Thin Film Electronics ASA

Fourth Quarter 2019

Interim Report and
Financial Statements

thinfilm

Contents

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Business Review

The fourth quarter of 2019 culminated 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.

Evaluation of new and compelling applications for the San Jose, California based roll-to-roll ("R2R") manufacturing plant continued during the fourth quarter of 2019, with the objective of leveraging the Company's years of significant investment in its R2R manufacturing and process technology capabilities. In parallel, the Company embarked on a sale process to pursue monetizing its CNECT software platform and related NFC assets. Discussions with potential acquirers interested in offering NFC enabled solutions supported by a robust data analytics software platform have been positive and remain ongoing. 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 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. As announced in January 2020, Thinfilm is pursuing a new strategy, as outlined in the Outlook section of this report on page 8.

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.

Condensed Consolidated Financial Report as of 31 December 2019

As a result of Thinfilm's strategic shift to energy storage, for the year ended December 31, 2019, Thinfilm's sales revenue decreased as compared to the same period in 2018, and the Company continued to reduce its operating cost base, primarily driven by a reduction in headcount, cost control, and lower manufacturing activity. Total revenues and other income decreased 51% in 2019, compared to the same period in 2018, primarily due to extraordinary accounting gains related to the sale of excess equipment in 2018 and reduction in government grants.

Profit and Loss

As a result of the strategic shift away from the NFC business, in 2019, the Company focused on selling its existing inventory, resulting in sales revenue in 2019 of USD 701 thousand, compared to USD 1,288 thousand during the same period last year, with 5.3 million EAS tags shipped during 2019 versus 13.8 million for the same period last year. Shipment of NFC SpeedTap increased to 1,472 thousand tags in 2019, as compared to 1,249 thousand for the same period last year.

Income related to government grants and other funded projects amounted to USD 954 thousand in 2019 and USD 2,110 thousand for the same period in 2018. The decrease is primarily due to Thinfilm's global restructuring during 2019, as the Company aligned operations with its new strategy.

Excluding government grants, other income was USD 704 thousand in 2019, compared to USD 570 thousand during the same period last year. Other income for the year ended December 31, 2018 was primarily related to gains on the disposal of fixed 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 in 2019 was USD 182 thousand.

Operating costs (excluding depreciation, amortization, and impairment charges) were USD 31,941 thousand during 2019. The corresponding figures for the same period last year were USD 54,473 thousand. The decrease in operating costs in 2019, compared to the same period of 2018, was USD 22,852 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 manufacturing located in San Jose, California. The corresponding amount for the same period of 2018 was USD 9,907 thousand. The capitalized development costs relating to EAS were impaired as of 31 December 2018, as Thinfilm has discontinued the current EAS business. 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 roll-based 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 pre-payments 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 roll-based production line and as the Company has impaired all machinery related to the production line, this prepaid amount is also impaired in a contra asset, "Impairment of Fixed Assets", resulting in a zero balance in the other receivables. 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 had been incurred as of 31 December 2019, including the pre-payments referred to above. Depreciation and amortization charges in 2019 amounted to USD 3,949 thousand and in 2018 the charges amounted to USD 5,214 thousand. As of December 31, 2019, Thinfilm recognized an impairment charge of USD 39,801 thousand related to fixed assets located in San Jose, California. The impairment charges for 2018 was USD 14,332 thousand. The impairments booked as a one-off adjustment negatively impact the 2019 net income. It is, however, important to note that the effect is the result of IFRS accounting requirements and not the result of actual realized losses. 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, 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 2018, which amounted to a loss of USD 1,089 thousand. The decline in 2019 reflected realized gains offset by interest expense, while in 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 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 in 2019 was USD 75,393 thousand, corresponding to a basic loss per share of USD 1.29. In 2018, the loss amounted to USD 71,723 thousand, corresponding to a basic loss per share of USD 1.22.

Cash Flow

The group's cash balance decreased by USD 23,716 thousand in 2019, compared to a decrease of USD 65,532 thousand during the same period last year. 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, and

3) USD 10,257 thousand inflow from financing activities.

The USD 29,054 thousand outflow from operating activities is primarily explained by an operating loss, excluding depreciation, amortization and impairment charges, of USD 43,750 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.

Balance Sheet

Intangible assets amounted to USD 948 thousand as of 31 December 2019. Intangible assets include the value of patents acquired from Kovio, Inc. in 2014, and certain capitalized development costs. During 2019 intangibles relating to NFC SpeedTap in the amount of USD 1,630 were reclassed to Assets held for sale. As of December 31, 2019, Thinfilm recognized an impairment charge of USD 39,801 thousand related to fixed assets located in San Jose, California (see Note 3. Property, plant and equipment and Note 13. Impairment of Notes to the Consolidated Financial Statements). The impairment charges for 2018 was USD 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 (see Note 5. Financial lease of Notes to the Consolidated Financial Statements). In the event Thinfilm sells equipment in the future, 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.

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 December 31, 2019, the Company's cash and cash equivalents totaled approximately USD 8.8 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.

II 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.

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 time to development and cost competitiveness of the energy storage 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 existing inventory of NFC labels and EAS devices, and;
3. Monetization of Thinfilm's CNECT software platform and other related NFC assets, 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 31 December 2019, equity amounted to USD (16,608) thousand, representing (109%) of the gross balance sheet and (89%) of the share capital.

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 January 30, 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 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 can also improve the safety profile for wearable and medical applications.

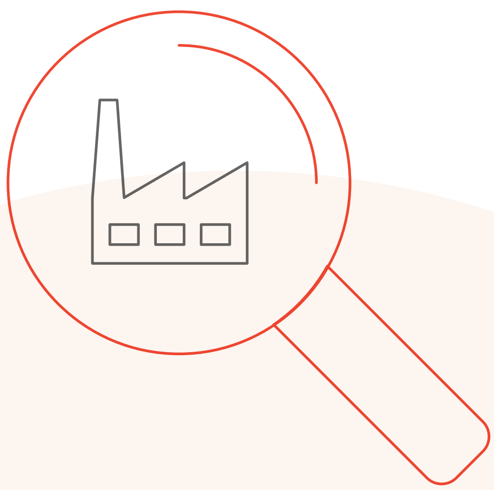
Initially pioneered by Oak Ridge National Laboratory in the 1990s, SSLB technology is primarily used in embedded electronics applications including real-time clock and static random-access memory, or SRAM, backup. However, the technology's deployment has been limited by dependencies on rigid substrates, 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.

A going concern assumption has been applied in preparing this fourth quarter 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.

During 2019, management concentrated on materially reducing the cost structure of the Company in order to position Thinfilm for growth. While the emphasis of restructuring the Company and finalizing its new strategic direction ran parallel paths in 2019, execution of the new battery strategy in 2020 will require time and investment in order to finalize development and gain market traction. 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. However, in connection with this decision, the Company plans to begin a process of raising capital during the first quarter of 2020. 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.

Thinfilm's CEO, Kevin Barber, will present the Company's updated strategy to investors and analysts in a briefing to be held in Oslo, Norway in late February 2020 the exact date to be announced in due course.



Thin Film Electronics ASA Group

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

Amounts in USD 1,000	Note	1 October - 31 December 2019	1 October - 31 December 2018	1 January - 31 December 2019	1 January - 31 December 2018
Sales revenue		5	198	701	1,288
Other operating revenue		—	—	—	—
Other income		435	635	954	2,110
Total revenue & other income		**440**	**833**	**1,655**	**3,397**
Operating costs*	10,11	(3,599)	(13,503)	(31,941)	(54,473)
Depreciation and amortization		(809)	(1,039)	(3,949)	(5,214)
Impairment loss	3,4,5	(39,801)	—	(39,801)	(14,332)
Operating profit (loss)		**(43,769)**	**(13,709)**	**(74,036)**	**(70,622)**
Net financial items		(829)	(2,574)	(1,367)	(1,089)
Profit (loss) before income tax		(44,598)	(16,284)	(75,403)	(71,711)
Income tax expense		—	(3)	10	(11)
Profit (loss) for the period		**(44,598)**	**(16,287)**	**(75,393)**	**(71,723)**
Profit (loss) attributable to owners of the parent		**(44,598)**	**(16,287)**	**(75,393)**	**(71,723)**
Profit (loss) per share basic and diluted	7	(USD0,76)	(USD0,28)	(USD1,29)	(USD1,22)
Profit (loss) for the period		(44,598)	(16,287)	(75,393)	(71,723)
Other comprehensive income					
Currency translation		(177)	54	(637)	(198)
Total comprehensive income for the period, net of tax		**(44,775)**	**(16,233)**	**(76,030)**	**(71,921)**

Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	31 December 2019	31 December 2018
ASSETS	8		
Non-current assets			
Property, plant and equipment	3	—	22,548
Financial lease	5	—	10,375
Intangible assets	4	948	2,353
Other financial receivables		558	—
Total non-current assets		**1,506**	**35,276**
Current assets			
Inventory		1	2,640
Trade and other receivables	9	3,281	8,862
Asset held for sale		1,630	—
Cash and cash equivalents		8,872	32,588
Total current assets		**13,784**	**44,090**
TOTAL ASSETS		**15,290**	**79,366**
EQUITY			
Ordinary shares	6	18,660	18,660
Other paid-in equity		321,765	321,575
Currency translation		(14,356)	(13,719)
Retained earnings		(342,677)	(266,806)
Total equity		**(16,608)**	**59,709**
LIABILITIES	8		
Non-current liabilities			
Deferred tax liabilities		—	—
Long-term debt	12	11,812	—
Long-term financial lease liabilities		13,244	11,525
Total non-current liabilities		**25,056**	**11,525**
Current liabilities			
Trade and other payables		5,504	8,132
Current portion of long-term debt		1,338	—
Total current liabilities		**6,842**	**8,132**
TOTAL EQUITY AND LIABILITIES		**15,290**	**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	—	190	—	—	190
Impact of change in accounting policy*	—	—	—	(478)	(478)
Comprehensive income	—	—	(637)	(75,393)	(76,030)
Balance at 31 December 2019	**18,660**	**321,765**	**(14,356)**	**(342,677)**	**(16,608)**
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 October - 31 December 2019	1 October - 31 December 2018	1 January - 31 December 2019	1 January - 31 December 2018
Cash flow from operating activities					
Profit (loss) before tax		(44,598)	(16,284)	(75,403)	(71,711)
Share-based payment (equity part)	6	74	484	190	1,771
Depreciation and amortization	3,4,5	809	949	3,949	3,947
Impairments and write down inventory, machinery and intangible assets		38,135	90	39,801	14,832
Gain on sale of fixed assets		(229)	(80)	(241)	(479)
Taxes paid for the period		—	(19)	10	(91)
Changes in working capital and non-cash items		1,706	5,655	1,274	(686)
Net financial items		829	—	1,366	—
Net cash from operating activities		**(3,274)**	**(9,205)**	**(29,054)**	**(52,418)**
Cash flow from investing activities					
Purchase of property, plant and equipment	3	(99)	(2,149)	(3,177)	(6,004)
Prepayments relating to purchase of property, plant and equipment		—	(372)	(1,653)	(5,005)
Lease payments		—	—	—	—
Purchases of intangible assets		—	—	(353)	—
Capitalized development expenses	4	—	(434)	—	(1,580)
Proceeds from sale of fixed assets		100	203	112	1,389
Interest received		152	48	152	291
Net cash from investing activities		**153**	**(2,704)**	**(4,919)**	**(10,908)**
Cash flow from financing activities					
Proceeds from issuance of shares	6	—	—	—	(15)
Proceeds from debt financing	12	—	—	13,200	—
Deposits		—	—	(558)	—
Interest paid		(812)	—	(1,525)	—
Lease payments		(215)	(120)	(860)	(600)
Net cash from financing activities		**(1,027)**	**(120)**	**10,257**	**(615)**
Currency translation effects on cash and bank deposits		—	(3,457)	—	(1,590)
Net increase (decrease) in cash and bank deposits		**(4,148)**	**(15,486)**	**(23,716)**	**(65,532)**
Cash and bank deposits at the beginning of the period		13,020	48,074	32,588	98,120
Cash and bank deposits at the end of the period		**8,872**	**32,588**	**8,872**	**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 ("TFE 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").

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.

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 four quarters 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 December 31, 2019 the company currently has approximately USD 8.9 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 into the 2rd quarter of 2020.

The report was resolved by the Board of Directors on 19 February 2020.

3. Property, plant and equipment

Amounts in USD 1,000	Tangible assets
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	**—**
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.

*See Note 13. Impairment.

4. Intangible assets

Amounts in USD 1,000	Intangible assets
Period ended 31 December 2019	
Net value on 1 January 2019	2,353
Additions	353
NFC SpeedTap transferred to Asset held for sale	(1,630)
Amortization	(128)
Net book value on 31 December 2019	**948**
Year ended 31 December 2018	
Net value on 1 January 2018	2,190
Additions	1,582
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 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.

Net book value of financial lease asset:

Amounts in USD 1,000	31 December 2019	31 December 2018
Net value on 1 January	10,375	11,534
Adjustment*	2,543	(105)
Impairment	(11,504)	—
Amortization	(1,414)	(1,053)
Net book value at end of period	**—**	**10,375**

*Mainly impact of change in accounting policy 1 January 2019

Present value of minimum lease payments:

Amounts in USD 1,000	31 December 2019	31 December 2018
Less than one year	1,469	1,493
Between one and five years	5,233	5,481
More than five years	5,812	5,697
Sum	**12,514**	**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)
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	58,593,581
Shares at 31 December 2019	**58,593,581**
Shares at 1 January 2018	58,593,581
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 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 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 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.

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 reverse share split resolved by the extraordinary general meeting of the Company on 23 October 2019.

7. Profit (loss) per share

	1 January – 30 September 2019	1 January – 30 September 2018
Profit (loss) attributable to shareholders (USD 1000)	(75,393)	(71,722)
Weighted average basic number of shares in issue	58,593,581	58,593,581
Weighted average diluted number of shares	58,593,581	58,593,581
Profit (loss) per share, basic and diluted	**(USD 1,29)**	**(USD 1,22)**

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.

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 31 December 2019, the guarantee liability amounted to USD 4,500 thousand.

9. Trade and other receivables

On 31 December 2019, trade and other receivables amounted to USD 5,177 thousand. The components of this balance are specified below.

Amounts in USD 1,000	31 December 2019	31 December 2018
Accounts receivable	928	943
Receivables from grants	474	1,249
VAT-related receivables	167	167
Pre-payments to suppliers	1,711	6,141
Other current receivables	1	362
Sum	**3,281**	**8,862**

10. Related party transactions

In the period 1 January - 31 December 2019 and 2018, Thinfilm has recorded USD 747 thousand and USD 339 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 as of 31 December 2019 amounted to USD 445 thousand. The majority of the amount outstanding relates to invoices billed to Thinfilm after April 2019. While the Company has made partial payments against select invoices, the remaining balance due as of 31 December 2019 is under review between the parties.

11. Operating costs

Amounts in USD 1,000	1 January - 31 December 2019	1 January - 31 December 2018
Payroll	17,638	31,875
Share based remuneration	190	1,369
Services	4,138	5,480
Premises, supplies	7,094	12,047
Sales and marketing	1,059	2,889
Other expenses	1,822	814
Total operating costs	**31,941**	**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 secured by select fixed assets. 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 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 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. Impairment

The impairments booked as a one-off adjustment will negatively impact the 2019 net income. In accordance with the relevant accounting guidance requiring testing for impairment, the company has analysed and impaired its assets as of December 31, 2019. In the event Thinfilm sells equipment in the future, income from gains on equipment sales may be higher based on 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.

In addition, the Company has also impaired the San Jose building and land right-of-use assets in it's balance sheet.

14. Events occuring after the balance sheet date

Subsequent events:

- On January 30, 2020, Thinfilm issued an announcement entitled, "Thinfilm To Energize Innovation in the Wearables and Sensor Markets with Ultrathin, Flexible, Safe Batteries.""
- On February 20, 2020, Thinfilm issued an announcement entitled, "Thinfilm Announces Investor Day.""