Thin Film Electronics ASA

First Quarter 2019

Interim Report and Financial Statements

thinfilm

Contents

Highlights

- Transformation into an integrated product solutions company
- Realigned the sales organization and company go-to-market strategy
- Notable deployments included Martell Cognac, Slikhaar and Boehringer Ingelheim
- Paused development of printed dopant polysilicon (PDPS); exploring different applications for pursuing several paths to maximize the value of the assets and the technology
- Restructuring will result in $21 million in annual operational savings and 40% reduction in staff worldwide
- Product revenue in Q1 declined 1.3% year-on-year
- Entered exclusive joint partnerships with Tapi Group and BERICAP

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Business Review

In the first quarter of 2019, Thinfilm restructured to create two businesses: a connected products solutions business using near-field communications (NFC) technology for brand protection and customer engagement use cases, and a printed electronics business. The restructuring will result in an anticipated reduction of $21 million in annual operating expenses and more than 40% reduction of staff worldwide.

Thinfilm sees a huge opportunity as brands face disruptive challenges to their business due to counterfeiting, which costs revenue and trust, the difficulty of engaging customers in an increasingly noisy space, and increased supply-chain complexity that reduces product visibility. While the number of mobile handsets with NFC capability in circulation increased to more than 2 billion worldwide, savvy consumers are looking for more personalized experiences and are becoming increasingly concerned about purchasing fake products. As part of the new strategy, Thinfilm will focus on three key verticals where it sees the biggest global market opportunity: wine & spirits, health & beauty, and over-the-counter pharmaceuticals. Thinfilm's solutions, comprising best-in-class integrated secure hardware and software elements, will be built on our own in-house chip design, fabricated at a leading semiconductor foundry, rather than the roll-to-roll printed dopant polysilicon (PDPS) technology upon which the previous strategy rested. The company expects to be delivering our new cost-competitive silicon devices to our customers by Q1 2020. Adequate capacity is currently readily available and sufficiently cost-efficient to deliver competitive solutions to drive a profitable business model.

Thinfilm has begun to explore different applications for the roll-to-roll PDPS line in San Jose and has started to pursue a number of paths to maximize the value of the assets and the technology. Management's goal is to focus on realizing value from the facility, the technology, and the intellectual property as a whole. The company is currently engaging with multiple parties and is pursuing a structured approach within the opportunities in flexible large area electronics applications. Following the pausing of the printed electronics line, Thinfilm will discontinue the Electronic Article Surveillance (EAS) product line after exhausting our existing inventory with our leading customer.

As part of the transformation and the company's new go-to-market strategy, Thinfilm signed exclusive customer partnership agreements with two global leaders in the cap and closures industry. Italy-based Tapì Group, which specializes in the design, production, and distribution of high-end technological closures for the premium spirits market, and Thinfilm agreed in late March to simplify and accelerate the delivery of NFC-enabled solutions to the extensive network of Tapì's customers. Together, the two companies can reach many more of the brands for whom consumer engagement and brand protection are high on their list of priorities. In turn, Tapì can now offer its customers new and exciting additions to an already broad product portfolio. A month later, Thinfilm and BERICAP, a German company providing high value-added plastic caps and closures for food, beverage, pharmaceutical, and industrial markets, signed a similar agreement. Through this collaboration with established strategic channel partners, Thinfilm management aims to develop volume and scale.

…consumers are looking for more personalized experiences and are becoming increasingly concerned about purchasing fake products.

Events

Mobile World Congress, Barcelona

25-28 February 2019

Thinfilm exhibited at Mobile World Congress, the world's largest gathering for the mobile phone industry, as part of the Innovation Norway booth. It was an opportunity for Thinfilm to showcase its fully integrated brand protection and consumer engagement solutions focusing on wine and spirits, OTC pharmaceuticals and health and beauty verticals.

eTail Asia, Singapore

6-7 March 2019

eTail Asia is the destination event for large, established e-retailers. Thinfilm exhibited at the event, showcasing its brand protection and consumer engagement solutions. In addition, Thinfilm conducted a session about the age of the empowered consumer, the quest for insights about consumer behavior, and building brand loyalty.

Adobe Summit, Las Vegas

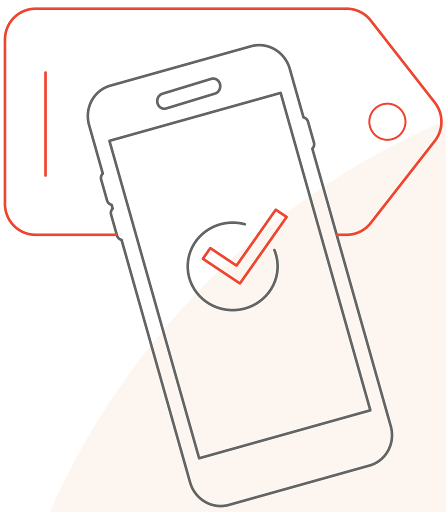
26-28 March 2019

Adobe Summit showcases the latest tools and technologies to help brands build campaigns, manage and personalize advertising and emails, and gain deep data insights. The conference gathered about 17,000 industry leaders to share ideas and best practices around customer experience management. Senior technology and marketing representatives from Fortune 1000 companies across multiple industries attended the event, together with a number of Adobe partners including agencies, systems integrators, and software solution providers. Thinfilm participated in the event as an Adobe technology partner with a demonstration kiosk– the only one bringing digital consumer experiences to physical products. Visitors to the booth included marketing agencies interested in evaluating novel solutions for their clients, as well as several consumer packaging brands and financial institutions considering the use of the technology for their interactions with their end-clients.

World Spirits Conference, London

28 March 2019

The premier spirits event in London was an opportunity to educate industry executives about innovative solutions to the global problem of diversion, grey market, and counterfeit goods. Thinfilm was a sponsor of this year's WSC and featured a podium discussion about brand protection, chaired by Thinfilm's UK Sales Director Chris Jones.



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.

Our award-winning, fully integrated NFC solutions reduce complexity and accelerate client success...

Condensed Consolidated Financial Report as of 31 March 2019

Thinfilm saw a stable sales revenue in the first quarter of 2019 compared to the same period in 2018. NFC shipments experienced an increase, whereas EAS shipments were slightly down. Total revenues and other income decreased 34% in the first three months of 2019 compared to the same period in 2018, primarily because of accounting gains on 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 three months of 2019 remained stable at USD 402 thousand, compared to USD 405 thousand during the same period last year. 5.3 million EAS tags were shipped (Q1 2018: 6.0 million), whereas shipment of NFC SpeedTap tags reached nearly 0.5 million units.

Income related to government grants and other funded projects amounted to USD 322 thousand during the first three months of 2019 (Q1 2018: USD 365 thousand). The 12% decrease is explained by certain EU funded projects being completed during the year 2018.

Excluding government grants, other income amounted to USD 57 thousand in the first three months of 2019 (Q1 2018: USD 407 thousand). Other income in Q1 2018 was primarily related to gains on disposal of fixed assets. Disposed assets included those acquired when the Company secured the Junction Avenue facility, in addition to surplus Linköping site assets. From 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 11,620 thousand during the first three months of 2019, including the notional cost of share-based compensation of USD 271 thousand. The corresponding figures for the same period last year were USD 13,858 thousand and USD 577 thousand, respectively. The decrease in operating costs during the first three months of 2019, compared to the same period of 2018, was USD 2,238 thousand, and was primarily attributable to:

1) USD 1,210 thousand lower costs for premises and supplies. The down-sizing of activities during Q1 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 no longer handled as an operating lease, corresponding to USD 90 thousand lower rental expense on a quarterly basis.

2) USD 594 thousand lower services costs. Expenditures for consultants and contractors have decreased as a result of cost savings initiatives and lower activity levels.

3) USD 383 thousand lower sales and marketing costs. Cost savings initiatives have reduced travel expenses and other sales and marketing-related costs during the first three months of 2019 compared to the same period of 2018.

4) USD 308 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.

Thinfilm has maintained a high level of R&D activity. During the first three months of 2019, USD 1,882 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 2,645 thousand. Further, USD 174 thousand development costs were capitalized to the balance sheet during Q1 2019, relating in full to development of the SpeedTap product. During the first three months of 2018, USD 374 thousand development costs were capitalized to the balance sheet, relating to both the SpeedTap and EAS products. The capitalized development costs relating to EAS were impaired as of 31 December 2018, as Thinfilm will discontinue the current EAS business after exhausting existing inventory.

Investments in fixed and intangible assets amounted to USD 1,592 thousand during the first three months of 2019, compared to USD 8,288 thousand during the same period of 2018. The significant investments made during Q1 2018 were mostly related to equipment for the new roll-based production line at the San Jose site. As of 31 March 2019, Thinfilm had also made prepayments amounting to USD 4,977 thousand relating to investments in equipment and machinery (Q1 2018 balance: 8,206 thousand). These pre-payments are recognized as other receivables since the equipment and machinery had not yet been received from suppliers as of 31 March 2019. Thinfilm's roll-to-roll CAPEX program is expected to cost USD 33,500 thousand vs USD 32,000 thousand initially budgeted in November 2016. 86% of these costs have been incurred as at 31 March 2019, including the pre-payments referred to above. The slower customer adoption of NFC tags on-package than anticipated triggered impairment testing relating to the roll-to-roll assets. Please see Notes 6 and 29 in the 2018 Annual Report for quantification of book values and impairments. Following the implementation of IFRS 16 from 1 January 2019, a right-of-use asset of USD 2,036 thousand was recognized as a lease in the balance sheet. Depreciation, amortization and impairment charges during the first three months of 2019 amounted to USD 1,129 thousand (Q1 2018: USD 1,000 thousand).

Net financial items for the first three months of 2019 amounted to a gain of USD 195 thousand (Q1 2018: USD 4,034 thousand gain), and were mainly related to unrealized foreign currency gains.

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 three 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 three months of 2019 was USD 11,775 thousand, corresponding to a basic loss per share of USD 0.01. During the same period of 2018, the loss amounted to USD 9,651 thousand, corresponding to a basic loss per share of USD 0.01.

Cash Flow

The group's cash balance decreased by USD 12,543 thousand during the first three months of 2019, compared to a decrease of USD 10,527 thousand during the same period last year. The net decrease in cash balance is explained by the following principal elements:

1) USD 9,982 thousand outflow from operating activities,

2) USD 2,228 thousand outflow from investing activities,

3) USD 458 thousand outflow from financing activities, and

4) USD 126 thousand currency translation gain on cash and bank deposits.

The USD 9,982 thousand outflow from operating activities is primarily explained by an operating loss excluding depreciation, amortization and impairment charges of USD 10,839 thousand. The cash balance on 31 March 2019 amounted to USD 20,045 thousand, while the cash balance on 31 March 2018 amounted to USD 87,593 thousand.

Balance Sheet

Fixed assets on 31 March 2019 amounted to USD 23,296 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 31 March 2019. The Company has a financial lease on the balance sheet which amounts to USD 12,496 thousand and relates to the US headquarters. With the implementation of IFRS 16 from 1 January 2019, the financial lease includes both the building and land component of the San Jose site, whereas it previously only included the building component. Intangible assets amounted to USD 2,489 thousand on 31 March 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 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.

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

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

IV 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 in the process of finalizing details of the forthcoming equity issue to secure adequate financing.

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.

On 31 March 2019, equity amounted to USD 47,528 thousand, representing 68% of the gross balance sheet and 255% of the share capital.

Outlook

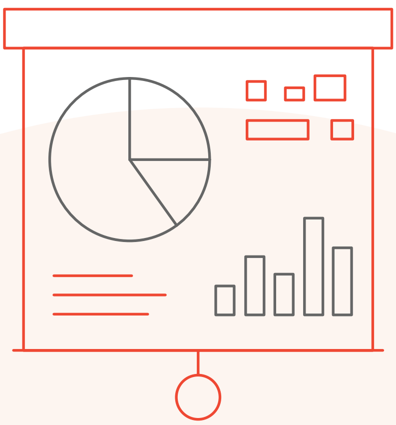
Thinfilm sees Near Field Communications (NFC) wireless tags as enablers of connectivity and interaction for connected products and a massive market opportunity across targeted use cases and verticals. This market is driven by a rapidly growing availability of NFC-enabled smartphones worldwide, with the NFC Forum estimating that there are currently more than two billion of these devices now in circulation. Of these, NFC penetration for phones above $400 reached 95% in 2018. The demographics of these mobile phone users will be core to the high-end positioned brands in each of Thinfilm's vertical markets.

The company continues to build a leading market position by enabling large-scale NFC deployments together with partners and customers. While the non-payment NFC market is still nascent, Thinfilm management is confident that this technology will see significant market adoption over time, garnering more support from key ecosystem stakeholders and further evidence of adoption by major partners. During the coming two years, Thinfilm expects to enter into several more significant strategic customer partnerships that will further enhance the value of its hardware and software solutions.

The demand outlook for Thinfilm's NFC solutions depends on the degree to which major brands deploy NFC tags as an integral part of their primary or secondary packaging. Customer case studies have demonstrated that Thinfilm's product solution addresses customer pain points of authentication, anti-tampering and mobile marketing, in particular in the wine & spirits, health & beauty and over-the-counter pharmaceutical verticals. In 2017 the global counterfeit market was estimated at upwards of $1.2 trillion. It is estimated that up to 30 percent of the global alcohol market and 30 percent of pharmaceuticals sold are counterfeited. Thinfilm remains confident that it will take a leading position in the NFC connected products market by delivering its solution offering and in turn driving volume. Thinfilm offers end-to-end solutions which incorporate NFC tags, integrating them onto products and delivering data and actionable insights via the CNECT® Cloud Platform at scale. Thinfilm's fully integrated product solutions differentiate the company from other NFC providers.

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 deployment rate of NFC tags on-package creates uncertainty for the company going forward.

Nevertheless, with a refocused market strategy, a shift to integrated platform solutions in key verticals, additional deep industry experience, and a growing channel partner ecosystem, Thinfilm is building a clear path to cash break-even in 2021.



Thin Film Electronics ASA Group

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

Amounts in USD 1,000	Note	1 January – 31 March 2019	1 January – 31 March 2018	1 January – 31 December 2018
Sales revenue		402	405	1,288
Other operating revenue		—	—	—
Other income		379	772	2,110
Total revenue & other income		**781**	**1,177**	**3,397**
Operating costs	10,11	(11,620)	(13,858)	(54,473)
Depreciation, amortization and impairment loss	3,4,5	(1,129)	(1,000)	(19,546)
Operating profit (loss)		**(11,968)**	**(13,681)**	**(70,622)**
Net financial items		195	4,034	(1,089)
Profit (loss) before income tax		(11,773)	(9,648)	(71,711)
Income tax expense		(2)	(3)	(11)
Profit (loss) for the period		**(11,775)**	**(9,651)**	**(71,722)**
Profit (loss) attributable to owners of the parent		**(11,775)**	**(9,651)**	**(71,722)**
Profit (loss) per share basic and diluted	7	(USD0,01)	(USD0,01)	(USD 0,06)
Profit (loss) for the period		(11,775)	(9,651)	(71,722)
Other comprehensive income		—	—	
Currency translation		(200)	(97)	(198)
Total comprehensive income for the period, net of tax		**(11,975)**	**(9,747)**	**(71,921)**

Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	31 March 2019	31 March 2018	31 December 2018
ASSETS	8			
Non-current assets				
Property, plant and equipment	3	23,296	27,295	22,548
Lease	5	12,496	11,266	10,375
Intangible assets	4	2,489	2,527	2,353
Total non-current assets		**38,281**	**41,088**	**35,276**
Current assets				
Inventory		2,065	725	2,640
Trade and other receivables	9	9,560	12,605	8,862
Cash and cash equivalents		20,045	87,593	32,588
Total current assets		**31,670**	**100,923**	**44,090**
TOTAL ASSETS		**69,951**	**142,011**	**79,366**
EQUITY				
Ordinary shares	6	18,660	18,660	18,660
Other paid-in equity		321,846	320,380	321,575
Currency translation		(13,920)	(13,617)	(13,719)
Retained earnings		(279,059)	(204,736)	(266,806)
Total equity		**47,528**	**120,688**	**59,709**
LIABILITIES	8			
Non-current liabilities				
Deferred tax liabilities		—	—	—
Long-term lease liabilities		13,978	11,987	11,525
Total non-current liabilities		**13,978**	**11,987**	**11,525**
Current liabilities				
Trade and other payables		8,446	9,337	8,132
Total current liabilities		**8,446**	**9,337**	**8,132**
Total equity and liabilities		**69,951**	**142,011**	**79,366**

Consolidated Statements of Changes in Equity

Amounts in USD 1,000	Share capital	Other paid-in equity	Currency translation	Retained earnings	Total
Balance at 1 January 2019	18,660	321,575	(13,719)	(266,806)	59,709
Share issues	—	—	—	—	—
Share based compensation	—	271	—	—	271
Impact of change in accounting policy*	—	—	—	(477)	(477)
Comprehensive income	—	—	(200)	(11,775)	(11,975)
Balance at 31 March 2019	**18,660**	**321,846**	**(13,920)**	**(279,059)**	**47,528**
Balance at 1 January 2018	18,660	319,819	(13,521)	(195,084)	129,874
Share issues	—	(15)	—	—	(15)
Share based compensation	—	576	—	—	576
Comprehensive income	—	—	(97)	(9,651)	(9,747)
Balance at 31 March 2018	**18,660**	**320,380**	**(13,617)**	**(204,735)**	**120,688**
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, please refer to note 5.

Consolidated Cash Flow Statements

Amounts in USD 1,000	Note	1 January – 31 March 2019	1 January – 31 March 2018	1 January – 31 December 2018
Cash flow from operating activities				
Profit (loss) before tax		(11,773)	(9,648)	(71,711)
Share-based payment (equity part)	6	271	576	1,771
Depreciation and amortization	3,4,5	1,129	1,000	3,947
Write down inventory, machinery and intangible assets		—	—	14,832
Gain on sale of fixed assets		(12)	(407)	(479)
Taxes paid for the period		(23)	(17)	(91)
Changes in working capital and non-cash items		427	(3,816)	(686)
Net cash from operating activities		**(9,982)**	**(12,310)**	**(52,418)**
Cash flow from investing activities				
Purchase of property, plant and equipment	3	(1,764)	(2,041)	(6,004)
Prepayments relating to purchase of property, plant and equipment		(342)	(980)	(5,005)
Financial lease payments		—	—	
Purchases of intangible assets		—	—	—
Capitalized development expenses	4	(174)	(374)	(1,580)
Proceeds from sale of fixed assets		12	1,045	1,389
Interest received		39	24	291
Net cash from investing activities		**(2,228)**	**(2,326)**	**(10,908)**
Cash flow from financing activities				
Proceeds from issuance of shares	6	—	(15)	(15)
Financial lease payments		(458)	(138)	(600)
Net cash from financing activities		**(458)**	**(153)**	**(615)**
Currency translation effects on cash and bank deposits		126	4,262	(1,590)
Net increase (decrease) in cash and bank deposits		**(12,543)**	**(10,527)**	**(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		**20,045**	**87,593**	**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"), Thinfilm 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 and commercial 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 quarter 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. The slower customer adoption of NFC tags on-package than anticipated has delayed cash break-even. The Company is in the process of finalizing details of the forthcoming equity issue to secure adequate financing. The directors are confident that they will be able to complete a capital raising that will provide funding to support the planned level of activity under the new strategy. This consolidated interim financial report has not been subject to audit.

The report was resolved by the Board of Directors on 27 May 2019.

3. Property, plant and equipment

Amounts in USD 1,000	Tangible assets
Period ended 31 March 2019	
Net value on 1 January 2019	22,548
Additions	1,419
Disposals	—
Exchange differences	(2)
Impairments	—
Depreciation	(669)
Net book value on 31 March 2019	**23,296**
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 31 March 2019.	
Period ended 31 March 2018	
Net value on 1 January 2018	20,522
Additions	7,914
Disposals	(442)
Exchange differences	(5)
Impairments	—
Depreciation	(694)
Net book value on 31 March 2018	**27,295**
Other receivables include USD 8,206 thousand prepayments related to investment in equipment and machinery that had not been received from the suppliers as of 31 March 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 4,845 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 31 March 2019	
Net value on 1 January 2019	2,353
Additions	173
Disposals	—
Exchange differences	—
Impairment	—
Amortization	(38)
Net book value on 31 March 2019	**2,489**
Period ended 31 March 2018	
Net value on 1 January 2018	2,190
Additions	374
Disposals	—
Exchange differences	
Impairment	—
Amortization	(38)
Net book value on 31 March 2018	**2,527**
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. Leases

The Company entered into a lease agreement in November 2016 relating to the property building of its new US headquarters in San Jose, CA. The lease in San Jose expires in September 2028. The building element of the lease agreement was 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 lease in the balance sheet from 1 January 2019, with the implementation of IFRS 16, having previously been accounted for separately as an operating lease.

Net book value of lease asset:

Amounts in USD 1,000	31 March 2019	31 March 2018	31 December 2018
Net value on 1 January	10,375	11,534	11,534
Adjustment*	2,543	—	(105)
Amortization	(422)	(268)	(1,053)
Net book value at end of period	**12,496**	**11,266**	**10,375**

*Mainly impact of change in accounting policy 1 January 2019

Present value of minimum lease payments:

Amounts in USD 1,000	31 March 2019	31 March 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 31 March 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 – 31 March 2019	1 January – 31 March 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	360,000	2,900,000	52,067,432
Terminated, forfeited and expired subscription rights	(2,888,750)	(3,460,000)	(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	**85,723,682**	**81,862,326**	**88,252,432**

7. Profit (loss) per share

	1 January – 31 March 2019	1 January – 31 March 2018	1 January – 31 December 2018
Profit (loss) attributable to shareholders (USD 1,000)	(11,775)	(9,651)	(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	**(USD0.01)**	**(USD0.01)**	**(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 31 March 2019, the guarantee liability amounted to USD 4,500 thousand.

9. Trade and other receivables

On 31 March 2019, trade and other receivables amounted to USD 9,560 thousand. The components of this balance are specified below.

Amounts in USD 1,000	31 March 2019	31 March 2018	31 December 2018
Accounts receivable	948	1,211	943
Receivables from grants	1,562	1,478	1,249
VAT-related receivables	179	217	167
Pre-payments to suppliers	6,297	9,399	6,141
Other current receivables	574	299	362
Sum	**9,560**	**12,605**	**8,862**

10. Related party transactions

In the period 1 January – 31 March 2019, Thinfilm has recorded USD 128 thousand (net of VAT) for legal services provided by law firm Ræder, in which Thinfilm's Chairman is a partner.

Also, in the same period, Thinfilm has recorded USD 12 thousand (net of VAT) for R2R probe card equipment delivered by Translarity, a company in which Thinfilm board member Laura Ann Oliphant is a shareholder.

11. Operating costs

Amounts in USD 1,000	1 January – 31 March 2019	1 January – 31 March 2018	1 January – 31 December 2018
Payroll	7,153	7,155	31,875
Share based remuneration	271	577	1,369
Services	1,154	1,748	5,480
Premises, supplies	1,789	2,999	11,595
Sales and marketing	515	898	2,889
Other expenses	738	482	1,265
Total operating costs	**11,620**	**13,858**	**54,473**