Thin Film Electronics ASA

Third Quarter 2019

Interim Report and Financial Statements

thinfilm

Contents

Highlights

- Closed USD 13.2 million equipment term loan facility with Utica Leaseco, LLC.
- The Company announced restructurings in July and September to further right size the business and align operations with its focus on the San Jose factory.
- As of September 30, 2019, the Company's cash and cash equivalents totaled approximately USD 13.0 million. The Company believes that the existing cash and cash equivalents will be sufficient to meet its anticipated cash needs into the 2nd quarter of 2020. 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.

Locations

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Business Review

Thinfilm's transformation continued during the third quarter of 2019, as the Company continued efforts to reposition the business for growth. Management has been actively evaluating strategic alternatives to find new, compelling commercial applications for the San Jose based roll-to-roll printed dopant polysilicon (PDPS) line and believes there are opportunities to utilize the factory's unique technology and the capabilities of its roll-to-roll ("R2R") manufacturing plant.

While Thinfilm is confident in the use of NFC technology for consumer engagement, brand protection and supply chain tracking in the long term, market adoption has been substantially slower than anticipated. This slower-than-expected growth rate of NFC tags on-package deployment has required the Company to analyze the degree to which the Company should continue to invest in the development of this emerging market. As a result, the decision has been made to transition away from the investment required to build the NFC market and proprietary CNECT software platform. As a consequence, Thinfilm has begun a process to pursue monetizing its CNECT software platform and related NFC assets through a potential sale or licensing of its related intellectual property. Discussions have been initiated with potential acquirers 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 allows management to focus on establishing compelling commercial applications for the Company, leveraging its years of significant investment in its R2R manufacturing and process technology capabilities.

The strategic shift to prioritizing the San Jose factory resulted in a reduction in work force in September 2019, relating to the employees' focus on the software platform development and NFC go-to-market. Thinfilm's management would like to acknowledge and thank the employees who directly contributed to advancing awareness of NFC technology and development of the Company's CNECT software platform.

Events

WINETECH
Adelaide, Australia

July 22–24, 2019

WINETECH is a trade exhibition that provides wine industry professionals with the opportunity to network face-to-face and keep abreast of the latest products and services available for the production of wine.

The Australian Wine Industry Technical Conference (AWITC) is the Australian grape and wine sector's premier technical conference for winemakers, grape growers and other wine industry professionals. An exciting program will be presented by esteemed local and international speakers who will cover all aspects of grape and wine production from the vineyard to the consumer.

An exciting program will be presented by esteemed local and international speakers...

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.

The Company has made a decision to transition away from the investment required to build the NFC market and proprietary CNET software platform and has begun a process to pursue monetizing its CNET software platform and related NFC assets through a potential sale or licensing of its related intellectual property. See "Business Review" section on page 2 for more information. This allows management to focus on establishing compelling commercial applications for the Company, leveraging its years of significant investment in its R2R manufacturing and process technology capabilities.

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

Condensed Consolidated Financial Report as of 30 September 2019

During the first nine months of 2019, the Company continued to reduce its operating cost base, primarily driven by a reduction in headcount, cost control, and lower manufacturing activity.

Profit and Loss

Thinfilm's sales revenue in the first nine months of 2019 was USD 696 thousand, compared to USD 1,089 thousand during the same period last year, with 5.3 million EAS tags shipped to date versus 12.3 million for the same period last year. Shipment of NFC SpeedTap increased to 1,472 thousand tags for the first nine months of 2019, as compared to 933 thousand for the same period last year.

Income related to government grants and other funded projects amounted to USD 519 thousand in the first nine months of 2019 and USD 1,475 thousand for the same period in 2018. The decrease is primarily due to certain EU funded projects being completed during 2018 and the first nine months of 2019.

Excluding government grants, other income was USD 205 thousand in the first nine months of 2019, compared to USD 452 thousand during the same period last year. Other income for the first nine months of 2018 primarily related to gains on the disposal of fixed assets. Disposed assets included those acquired when the Company secured the Junction Avenue, San Jose, 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. The total sublease income received for the first nine months of 2019 was USD 195 thousand.

Operating costs (excluding depreciation and amortization charges) were USD 28,342 thousand during the first nine months of 2019, including the notional cost of share-based compensation of USD 116 thousand. The corresponding figures for the same period last year were USD 40,600 thousand and USD 1,287 thousand, respectively. The decrease in operating costs during the first nine months of 2019, compared to the same period of 2018, was USD 12,258 thousand, and was primarily attributable to:

1) USD 7,536 thousand lower payroll due to the reduction in headcount in the first nine months of 2019, compared to the same period of 2018.

2) USD 3,423 thousand lower costs for premises and supplies. The downsizing of activities during the first nine months of 2019 led to a decrease in premises and supply costs in San Jose, California. 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.

3) USD 1,458 thousand lower sales and marketing expenses. Cost savings initiatives resulted in reduced travel expenses and other sales and marketing-related costs during the first nine months of 2019, compared to the same period of 2018.

4) USD 1,085 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 nine months of 2019, compared to the same period of 2018.

Thinfilm maintains its core R&D activity. During the first nine months of 2019, USD 811 thousand was spent developing manufacturing processes and operating procedures for roll-to-roll manufacturing located in San Jose, California. The corresponding amount for the same period of 2018 was USD 7,198 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.

Investment in fixed and intangible assets related to roll-based production line at the San Jose site amounted to USD 2,865 thousand during the first nine months of 2019, compared to USD 11,965 thousand during the same period of 2018. For the period ending 30 September 2019, Thinfilm had also made prepayments amounting to USD 1,653 thousand relating to investments in equipment and machinery and USD 10,206 during the first nine months of 2018. These pre-payments are recognized as other receivables, since the equipment and machinery had not been received from suppliers as of 30 September 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 ninety-five percent of these costs have been incurred as of 30 September 2019, including the pre-payments referred to above. Depreciation and amortization charges during the first nine months of 2019 amounted to USD 3,140 thousand and during the first nine months of 2018 the charges amounted to USD 2,997 thousand.

Net financial items for the first nine months of 2019 amounted to a loss of USD (538) thousand compared to the first nine months of 2018, which amounted to a gain of USD 1,485 thousand. The first nine months of 2019 included realized gains offset by interest expense, while in the first nine months of 2018, unrealized foreign currency gains were 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 expense during the first nine 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 nine months of 2019 was USD 30,795 thousand, corresponding to a basic loss per share of USD 0.03. During the same period of 2018, the loss amounted to USD 39,557 thousand, corresponding to a basic loss per share of USD 0.03.

Cash Flow

The group's cash balance decreased by USD 19,568 thousand during the first nine months of 2019, compared to a decrease of USD 50,046 thousand during the same period last year. The net decrease in cash balance is explained by the following principal elements:

1) USD 26,062 thousand outflow from operating activities,

2) USD 5,875 thousand outflow from investing activities,

3) USD 12,488 thousand inflow from financing activities, and

4) USD 119 thousand currency translation loss on cash and bank deposits.

The USD 26,062 thousand outflow from operating activities is primarily explained by an operating loss, excluding depreciation and amortization of USD 3,140 thousand. The cash outflow from operations and investing activities during the first nine months of 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 30 September 2019 was USD 13,020 thousand, as compared to the cash balance on 30 September 2018 of USD 48,074 thousand.

Balance Sheet

Fixed assets on 30 September 2019 amounted to USD 22,793 thousand and mainly stem from machinery and equipment in San Jose, California. Other receivables include USD 6,630 thousand prepayments related to equipment and machinery that had yet to be received from the suppliers as of 30 September 2019. The expected delivery date of the equipment is no later than first quarter of 2020. The Company recorded a financial lease on the balance sheet which amounts to USD 11,835 thousand and relates to the 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, California site, whereas it previously only included the building component. Intangible assets amounted to USD 2,410 thousand as of 30 September 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 As of September 30, 2019, the Company's cash and cash equivalents totaled approximately USD 13.0 million. The Company believes that the existing cash and cash equivalents will be sufficient to meet its anticipated cash needs into the 2nd quarter of 2020. 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 the 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 potential revenue and income sources:

1 Sales of its own designed products, and;

2 Monetization of its 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).

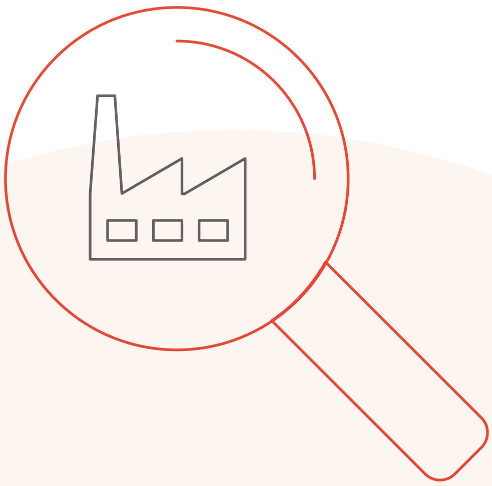
Thinfilm is exposed to certain financial risks related to fluctuation of exchange rates and interest level.

For the period ending 30 September 2019, equity amounted to USD 26,486 thousand, representing 45% of the gross balance sheet and 142% of the share capital.

Outlook

Thinfilm has been actively evaluating strategic alternatives to find new and compelling commercial applications for the San Jose based R2R 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.

The Company has shifted its focus and investment away from developing and building market adoption of its brand protection and consumer engagement solutions, in order to prioritize maximizing the value of its Junction Avenue, San Jose, CA R2R printed electronics technology and factory with compelling commercial applications.



Thin Film Electronics ASA Group

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

Amounts in USD 1,000	Note	1 July - 30 September 2019	1 January - 30 September 2019	1 July - 30 September 2018	1 January - 30 September 2018	1 January - 31 December 2018
Sales revenue		129	696	223	1,089	1,288
Other income		(10)	519	356	1,475	2,110
Total revenue & other income		**119**	**1,215**	**579**	**2,564**	**3,397**
Operating costs*	10,11	(6,730)	(28,342)	(13,381)	(40,600)	(54,473)
Depreciation, amortization and impairment loss	3,4,5	(977)	(3,140)	(1,009)	(2,997)	(19,546)
Operating profit (loss)		**(7,588)**	**(30,267)**	**(13,811)**	**(41,033)**	**(70,622)**
Net financial items		(611)	(538)	(488)	1,485	(1,089)
Profit (loss) before income tax		(8,199)	(30,805)	(14,299)	(39,548)	(71,711)
Income tax expense		1	10	(3)	(8)	(11)
Profit (loss) for the period		**(8,198)**	**(30,795)**	**(14,302)**	**(39,557)**	**(71,722)**
Profit (loss) attributable to owners of the parent		**(8,198)**	**(30,795)**	**(14,302)**	**(39,557)**	**(71,722)**
Profit (loss) per share basic and diluted	7	(USD 0,01)	(USD0,03)	(USD 0,01)	(USD0,03)	(USD0,06)
Profit (loss) for the period		(8,198)	(30,795)	(14,302)	(39,557)	(71,722)
Other comprehensive income						
Currency translation		(387)	(460)	108	(252)	(198)
Total comprehensive income for the period, net of tax		**(8,585)**	**(31,255)**	**(14,194)**	**(39,809)**	**(71,921)**

*Includes an adjustment relating to subscription rights for the 2nd quarter of 2019 of USD (710) thousand.

Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	30 September 2019	30 September 2018	31 December 2018
ASSETS	8			
Non-current assets				
Property, plant and equipment	3	22,793	28,701	22,548
Financial lease	5	11,835	10,729	10,375
Intangible assets	4	2,410	3,224	2,353
Total non-current assets		**37,038**	**42,654**	**35,276**
Current assets				
Inventory		1	3,983	2,640
Trade and other receivables	9	8,544	15,769	8,862
Cash and cash equivalents		13,020	48,074	32,588
Total current assets		**21,565**	**67,826**	**44,090**
TOTAL ASSETS		**58,603**	**110,479**	**79,366**
EQUITY				
Ordinary shares	6	18,660	18,660	18,660
Other paid-in equity		321,691	321,090	321,575
Currency translation		(15,787)	(13,775)	(13,719)
Retained earnings		(298,078)	(234,641)	(266,806)
Total equity		**26,486**	**91,334**	**59,709**
LIABILITIES	8			
Non-current liabilities				
Deferred tax liabilities			—	—
Long-term debt	12	12,518	—	—
Long-term financial lease liabilities		13,493	11,645	11,525
Total non-current liabilities		**26,011**	**11,645**	**11,525**
Current liabilities				
Trade and other payables		6,106	7,500	8,132
Total current liabilities		**6,106**	**7,500**	**8,132**
TOTAL EQUITY AND LIABILITIES		**58,603**	**110,479**	**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)	59,709
Share issues	—	—	—	—	—
Share based compensation	—	116	—	—	116
Impact of change in accounting policy*	—	—	—	(477)	(477)
Comprehensive income	—	—	(2,068)	(30,795)	(32,863)
Balance at 30 September 2019	**18,660**	**321,691**	**(15,787)**	**(298,078)**	**26,486**
Balance at 1 January 2018	18,660	319,819	(13,521)	(195,084)	129,874
Share issues	—	(15)	—	—	(15)
Share based compensation	—	1,287	—	—	1,287
Comprehensive income	—	—	(254)	(39,557)	(39,811)
Balance at 30 September 2018	**18,660**	**321,090**	**(13,775)**	**(234,641)**	**91,334**
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 July - 30 September 2019	1 January - 30 September 2019	1 July - 30 September 2018	1 January - 30 September 2018	1 January - 31 December 2018
Cash flow from operating activities						
Profit (loss) before tax		**(8,199)**	(30,805)	(14,299)	(39,548)	(71,711)
Share-based payment (equity part)	6	(519)	116	551	1,287	1,771
Depreciation and amortization	3,4,5	977	3,140	1,009	2,997	3,947
Write down inventory, machinery and intangible assets		1,948	1,666	—	—	14,832
Gain on sale of fixed assets		—	(12)	(1)	(399)	(479)
Taxes paid for the period		(23)	(69)	(21)	(72)	(91)
Changes in working capital and non-cash items		753	(98)	(1,613)	(7,479)	(686)
Net cash from operating activities		**(5,063)**	**(26,062)**	**(14,374)**	**(43,215)**	**(52,418)**
Cash flow from investing activities						
Purchase of property, plant and equipment	3	(821)	(2,745)	(1,009)	(3,855)	(6,004)
Prepayments relating to purchase of property, plant and equipment		(1,653)	(1,653)	(1,950)	(4,633)	(5,005)
Financial lease payments		(710)	(710)	—	—	
Purchases of intangible assets		—	(120)	—	—	—
Capitalized development expenses	4	—	(229)	(332)	(1,146)	(1,580)
Proceeds from sale of fixed assets		—	12	1	1,187	1,389
Interest received		—	(430)	56	244	291
Net cash from investing activities		**(3,184)**	**(5,875)**	**(3,234)**	**(8,204)**	**(10,908)**
Cash flow from financing activities						
Proceeds from issuance of shares	6	—	—	—	(15)	(15)
Proceeds from debt financing	12	13,200	13,200	—		
Financial lease payments		(238)	(712)	(173)	(480)	(600)
Net cash from financing activities		**12,962**	**12,488**	**(173)**	**(495)**	**(615)**
Currency translation effects on cash and bank deposits		(134)	(119)	(373)	1,868	(1,590)
Net increase (decrease) in cash and bank deposits		**4,581**	**(19,568)**	**(18,154)**	**(50,046)**	**(65,532)**
Cash and bank deposits at the beginning of the period		8,439	32,588	66,228	98,120	98,120
Cash and bank deposits at the end of the period		**13,020**	**13,020**	**48,074**	**48,074**	**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 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.

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.

2. Basis of preparation, accounting policies, and resolutions

This condensed interim financial report for the first nine 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.

As of September 30, 2019, the Company's cash and cash equivalents totaled approximately USD 13.0 million. The Company believes that the existing cash and cash equivalents will be sufficient to meet its anticipated cash needs into the 2nd quarter of 2020. 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 the its ability to continue as a going concern.

The report was resolved by the Board of Directors on 14 November 2019.

3. Property, plant and equipment

Amounts in USD 1,000	Tangible assets
Period ended 30 September 2019	
Net value on 1 January 2019	22,548
Additions	2,745
Disposals	(253)
Exchange differences	(254)
Impairments	—
Depreciation	(1,993)
Net book value on 30 September 2019	**22,793**
Other receivables include USD 6,630 thousand prepayments related to investment in equipment and machinery that had not been received from the suppliers as of 30 September 2019.	
Period ended 30 September 2018	
Net value on 1 January 2018	20,522
Additions	10,819
Disposals	(552)
Exchange differences	(10)
Impairments	—
Depreciation	(2,078)
Net book value on 30 September 2018	**28,701**
Other receivables include USD 10,206 thousand prepayments related to investment in equipment and machinery that had not been received from the suppliers as of 30 September 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 September 2019	
Net value on 1 January 2019	2,353
Additions	120
Disposals	—
Exchange differences	—
Impairment	—
Amortization	(63)
Net book value on 30 September 2019	**2,410**
Period ended 30 September 2018	
Net value on 1 January 2018	2,190
Additions	1,146
Disposals	—
Exchange differences	—
Impairment	—
Amortization	(113)
Net book value on 30 September 2018	**3,224**
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 September 2019	30 September 2018	31 December 2018
Net value on 1 January	10,375	11,534	11,534
Adjustment*	2,543	—	(105)
Amortization	(1,083)	(805)	(1,053)
Net book value at end of period	**11,835**	**10,729**	**10,375**

*Mainly impact of change in accounting policy 1 January 2019

Present value of minimum lease payments:

Amounts in USD 1,000	30 September 2019	30 September 2018	31 December 2018
Less than one year	1,469	1,462	1,493
Between one and five years	5,233	5,477	5,481
More than five years	5,812	5,996	5,697
Sum	**12,514**	**12,936**	**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**
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 September 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 September 2019	1 January – 30 September 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	107,555,765	12,180,000	52,067,432
Terminated, forfeited and expired subscription rights	(83,161,182)	(20,860,000)	(29,220,000)
Exercise of subscription rights	—	—	—
Allotment of warrants	—	—	—
Exercise and expiry of warrants	—	(57,017,326)	(57,017,326)
Warrants and subscription rights closing balance	**112,647,015**	**56,725,000**	**88,252,432**

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 will 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 will be NOK 128,905,878.20 divided into 1,171,871,620 registered shares each with a nominal value of NOK 0.11.

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 37,287,432 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 37,287,432 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 0.2335 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.

7. Profit (loss) per share

	1 January – 30 September 2019	1 January – 30 September 2018	1 January – 31 December 2018
Profit (loss) attributable to shareholders (USD 1,000)	(30,795)	(39,557)	(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	**(USD0,03)**	**(USD0,03)**	**(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 September 2019, the guarantee liability amounted to USD 4,500 thousand.

9. Trade and other receivables

On 30 September 2019, trade and other receivables amounted to USD 8,544 thousand. The components of this balance are specified below.

Amounts in USD 1,000	30 September 2019	30 September 2018	31 December 2018
Accounts receivable	567	1,302	943
Receivables from grants	974	1,968	1,249
VAT-related receivables	326	178	167
Pre-payments to suppliers	6,630	11,908	6,141
Other current receivables	47	413	362
Sum	**8,544**	**15,769**	**8,862**

10. Related party transactions

In the period 1 January – 30 September 2019, Thinfilm has recorded USD 539 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 September 2019	1 January – 30 September 2018	1 January – 31 December 2018
Payroll	16,152	23,688	31,875
Share-based remuneration	116	1,201	1,369
Services	3,756	4,363	5,480
Premises, supplies	4,655	8,078	12,047
Sales and marketing	887	2,344	2,889
Other expenses	2,776	926	814
Total operating costs	**28,342**	**40,600**	**54,473**

12. Current and long-term debt

In September 2019, the Company's US headquarters closed an equipment term loan facility with Utica for USD 13,200 thousand. 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. For the nine months ended September 30, 2019, the current portion of the loan principal of USD 682 thousand is recorded in Trade and Other Payables and the long-term portion of the principal of USD 12,518 thousand is recorded as Long-term Debt in the Consolidated Statements of Financial Position. The Company intends to use the proceeds from the loans for working capital to fund ongoing operations and to support its execution of strategic initiatives.

13. Events occuring after the balance sheet date

Subsequent events:

- An Extraordinary General Meeting ("EGM") in Thin Film Electronics ASA ("Thinfilm") was held on 23 October 2019, in which it was resolved to, inter alia, carry out a 20:1 reverse share split of Thinfilm's shares with effect 7 trading days after the date of the Extraordinary General Meeting or at such later date as determined by the Company's board of directors. Following completion of the reverse share split and the related issuance of three (3) shares to ensure that the outstanding number of shares were evenly divisible by 20, 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 November 4, 2019.
- On October 22, 2019, 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 partners who are interested in offering NFC-enabled solutions supported by a robust data analytics software platform.
- The Company has initiated voluntary closure processes to dissolve its subsidiaries in the following locations: China, Hong Kong, Sweden, and the United Kingdom.