Thin Film Electronics ASA

Fourth Quarter 2020

Interim Report and Financial Statements

thinfilm

Contents

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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 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.

1 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 occuring 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.