange program, Eligible Holders holding a total of 1,864,372 subscription rights under the Former Plans have notified the Company that they wish to participate in the exchange program, whereupon such Eligible Holders explicitly waived any right to claim shares under Former Plans. As a result, the board of directors resolved on 25 September 2019 to grant a total of 1,864,372 incentive subscription rights to nineteen Eligible Holders. The grants were made under the Company's 2019 Subscription Rights Incentive Plan, as resolved at the Annual General Meeting on 28 May 2019.

The exercise price of the subscription rights is NOK 4.67 per share.

The new subscription rights will vest and become exercisable as follows: 33.3% of the shares subject to the new subscription rights will be vested on the grant date, and the remaining 66.7% will vest in approximately equal quarterly installments over the next 3 years, with approximately 5.55% vesting each quarter on each 15 October,

15 January, 15 April, and 15 July thereafter, subject to the Eligible Holder's continued employment or service with the Company or its subsidiaries on each such date. The subscription rights expire on 28 May 2024.

The number of shares, warrants, and subscription rights have been adjusted to reflect the reserve share split resolved by the Extraordinary General Meeting of the Company on 23 October 2019.

In connection with the 15 April 2020 Extraordinary General Meeting, the Company conducted a reduction of paid in capital by reduction in par value of shares in accordance with the Norwegian Public Limited Companies Act to cover the losses. The implication of this is that a resolution to distribute dividends may not be adopted until three years have elapsed from the registration in the Register of Business Enterprises, unless the share capital subsequently has been increased by an amount at least equal to the reduction. The board proposed and the shareholders approved a reduction in share capital by a reduction of the par value of the shares from NOK 2.20 to NOK 0.11 per share to cover losses.

In order to secure the commitment by the consortium of investors, in May 2020, the board resolved, and issued 5,859,357 shares to investors at a subscription price per share of NOK 0.11, equaling the proposed subscription price in the private placement. The current board authorization was approved at the 23 October 2019 Extraordinary General Meeting.

At the Extraordinary General Meeting of 20 May 2020, the following proposals in the Notice of the Extraordinary General Meeting were approved by the shareholders

- 1 The Company completed the private placement and issued of 227,272,727 new shares, thereby increasing share capital by NOK 32,089,823.15 divided into 291,725,665 shares, each share had a par value of NOK 0.11. For each private placement share offered two warrants ("Warrants") are attached and issued to such subscriber. A total of 454,545,454 warrants were issued as part of the private placement. The warrants were issued free of charge. Each warrant will entitle the holder to demand the issuance of one (1) share in the Company. The first tranche of warrants, totaling 227,272,727 warrants ("Warrant A"), will have a term expiring on 31 December 2020, and be exercisable at an exercise price per share of NOK 0.11. The second tranche of warrants, totaling 227,272,727 warrants ("Warrant B"), will have a term expiring on 20 August 2021, and be exercisable at an exercise price per share of NOK 0.25. The warrants are transferable, but will not be listed and tradable on a regulated market.
- 2 The Subsequent Offering raised NOK 7 million with the issuance of 63,636,363 shares at a subscription price of NOK 0.11. The subscription period expired on 29 June 2020 with the payment for the offered shares due on 7 July 2020. Following payments of the subscription amounts and the registration of the subsequent offering with the Norwegian Register of Business Enterprises, the share capital was NOK 39,089,823.08 divided into 355,362,028 shares, each with a par value of NOK 0.11. For every share subscribed for and allocated in this subsequent offering, two (2) warrants will be attached and issued to such subscriber. As a consequence of this subsequent offering being fully subscribed, a total of 127,272,726 warrants were issued as part of this subsequent offering. The warrants were issued free of charge. Each warrant will entitle the holder to demand the issuance of one (1) share in the Company. The first tranche of warrants, totaling 63,636,363 warrants ("Warrant A"), will have a term expiring on 31 December 2020, and be exercisable at an exercise price per share of NOK 0.11. The second tranche of warrants, totaling 63,636,363 warrants ("Warrant B"), will have a term expiring on 20 August 2021, and be exercisable at an exercise price per share of NOK 0.25. The warrants are transferable, but will not be listed and tradable on a regulated market.

7. Profit (loss) per share

	1 January – 30 June 2020	1 January – 30 June 2019	1 January – 31 December 2019
Profit (loss) attributable to shareholders (USD 1000)	(8,083)	(22,597)	(78,446)
Weighted average basic number of shares in issue	111,112,347	58,593,581	58,593,581
Weighted average diluted number of shares	111,112,347	58,593,581	58,593,581
Profit (loss) per share, basic and diluted	(USD 0.07)	(USD 0.39)	(USD 1.34)

When the period result is a loss, the loss per diluted number of shares shall not be reduced by the higher diluted number of shares, but the diluted result per share equals the result per basic number of shares.

The diluted number of shares has been calculated by the treasury stock method. If the adjusted exercise price of subscription rights exceeds the average share price in the period, the subscription rights are not counted as being dilutive.

The weighted average basic and diluted number of shares have been adjusted to reflect the reserve share split resolved by the Extraordinary General Meeting of the Company on 23 October 2019.

8. Guarantees

As a part of the relocation of Thinfilm's US headquarters in the second quarter of 2017 a USD 1,600 thousand Letter of Credit has been issued by Thin Film Electronics ASA to the new landlord. Thin Film Electronics ASA has in addition entered into a Tenancy Guarantee with the new landlord. The guarantee is given to secure payment of the lease rent. The initial guarantee liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. As at 30 June 2020, the guarantee liability amounted to USD 4,000 thousand.

9. Trade and other receivables

On 30 June 2020, trade and other receivables amounted to USD 1,596 thousand. The components of this balance are specified below.

Amounts in USD 1,000	1 January – 30 June 2020	1 January – 30 June 2019	1 January – 31 December 2019
Accounts receivable	57	1,109	928
Receivables from grants	—	1,617	—
VAT-related receivables	512	(194)	167
Pre-payments to suppliers	964	6,195	1,710
Other current receivables	63	67	1
Sum	1,596	8,794	2,806

Other non-current financial receivables of USD 573 thousand mostly relates to security deposit held by Utica Leaseco, LLC.

10. Related party transactions

In the period 1 January - 30 June 2020 and 2019, Thinfilm has recorded USD 180 thousand and USD 465 thousand, respectively (net of VAT) for legal services provided by law firm Ræder, in which Thinfilm's Chairman is a partner.

The amount outstanding in Trade and other payables to related parties, as of 30 June 2020, amounted to USD 0 thousand.

During the period two shareholders provided the company with a bridge loan in the amount of USD 500 thousand. The loan was repaid from the proceeds of the private placement offering. No amounts were outstanding at 30 June 2020.

11. Operating costs

Amounts in USD 1,000	1 January – 30 June 2020	1 January – 30 June 2019	1 January – 31 December 2019
Payroll	1,723	13,338	17,638
Share based remuneration	151	635	190
Services	1,135	3,162	4,138
Premises, supplies	1,120	3,492	7,094
Sales and marketing	27	759	1,059
Other expenses	1,900	226	1,823
Total operating costs	6,056	21,612	31,942

12. Current and long-term debt

In September 2019, the US subsidiary, Thinfilm Electronics, Inc., closed an equipment term loan facility with Utica Leaseco, LLC for USD 13,200 thousand, secured by select fixed assets (see Note 3). The terms of the agreement were interest-only monthly payments for the first six months, followed by three months of interim payments, and thereafter a four-year amortization period during which monthly principal and interest payments are due. The Company entered into a First Amendment to the lease documents (Amendment) effective 11 April 2020. The new terms of the amended agreement were that the lessor agreed to accept reduced payments for the month of April 2020, and interest-only payments for May–November 2020, and thereafter to re-amortize the remaining balance of the transaction. For the six months ended 30 June 2020, the current portion of the loan principal of USD 1,798 thousand and the long-term portion of the principal of USD 11,402 thousand is recorded as Long-term Debt in the Consolidated Statements of Financial Position.

The Company has pledged its roll-to-roll production line equipment and certain sheet-line tools as a collateral against the Utica loan. Book value of assets pledged is zero.

The Company entered into a lease agreement in November 2016 relating to its new US headquarters in San Jose, California. The lease in San Jose expires in September 2028. The building element of the lease agreement is classified as a financial lease. The land element of the lease became classified as a financial lease from 1 January 2019, with the implementation of IFRS 16, having previously been accounted for separately as an operating lease. As a part of the relocation of Thinfilm's US headquarters in the second quarter of 2017, a USD 1,600 thousand Letter of Credit was issued by Thin Film Electronics ASA to the new landlord. The restricted cash of USD 1,600 thousand securing the Letter of Credit is included in the Company's cash and cash equivalents. Thin Film Electronics ASA, in addition, entered into a Tenancy Guaranty with the new landlord. The guaranty was given to secure payment of the lease rent. The initial Guaranty liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. As of 31 December 2019, the Guaranty liability amounted to USD 4,000 thousand.

The San Jose, California lease is reflected under this caption and the table below. In addition, see Note 8.

The interest rate for the financing is at 17%. Table below disclosures principal payment obligations for the company.

Maturity schedule— liabilities

Amounts in USD 1,000		1–2 Years	2–3 Years	3–4 Years	4–5 Years	Over 5 Years
30 June 2020						
	Q3 2020	Q4 2020				
Principal obligations due	—	246	3,245	3,855	4,580	1,274
Interest payments	480	511	1,999	1,389	663	433
Lease payments	490	490	1,996	2,120	2,182	2,245
						9,008

Total	970	1,247	7,240	7,364	7,425	3,952	9,008
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13. Warrants liability

In connection with the Extraordinary General Meeting held on 20 May 2020, the proposals in the Notice of the Extraordinary General Meeting were approved by the shareholders.

- 1 The private placement and issuance of 227,272,727 new shares, resulted in two warrants ("Warrants") issued to such subscriber. The warrants will be issued free of charge. Each warrant will entitle the holder to demand the issuance of one (1) share in the Company. The first tranche of warrants, totaling 227,272,727 warrants ("Warrant A"), will have a term expiring on 31 December 2020, and be exercisable at an exercise price per share of NOK 0.11. The second tranche of warrants, totaling 227,272,727 warrants ("Warrant B"), will have a term expiring on 20 August 2021, and be exercisable at an exercise price per share of NOK 0.25. The Company recorded a warrant charge of USD 15 million in connection with this warrants issuance.
- 2 The subsequent offering of NOK 7 million with the issuance of up to 63,636,363 shares at a subscription price of NOK 0.11. The subscription period expired on 29 June 2020 with the payment for the offered shares due on 7 July 2020. In addition for every share subscribed for and allocated in the subsequent offering, two (2) warrants will be attached and issued to such subscriber. As a consequence of the subsequent offering being fully subscribed, a total of 127,272,726 warrants will be issued as part of the subsequent offering. The warrants will be issued free of charge. Each warrant will entitle the holder to demand the issuance of one (1) share in the Company. The first tranche of warrants, totaling 63,636,363 warrants ("Warrant A"), will have a term expiring on 31 December 2020, and be exercisable at an exercise price per share of NOK 0.11. The second tranche of warrants, totaling 63,636,363 warrants ("Warrant B"), will have a term expiring on 20 August 2021, and be exercisable at an exercise price per share of NOK 0.25. The warrants are transferable, but will not be listed and tradable on a regulated market. The Company recorded a warrant charge of USD 4,200 thousand in connection with the issuance of these warrants.

The warrants are settled in NOK. The IFRS definition of an equity instrument has not been met. As a result, the warrants have been classified as a liability because the functional currency of the Company is USD. The warrants are adjusted to fair value at each reporting date with a corresponding charge to the income statement.

Included in the first six months of 2020 is USD 995 thousand attributable to the issuance of 581,818,180 warrants in conjunction with the private placement of 227,272,727 shares, and 63,636,363 issued in the subsequent offering.

See Note 6 for more details.

14. Events occurring after the balance sheet date

On 10 July 2020, Thinfilm announced the successful production of its first complete solid-state lithium batteries on steel substrates. The Company also announced an accelerated plan to transfer ownership of remaining process equipment to the San Jose facility. The Company also disclosed that it had recently made key hires in battery technology, process integration, packaging, and equipment engineering.

On 15 July 2020, Thin Film Electronics ASA announced the registration of a share capital increase associated with the subsequent offering approved at the Extraordinary General Meeting of 20 May 2020 was duly registered in the Register of Business Enterprises. Following the share capital increase, the Company's share capital was NOK 39,089,823.08 divided into 355,362,028 shares, each share having a par value of NOK 0.11.

On 23 July 2020, Thinfilm announced that it had secured additional funding by way of a committed private placement of shares raising NOK 50 million. Thin Film Electronics ASA received an offer and commitments from certain investors to subscribe for shares for a total subscription amount of approximately NOK 50 million. The offered and committed subscription price per share was NOK 0.15. The offer was conditional upon the issuance of one warrant ("Warrant C") for each share subscribed for in the private placement. The Warrant would have an exercise price of NOK 0.25 per share and be exercisable at any time from 31 March 2021 until 30 June 2021. The offer involves the issuance of 333,866,666 new shares at a subscription price per share of NOK 0.15 and will be proposed for approval at the Extraordinary General Meeting of 19 August 2020.

On 23 July 2020, Thinfilm announced, in connection with the announcement of a committed private placement of shares raising NOK 50 million, a potential subsequent offering, raising up to NOK 10 million, at the same subscription price as in the private placement, subject to shareholder approval at the Extraordinary General

Meeting of 19 August 2020. The last day of trading inclusive of subscription rights was 23 July 2020, and the first day of trading exclusive of subscription rights was 24 July 2020. The offer involves the issuance of up to 66,666,666 new shares at a subscription price per share of NOK 0.15.

On 29 July 2020, Thinfilm announced, in connection with the committed private placement of shares raising NOK 50 million and a potential subsequent offering raising up to NOK 10 million, an Extraordinary General Meeting to be held as an electronic meeting on 19 August 2020 at 9:00am CET.

On 3 August 2020, Thinfilm announced the successful completion of the accelerated consolidation of remaining SSLB process equipment in Thinfilm's San Jose, California facility, in line with the Company's plans announced 10 July 2020. The consolidated production environment is expected to enable continued rapid redevelopment of SSLB technology and products by increasing manufacturing consistency, increasing tool utilization, eliminating the transfer of work-in-progress material between facilities, and increasing operational flexibility. The Company also announced that it had successfully completed and passed its recent quality system audit, thereby renewing Thinfilm's ISO 9001:2015 certification with an updated scope including the development, manufacturing, and sales of solid-state lithium batteries.

On 10 August 2020, in connection with the private placement announced 23 July 2020, a lead investor provided a bridge loan of approximately USD 1 million, secured by a first priority pledge of certain intellectual property and shares of common stock in TFE Holding, owned by Thin Film Electronics ASA, to ensure adequate cash remains available to operate until the equity financing closes.

On 19 August 2020, at the Extraordinary General Meeting of Thin Film Electronics ASA, the board proposed and the shareholders approved a private placement raising approximately NOK 50 million and a subsequent offering raising up to NOK 10 million. The approved private placement involves the issuance of 333,866,666 new shares at a subscription price per share of NOK 0.15 and the issuance of one warrant ("Warrant C") for each share subscribed for in the private placement. Each Warrant C will have an exercise price of NOK 0.25 per share and will be exercisable at any time from 31 March 2021 until 30 June 2021. The approved subsequent offering involves the issuance of up to 66,666,666 new shares at a subscription price per share of NOK 0.15 and the issuance of one warrant ("Warrant C") with terms identical to the corresponding private placement.

Responsibility Statement

The board of directors and the managing director have today reviewed and approved the Thin Film Electronics ASA unaudited interim condensed financial statements as of 30 June 2020

- The interim condensed consolidated financial statements with notes for the first half of 2020 have been prepared in accordance with IAS 34 – Interim Financial Reporting and additional disclosure requirements as stated in the Norwegian Securities Trading Act section 5-6.
- The interim condensed consolidated financial statements for the first half year of 2020 give a true and fair view of Thinfilm's assets, liabilities, financial position and results for the period viewed in their entirety.
- The report from the board of directors issued in concert with this consolidated review report gives a true and fair view of the development, performance and financial position of the group, and a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements.
- A description of the principal risks and uncertainties for the remaining six months of the financial year have been disclosed in the condensed consolidated review report and note 2.
- Major related party transactions have been disclosed in note 10 of the financial statements.

The Thin Film Electronics ASA Board of Directors, Oslo, Norway, 19 August 2020

Morten Opstad
Chairman

Jon S. Castor
Board Member

Preeti Mardia
Board Member

Kelly S. Doss
Board Member

Kevin Barber
Managing Director (CEO)