Thin Film Electronics ASA

Second Quarter 2019

Interim Report and Financial Statements

thinfilm

Contents

Highlights

- Product revenue in the first half of 2019 declined approximately 35% versus the same period in 2018
- Company announced a corporate restructuring on July 19, 2019, designed to yield nearly $15 million in annualized savings at the operating level and resulting in over a 50 percent reduction in the work force
- Company evaluating financing alternatives after cancellation of Private Placement
- As of June 30, 2019, the company's cash and cash equivalents totaled approximately USD 8.4 million. The company believes that the existing cash and cash equivalents will be sufficient to meet its anticipated cash needs through the third quarter of 2019. The company is currently seeking alternative forms of financing to meet its financial obligations. There is no assurance that the company will be successful in raising funds. Failure to obtain future funding when needed, or on acceptable terms, would adversely affect its ability to continue as a going concern.

Locations

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Business Review

Thinfilm's transformation continued during the second quarter of 2019 as detailed in its restructuring announcement in March 2019. This announcement was followed by a second restructuring announcement in July 2019, identifying further action taken by the company to reduce its cost structure. The first half of 2019 focused on developing and building market adoption of its brand protection and consumer engagement solutions and maximizing the value of its Junction Avenue, San Jose, CA roll-to-roll printed electronics technology and factory. With an attempted private placement in June proving unsuccessful, the company is pursuing alternative paths to financing the company's strategic initiatives.

Thinfilm has also been actively evaluating strategic alternatives to find new and interesting applications for the San-Jose-based roll-to-roll printed dopant polysilicon (PDPS) line and continues to pursue paths to maximize the value of the assets and technology. The factory's combination of capabilities, including roll-based production, robust metal foil substrate handling, CMOS TFT production, materials and process knowhow, and print expertise, position it to effectively address market needs for R&D, initial production, and scale-up activities necessary between basic research and prototyping at university facilities and large-scale contract manufacturing. Beyond the product categories prioritized by Thinfilm, opportunities exist to utilize the factory's unique technology in flexible large-area electronics applications, flexible sensors, novel energy conversion devices, thin and flexible batteries, displays, and barriers.

Events

FUTR
London, England

April 24-25, 2019

FUTR is a conference and expo for brands and retailers across digital, marketing, e-commerce, retail, innovation and customer experience within various verticals including spirits and beauty. Thinfilm exhibited in the main hall, and about 2,500 attendees had the opportunity to visit the booth to discuss consumer engagement and supply chain visibility capabilities of the NFC-enabled solutions.

Scotch Whisky Association Event (SWA)
Edinburgh, Scotland

May 22-23, 2019

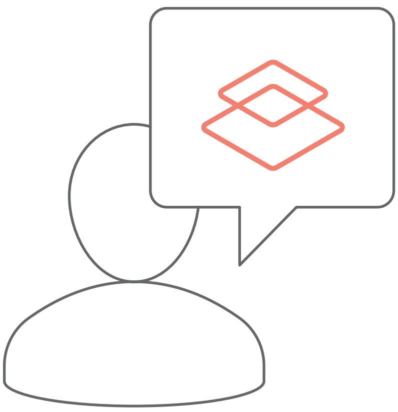
Thinfilm was proud to be an exhibitor as part of the annual SWA event in Edinburgh for the first time. Scotch Whisky is the UK's largest food and drink export, accounting for 21% of all food and drink exports and adding $6.9B in Gross Value to the UK economy. The industry also recently announced it has surpassed the 2m distillery visitor mark in 2018.

The event brings together all key players in the industry, so it presented an opportunity to network and build upon previous relevant work with Diageo (Johnnie Walker), Kilchoman and William Grant & Sons (The Balvenie). The event took place the day after the Balvenie Stories announcement, and there was great interest in that partnership and our well-publicised work with other whisky brands.

Active & Intelligent Packaging Summit Americas (AIPIA)
Jersey City, New Jersey, USA

June 3-4, 2019

AIPIA is the "smart packaging" trade group, of which Thinfilm is a board member. Attendees are primarily packaging converters and brands. Thinfilm, perceived as a leader and pioneer among NFC solution providers, exhibited its NFC connected products solutions and attracted significant interest at the booth. In addition, Thinfilm representatives led a 30-minute seminar on "Empowering Brands & Engaging Consumers with a Connected Products Platform." More than a dozen solution providers were invited to pitch to Mondelez to create potential new packaging for its Toblerone chocolate brand. As in the previous year, Thinfilm partnered with Jones Packaging on this pitch.



Thinfilm was proud to be an exhibitor as part of the annual SWA event in Edinburgh for the first time.

About Thinfilm

Thinfilm is enabling Intelligence Everywhere® through our Near Field Communications (NFC) solutions. We help clients engage directly with consumers, protect brand equity, and understand their supply chains as never before.

Our award-winning, fully integrated NFC solutions reduce complexity and accelerate client success by overcoming the limitations of search and email marketing, defending against counterfeiting and gray market trade, and providing actionable supply chain insights throughout the product and consumer journeys. We enable companies to take back control to protect their brands and engage their consumers directly.

By combining state-of-the-art NFC tag hardware, integration expertise, and the flexibility enabled by the CNECT® Cloud Platform, Thinfilm brings dynamic digital life to everyday products and packages. Thinfilm is a leading participant in the NFC community through its participation on the NFC Forum board of directors, committees, and working groups.

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

Condensed Consolidated Financial Report as of 30 June 2019

Thinfilm sales revenue decreased in the first six months of 2019 compared to the same period in 2018. Both EAS (electronic article surveillance) and NFC (near-field communications) shipments declined, resulting in a 35% decrease in product revenue year over year. Total revenues and other income decreased 53% in the first six months of 2019 compared to the same period in 2018, primarily due to extraordinary accounting gains related to the sale of excess equipment in 2018. The company continued to reduce its operating cost base, primarily driven by restructuring, cost control activities, and lower manufacturing activity level.

Profit and Loss

Thinfilm's sales revenue in the first six months of 2019 was USD 567 thousand, compared to USD 866 thousand during the same period last year, with 5.3 million EAS tags shipped to date versus 11.3 million for the same period last year. Shipment of NFC SpeedTap increased to 838 thousand tags for the first six months of 2019, from 713 thousand for the same period last year.

Income related to government grants and other funded projects amounted to USD 529 thousand in the first six months of 2019 and USD 1,119 thousand in the first six months of 2018. The decrease is explained by certain EU funded projects being completed during the year 2018 and the first six months of 2019.

Excluding government grants, other income amounted to USD 113 thousand in the first six months of 2019, compared to USD 406 thousand during the same period last year. Other income for the first six months of 2018 was primarily related to gains on the disposal of fixed assets. Disposed assets included those acquired when the Company secured the Junction Avenue facility, in addition to surplus Linköping site assets. Beginning in Q3 2018, the company has received sublease income from the second floor of its Junction Avenue, San Jose facility.

Operating costs (excluding depreciation and amortization charges) amounted to USD 21,612 thousand during the first six months of 2019, including the notional cost of share-based compensation of USD 635 thousand. The corresponding figures for the same period last year were USD 27,219 thousand and USD 695 thousand, respectively. The decrease in operating costs during the first six months of 2019, compared to the same period of 2018, was USD 5,607 thousand, and was primarily attributable to:

1) USD 1,858 thousand lower costs for premises and supplies. The downsizing of activities during the first six months of 2019 led to a decrease in premises and supply costs in San Jose. During 2018, Thinfilm's San Jose site was operating 24 hours per day, 7 days per week. In addition, with the implementation of IFRS 16 from 1 January 2019, the land component of the San Jose premises is treated as a financial lease, and therefore, no longer recognized as a rental expense, resulting in USD 30 thousand lower rent expense on a monthly basis.

2) USD 937 thousand lower sales and marketing costs. Cost savings initiatives have reduced travel expenses and other sales and marketing-related costs during the first six months of 2019 compared to the same period of 2018.

3) USD 2,283 thousand lower employee share based remuneration costs. The fair value of granted employee subscription rights are valued based on the Black-Scholes formula and expensed over the vesting period. This expense is lower in the first six months of 2019 compared to the same period of 2018.

Thinfilm maintains its core R&D activity. During the first six months of 2019, USD 811 thousand was spent developing manufacturing processes and operating procedures for roll-to-roll manufacturing. The corresponding amount for the same period of 2018 was USD 4,893 thousand. The capitalized development costs relating to EAS were impaired as of 30 December 2018, as Thinfilm will discontinue the current EAS business after exhausting existing inventory.

Investments in fixed and intangible assets amounted to USD 2,129 thousand during the first six months of 2019, compared to USD 9,018 thousand during the same period of 2018. The significant investments made during the first six months of 2018 were primarily related to equipment for the new roll-based production line at the San Jose site. For the period ending 30 June 2019, Thinfilm had also made prepayments amounting to USD 4,977 thousand relating to investments in equipment and machinery and USD 9,748 during the first six months of 2018. These pre-payments are recognized as other receivables, since only part of the equipment and machinery had been received from suppliers as of 30 June 2019. Thinfilm's roll-to-roll capital expenditure program is expected to cost USD 33,500 thousand versus USD 32,000 thousand initially budgeted in November 2016. Approximately eighty-six percent of these costs have been incurred as at 30 June 2019, including the pre-payments referred to above. Depreciation, amortization and impairment charges during the first six months of 2019 amounted to USD 2,163 thousand and during the first six months of 2018 the charges amounted to USD 1,988 thousand.

Net financial items for the first six months of 2019 amounted to a gain of USD 73 thousand compared to the first six month of 2018, which amounted to a gain of USD 1,973 thousand. The first six months of 2019 included realized gains offset by interest expense, while for the first six months of 2018, unrealized foreign currency gains was the largest component.

The Company operates at a loss, and there is a tax loss carryforward position in the parent company and in the Swedish and U.S. subsidiaries. While local taxes are incurred in some of the subsidiaries, the parent company in Norway has not incurred any tax costs during the first six months of 2019, nor in the same period of the prior year. The Company has not recognized any deferred tax assets on its balance sheet relating to these tax loss carryforward positions, as this potential asset does not yet qualify for inclusion.

The loss for the first six months of 2019 was USD 22,597 thousand, corresponding to a basic loss per share of USD 0.02. During the same period of 2018, the loss amounted to USD 25,255 thousand, corresponding to a basic loss per share of USD 0.02.

Cash Flow

The group's cash balance decreased by USD 24,149 thousand during the first six months of 2019, compared to a decrease of USD 31,892 thousand during the same period last year. The net decrease in cash balance is explained by the following principal elements:

1) USD 19,028 thousand outflow from operating activities,

2) USD 4,662 thousand outflow from investing activities,

3) USD 474 thousand outflow from financing activities, and

4) USD 15 thousand currency translation gain on cash and bank deposits.

The USD 19,028 thousand outflow from operating activities is primarily explained by an operating loss, excluding depreciation, amortization and impairment charges, of USD 2,163 thousand. The cash balance on 30 June 2019 was USD 8,439 thousand, as compared to the cash balance on 30 June 2018 of USD 66,228 thousand.

Balance Sheet

Fixed assets on 30 June 2019 amounted to USD 22,630 thousand and mainly stem from machinery and equipment in San Jose, California. Other receivables include USD 4,977 thousand prepayments related to equipment and machinery that had yet to be received from the suppliers as of 30 June 2019. The Company has a financial lease on the balance sheet which amounts to USD 12,166 thousand and relates to the new US headquarters. With the implementation of IFRS 16 from 1 January 2019, the financial lease includes both the building and land component of the San Jose site, whereas it previously only included the building component. Intangible assets amounted to USD 2,626 thousand as of 30 June 2019. Intangible assets include the value of patents acquired from Kovio, Inc. in 2014, and certain capitalized development costs.

Principal Risks

Thinfilm is exposed to various risks of a financial and operational nature. It is the duty of the board to present the principal risks of Thinfilm and its business. The company's predominant risks are market and business risks, summarized in the following points:

I The company is not yet cash generative and operates at a loss, and there is uncertainty tied to the generation of future cash flow. The company is currently exploring financing alternatives to fund operations after restructuring. The company's cash and cash equivalents as of June 2019 was approximately USD 8.4 million. The company believes that the existing cash balance will be sufficient to meet its anticipated cash needs through the third quarter of 2019. With respect to the company's financial obligations, there is no assurance that the company will be successful in raising funds. Failure to obtain future funding when needed, or on acceptable terms, would adversely affect its ability to continue as a going concern.

II Many of the emerging markets that Thinfilm targets, as well as the markets it intends to pursue, are still immature for in-market deployments and there is a potential risk of delays in the timing of sales.

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

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

Going forward, Thinfilm foresees four important revenue sources:

1 Sales of its own designed products, and;

2 Sales of conventional NFC labels manufactured for Thinfilm and suitably encoded for use by its platforms, and;

3 Monetization of Thinfilm's CNECT software platform, and;

4 Licensing/royalty revenue, where partners and customers pay for using the company's intellectual property rights (IPR).

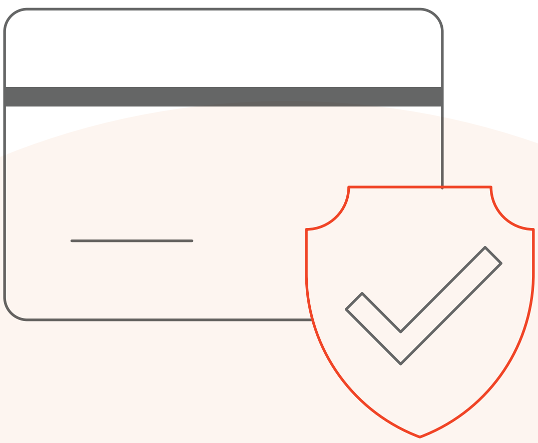
Thinfilm is exposed to certain financial risks related to fluctuation of exchange rates and interest level.

For the period ending 30 June 2019, equity amounted to USD 35,692 thousand, representing 62% of the gross balance sheet and 191% of the share capital.

Outlook

Thinfilm has been actively evaluating strategic alternatives to find new and interesting applications for the San-Jose-based roll-to-roll printed dopant polysilicon (PDPS) line and continues to pursue paths to maximize the value of the assets and technology. The factory's combination of capabilities, including roll-based production, robust metal foil substrate handling, CMOS TFT production, materials and process knowhow, and print expertise, position it to effectively address market needs for R&D, initial production, and scale-up activities necessary between basic research and prototyping at university facilities and large-scale contract manufacturing. Beyond the product categories prioritized by Thinfilm, opportunities exist to utilize the factory's unique technology in flexible large-area electronics applications, flexible sensors, novel energy conversion devices, thin and flexible batteries, displays, and barriers.

While the management team is confident in the viability of NFC technology in the long term, market adoption has been slower than anticipated. This slower-than-expected growth rate of NFC tags on-package deployment has required the company to analyze how to best fit this longer-term strategy into its near term need to generate a path to breakeven. On July 19, 2019, the company, in delivering against its strategy, announced a restructuring to further right size the business. After the cancellation of Private Placement Financing, alternatives are being considered. The company plans to maintain its focus on developing and building market adoption of its brand protection and consumer engagement solutions and maximizing the value of its Junction Avenue, San Jose, CA roll-to-roll printed electronics technology and factory.



Thin Film Electronics ASA Group

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

Amounts in USD 1,000	Note	1 January – 30 June 2019	1 January – 30 June 2018	1 January – 31 December 2018
Sales revenue		567	866	1,288
Other operating revenue		—	—	—
Other income		529	1,119	2,110
Total revenue & other income		**1,096**	**1,985**	**3,397**
Operating costs	10,11	(21,612)	(27,219)	(54,473)
Depreciation, amortization and impairment loss	3,4,5	(2,163)	(1,988)	(19,546)
Operating profit (loss)		**(22,679)**	**(27,222)**	**(70,622)**
Net financial items		73	1,973	(1,089)
Profit (loss) before income tax		(22,606)	(25,249)	(71,711)
Income tax expense		9	(5)	(11)
Profit (loss) for the period		**(22,597)**	**(25,255)**	**(71,722)**
Profit (loss) attributable to owners of the parent		**(22,597)**	**(25,255)**	**(71,722)**
Profit (loss) per share basic and diluted	7	(USD0,02)	(USD0,02)	(USD0,06)
Profit (loss) for the period		(22,597)	(25,255)	(71,722)
Other comprehensive income				
Currency translation		(73)	(360)	(198)
Total comprehensive income for the period, net of tax		**(22,670)**	**(25,615)**	**(71,921)**

Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	30 June 2019	30 June 2018	31 December 2018
ASSETS	8			
Non-current assets				
Property, plant and equipment	3	22,630	26,789	22,548
Financial lease	5	12,166	10,997	10,375
Intangible assets	4	2,626	2,930	2,353
Total non-current assets		**37,422**	**40,716**	**35,276**
Current assets				
Inventory		2,029	2,698	2,640
Trade and other receivables	9	8,794	14,781	8,862
Cash and cash equivalents		8,439	66,228	32,588
Total current assets		**19,262**	**83,708**	**44,090**
TOTAL ASSETS		**56,684**	**124,423**	**79,366**
EQUITY				
Ordinary shares	6	18,660	18,660	18,660
Other paid-in equity		322,175	320,540	321,575
Currency translation		(15,958)	(13,881)	(13,719)
Retained earnings		(289,185)	(220,338)	(266,806)
Total equity		**35,692**	**104,981**	**59,709**
LIABILITIES	8			
Non-current liabilities				
Deferred tax liabilities			-	-
Long-term financial lease liabilities		13,799	11,818	11,525
Total non-current liabilities		**13,799**	**11,818**	**11,525**
Current liabilities				
Trade and other payables		7,193	7,624	8,132
Total current liabilities		**7,193**	**7,624**	**8,132**
Total equity and liabilities				
		56,684	**124,423**	**79,366**

Consolidated Statements of Changes in Equity

Amounts in USD 1,000	Share capital	Other paid-in equity	Currency translation	Retained earnings	Total
Balance at 1 January 2019	18,660	321,575	(13,719)	(266,806)	59,710
Share issues	—	—	—	—	—
Share based compensation	—	635	—	—	635
Impact of change in accounting policy*	—	(35)	(2,166)	218	(1,983)
Comprehensive income	—	—	(73)	(22,597)	(22,670)
Balance at 30 June 2019	**18,660**	**322,175**	**(15,958)**	**(289,185)**	**35,692**
Balance at 1 January 2018	18,660	319,819	(13,521)	(195,084)	129,874
Share issues	—	(15)	—	—	(15)
Share based compensation	—	736	—	—	736
Comprehensive income	—	—	(360)	(25,255)	(25,615)
Balance at 30 June 2018	**18,660**	**320,540**	**(13,881)**	**(220,338)**	**104,981**
Balance at 1 January 2018	18,660	319,819	(13,521)	(195,084)	129,874
Share issues	—	(15)	—	—	(15)
Share based compensation	—	1,771	—	—	1,771
Comprehensive income	—	—	(198)	(71,722)	(71,921)
Balance at 31 December 2018	**18,660**	**321,575**	**(13,719)**	**(266,806)**	**59,709**

*=IFRS 16 implementation

Consolidated Cash Flow Statements

Amounts in USD 1,000	Note	1 January – 30 June 2019	1 January – 30 June 2018	1 January – 31 December 2018
Cash flow from operating activities				
Profit (loss) before tax		(22,606)	(25,249)	(71,711)
Share-based payment (equity part)	6	635	736	1,771
Depreciation and amortization	3,4,5	2,163	1,988	3,947
Write down inventory, machinery and intangible assets		—	—	14,832
Gain on sale of fixed assets		(12)	(399)	(479)
Taxes paid for the period		(46)	(51)	(91)
Changes in working capital and non-cash items		838	(5,866)	(686)
Net cash from operating activities		**(19,028)**	**(28,841)**	**(52,418)**
Cash flow from investing activities				
Purchase of property, plant and equipment	3	(1,781)	(2,846)	(6,004)
Prepayments relating to purchase of property, plant and equipment		(2,735)	(2,683)	(5,005)
Financial lease payments		—	—	
Purchases of intangible assets		—	—	—
Capitalized development expenses	4	(229)	(814)	(1,580)
Proceeds from sale of fixed assets		12	1,186	1,389
Interest received		71	188	291
Net cash from investing activities		**(4,662)**	**(4,969)**	**(10,908)**
Cash flow from financing activities				
Proceeds from issuance of shares	6	—	(15)	(15)
Financial lease payments		(474)	(307)	(600)
Net cash from financing activities		**(474)**	**(322)**	**(615)**
Currency translation effects on cash and bank deposits		15	2,241	(1,590)
Net increase (decrease) in cash and bank deposits		**(24,149)**	**(31,892)**	**(65,532)**
Cash and bank deposits at the beginning of the period		32,588	98,120	98,120
Cash and bank deposits at the end of the period		**8,439**	**66,228**	**32,588**

Notes to the Consolidated Financial Statements

1. Information about the group

Thin Film Electronics ASA ("Thinfilm" or "the Company") was founded on 22 December 2005. Thin Film Electronics ASA Group ("Thinfilm") consists of the parent company Thinfilm ASA and the subsidiaries Thin Film Electronics AB ("Thinfilm AB"), Thin Film Electronics Inc. ("Thinfilm Inc."), Thin Film Holding (""Thinfilm Holding""), Thin Film Electronics KK ("Thinfilm KK"), Thin Film Electronics HK Limited ("Thinfilm HK"), Thin Film Electronics UK Ltd. ("Thinfilm UK"), Thin Film Electronics Co. Ltd. ("Thinfilm China"), Thin Film Electronics Singapore pte. Ltd. ("Thinfilm SING"). The group was formed on 15 February 2006, when Thinfilm ASA purchased the business and assets, including the subsidiary Thinfilm AB, from Thin Film OldCo AS ("OldCo").

The objectives of the Company shall be to enable Intelligence Everywhere® through near field communications (NFC) solutions, including hardware, software and integration services. These objectives may be carried out in full internally, or in whole or in part externally through collaborative efforts with one or more of the Company's ecosystem partners.

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

2. Basis of preparation, accounting policies, and resolutions

This condensed interim financial report for the first six months of 2019 has been prepared in accordance with IAS 34 interim financial reporting. The condensed consolidated interim financial report should be read in conjunction with the consolidated annual financial statements for 2018. The IFRS accounting policies applied in this condensed consolidated interim financial report are in all materiality consistent with those applied and described in the consolidated annual financial statements for 2018.

The group has applied IFRS 16 from 1 January 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Please refer to note 5 for details. There is no further material impact on the consolidated financial statements as a result of new IFRS standards.

The going concern assumption has been applied when preparing this interim financial report. This consolidated interim financial report has not been subject to audit. As of June 30, 2019, the company currently has approximately USD 8.4 million of cash and cash equivalents. The company believes that the existing cash and cash equivalents will be sufficient to meet its anticipated cash needs through the third quarter of 2019. The company is currently seeking alternative forms of financing to meet its financial obligations. There is no assurance that the company will be successful in raising funds. Failure to obtain future funding when needed, or on acceptable terms, would adversely affect its ability to continue as a going concern.

The report was resolved by the Board of Directors on August 29, 2019.

3. Property, plant and equipment

Amounts in USD 1,000	Tangible assets
Period ended 30 June 2019	
Net value on 1 January 2019	22,548
Additions	1,781
Disposals	—
Exchange differences	(364)
Impairments	—
Depreciation	(1,335)
Net book value on 30 June 2019	**22,630**
Other receivables include USD 4,977 thousand prepayments related to investment in equipment and machinery that had not been received from the suppliers as of 30 June 2019.	
Period ended 30 June 2018	
Net value on 1 January 2018	20,522
Additions	8,204
Disposals	(552)
Exchange differences	(10)
Impairments	—
Depreciation	(1,376)
Net book value on 30 June 2018	**26,789**
Other receivables include USD 9,748 thousand prepayments related to investment in equipment and machinery that had not been received from the suppliers as of 30 June 2018.	
Year ended 31 December 2018	
Net value on 1 January 2018	20,522
Additions	19,024
Disposals	(692)
Exchange differences	2
Impairments	(13,565)
Depreciation	(2,742)
Net book value on 31 December 2018	**22,548**
Other receivables include USD 4,846 thousand prepayments related to investment in equipment and machinery that had not been received from the suppliers as of 31 December 2018.	

4. Intangible assets

Amounts in USD 1,000	Intangible assets
Period ended 30 June 2019	
Net value on 1 January 2019	2,353
Additions	348
Disposals	—
Exchange differences	—
Impairment	—
Amortization	(75)
Net book value on 30 June 2019	**2,626**
Period ended 30 June 2018	
Net value on 1 January 2018	2,190
Additions	814
Disposals	—
Exchange differences	—
Impairment	—
Amortization	(75)
Net book value on 30 June 2018	**2,930**
Year ended 31 December 2018	
Net value on 1 January 2018	2,190
Additions	1,582
Disposals	—
Exchange differences	
Impairment	(1,268)
Amortization	(151)
Net book value on 31 December 2018	**2,353**

5. Financial lease

The Company entered into a lease agreement in November 2016 relating to the property building of its new US headquarter in San Jose, CA. The lease in San Jose expires in September 2028. The building element of the lease agreement is classified as a financial lease, as the present value of the minimum lease payments amounts to substantially all of the fair value of the leased asset. The land element of the lease became classified as a financial lease from 1 January 2019, with the implementation of IFRS 16, having previously been accounted for separately as an operating lease.

Net book value of financial lease asset:

Amounts in USD 1,000	30 June 2019	30 June 2018	31 December 2018
Net value on 1 January	10,375	11,534	11,534
Adjustment*	2,544	—	(105)
Amortization	(753)	(536)	(1,053)
Net book value at end of period	**12,166**	**10,997**	**10,375**

*Mainly impact of change in accounting policy 1 January 2019

Present value of minimum lease payments:

Amounts in USD 1,000	30 June 2019	30 June 2018	31 December 2018
Less than one year	1,519	1,418	1,493
Between one and five years	5,526	5,403	5,481
More than five years	5,454	6,453	5,697
Sum	**12,499**	**13,274**	**12,671**

IFRS 16 implementation:

On transition to IFRS 16, the Group recognized an additional USD 2,036 thousand right-of-use assets, USD 2,761 thousand lease liability, USD 250 thousand deferred rent balance, and USD 476 thousand to retained earnings. The recognized amounts relate in full to the land component of the San Jose site, previously recognized as an operating lease. The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense.

Amounts in USD 1,000	
Operating lease commitment at 31 December 2018	4,418
Discounted using incremental borrowing rate	(992)
Financial lease liability 31 December 2018	**3,425**
Recognition exemption for short-term leases and low-value assets	(664)
Lease liabilities recognized at 1 January 2019	**2,761**

Right-of-use asset recognized 1 January 2019	**2,036**
The right-of-use asset is calculated as the lease liability at commencement, adjusted for the percentage of term remaining and deferred rent balance.	

6. Shares, warrants and subscription rights

Number of shares	
Shares at 1 January 2019	1,171,871,617
Shares at 30 June 2019	**1,171,871,617**
Shares at 1 January 2018	1,171,871,617
Shares at 31 December 2018	**1,171,871,617**

Number of warrants and subscription rights	1 January – 30 June 2019	1 January – 30 June 2018	1 January – 31 December 2018
Warrants and subscription rights opening balance	88,252,432	122,422,326	122,422,326
Grant of incentive subscription rights	13,990,000	4,530,000	52,067,432
Terminated, forfeited and expired subscription rights	(20,212,500)	(18,120,000)	(29,220,000)
Exercise of subscription rights	—	—	—
Allotment of warrants	—	—	—
Exercise and expiry of warrants	—	(40,000,000)	(57,017,326)
Warrants and subscription rights closing balance	**82,029,932**	**68,832,326**	**88,252,432**

7. Profit (loss) per share

	1 January – 30 June 2019	1 January – 30 June 2018	1 January – 31 December 2018
Profit (loss) attributable to shareholders (USD 1,000)	(22,597)	(25,255)	(71,722)
Weighted average basic number of shares in issue	1,171,871,617	1,171,871,617	1,171,871,617
Weighted average diluted number of shares	1,171,871,617	1,171,871,617	1,171,871,617
Profit (loss) per share, basic and diluted	**(USD0,02)**	**(USD0,02)**	**(USD0,06)**

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

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

8. Contingent assets and liabilities

As a part of the relocation of Thinfilm's US headquarters in the second quarter of 2017 a USD 1,600 thousand Letter of Credit has been issued to the new landlord. The Company has in addition entered into a Tenancy Guarantee with the new landlord. The guarantee is given to secure payment of the lease rent. The initial guarantee liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. As at 30 June 2019, the guarantee liability amounted to USD 4,500 thousand.

9. Trade and other receivables

On 30 June 2019, trade and other receivables amounted to USD 8,794 thousand. The components of this balance are specified below.

Amounts in USD 1,000	30 June 2019	30 June 2018	31 December 2018
Accounts receivable	1,109	1,349	943
Receivables from grants	1,617	1,725	1,249
VAT-related receivables	(194)	400	167
Pre-payments to suppliers	6,195	11,005	6,141
Other current receivables	67	302	362
Sum	**8,794**	**14,781**	**8,862**

10. Related party transactions

In the period 1 January – 30 June 2019, Thinfilm has recorded USD 465 thousand (net of VAT) for legal services provided by law firm Ræder, in which Thinfilm's Chairman is a partner.

11. Operating costs

Amounts in USD 1,000	1 January – 30 June 2019	1 January – 30 June 2018	1 January – 31 December 2018
Payroll	13,338	15,561	31,875
Share-based remuneration	635	695	1,369
Services	3,162	3,089	5,480
Premises, supplies	3,492	5,360	12,047
Sales and marketing	759	1,696	2,889
Other expenses	226	817	814
Total operating costs	**21,612**	**27,219**	**54,473**

12. Events occuring after the balance sheet date

As part of the restructuring of the company to support its new strategy and address that it has become increasingly based in San Jose, CA, Thinfilm:

1 Announced on 1 July 2019 that they have replaced their Chief Financial Officer and has appointed Mallorie Burak as their new Chief Financial Officer effective July 1, 2019.

2 Announced on 19 July 2019 a restructuring plan to further right-size the business, designed to yield nearly $15 million in annualized savings at the operating level and as an over 50 percent reduction in the work force.

3 In a Board meeting on 23 July 2019, the Board resolved to grant Ms Burak a total of 9,360,000 Employee Subscription Rights ("SRs") under Thinfilm's 2019 Subscription Rights Incentive Plan with an exercise price of NOK 0.15 per share.

Responsibility Statement

The board of directors and the managing director have today reviewed and approved the Thin Film Electronics ASA unaudited interim condensed financial statements as of 30 June 2019.

- The interim condensed consolidated financial statements with notes for the first half of 2019 have been prepared in accordance with IAS 34 – Interim Financial Reporting and additional disclosure requirements as stated in the Norwegian Securities Trading Act section 5-6.
- The interim condensed consolidated financial statements for the first half year of 2019 give a true and fair view of Thin Film's assets, liabilities, financial position and results for the period viewed in their entirety.
- The report from the board of directors issued in concert with these condensed financial statements give a true and fair view of the development, performance and financial position of the group, and a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements.
- A description of the principal risks and uncertainties for the remaining six months of the financial year have been disclosed in note 2 of the financial statements.
- Major related party transactions have been disclosed in note 10 of the financial statements.
- The report from the board of directors have been prepared in accordance with the Norwegian accounting act and generally accepted accounting practice in Norway.

The board of directors of Thin Film Electronics ASA, Oslo, Norway, 29 August 2019

Morten Opstad Chairman	Jon S. Castor Board Member	Preeti Mardia Board Member	Kelly S. Doss Board Member

Kevin Barber
Managing Director (CEO)