Thin Film Electronics ASA

Second 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 second quarter of 2020, Thinfilm's first complete fiscal quarter since the Company announced its Solid-State Lithium Battery (SSLB) strategy, featured multiple accomplishments in technology development and fundraising. As communicated in Thinfilm's January strategy presentation, the Company focused on delivering several milestones, including the expansion of the Company's IP portfolio to include technology related to SSLB production and the production of complete batteries based on Thinfilm's unique stainless steel substrate technology.

Thinfilm's battery strategy is focused on the development and production of premium microbatteries for wearable electronics and connected sensors. The Company's key corporate milestones are built around the development of a positively differentiated microbattery technology featuring superior volumetric energy density, enhanced charge/discharge cycling performance, and additional form factor options compared to currently available coin-cell and pouch-based microbattery products. The Company has therefore prioritized the expansion of its existing, core flexible electronics IP portfolio with SSLB-specific innovation and on 14 April announced the filing of multiple SSLB-related provisional patent applications. Subsequently, Thinfilm announced on 15 June that it had completed successful deposition of critical layers of its SSLB stack. Initial testing of the deposited materials confirmed that Thinfilm's process had already nearly achieved the maximum entitled energy densities expected of its SSLB technology.

On 10 July, Thinfilm announced the achievement of a major milestone: the successful production of the Company's first complete solid-state lithium batteries on steel substrates. Initial characterization testing demonstrated expected energy densities, thereby enabling differentiated microbattery products compared to alternatives. The Company continues the development of its core battery stack technology as well as its cell packaging and stacking technology toward the objective of producing customer validation samples in the third quarter of 2020.

As Thinfilm has continued to validate applications for its differentiated microbattery products, the Company has identified specific market demand in medical wearables and hearables applications for improved energy density and extended cycling. Discussions with a wide range of prospects, from innovative startups to major global enterprises, have validated demand for the advantages of Thinfilm SSLB technology by emphasizing a desire for smaller batteries, higher energy densities, customized form factors, and longer lifetimes compared to competing rechargeable options. Furthermore, to streamline the integration of Thinfilm SSLBs in next-generation applications within existing markets, the Company plans to partner with leading providers of wireless charging and energy harvesting technology to leverage the superior cycling performance of Thinfilm products.

Following the successful attainment of technical milestones, Thinfilm announced additional committed funding to facilitate the next phase of the Company's technology development and commercialization strategy. Following the pursuit of funding, the board of directors received an offer and commitments from certain investors to subscribe for shares for a total subscription amount of approximately NOK 50 million at a price per share of NOK 0.15. The terms of the committed private placement, announced by the Company on 23 July, include the issuance of one warrant ("Warrant C") for each share subscribed for in the private placement. The Warrant would have an exercise price of NOK 0.25 per share and be exercisable at any time from 31 March 2021 until 30 June 2021. In addition to the private placement, the Company announced a subsequent offering on 23 July. The subsequent offering is designed to raise up to NOK 10 million with a share price and warrant terms identical to those of the private placement. Both the private placement and subsequent offering were proposed by the board and approved by the shareholders in the Extraordinary General Meeting of 19 August 2020. In addition to the total funding amount of up to NOK 60 million, the issued Warrants C could raise up to a combined NOK 100 million if fully exercised, including warrants issued in the private placement and subsequent offering. The potential funding due to exercise of Warrants C is separate from potential funding due to exercise of previously issued Warrants A (totaling up to NOK 32 million, if fully exercised) and Warrants B (totaling up to NOK 72 million, if fully exercised). Remaining Warrants A can be exercised at any time until 31 December 2020 and remaining Warrants B can be exercised at any time until 20 August 2021.

Outlook

Following the January 2020 announcement of an updated corporate strategy, Thinfilm continues to focus on the development, production, and sales of solid-state lithium battery (SSLB) products. For the second half of 2020, the Company is focused on attaining core technology development and market development milestones, including the production of customer validation samples and the Company's initial design wins.

The Company has taken steps to enable continued rapid development of SSLB technology and products. In July, the Company took action to increase the robustness and operational flexibility of its manufacturing environment by accelerating the consolidation of remaining process equipment in its San Jose, California facility. This streamlined approach gives Thinfilm complete control over the material processing environment to increase manufacturing consistency as well as operational flexibility, resulting in increased tool utilization and cycle time reductions of 50% or more.

Based on this consolidated manufacturing environment, Thinfilm is now actively developing customer-ready samples to enable validation of key performance characteristics of the Company's SSLB technology in diverse applications, including wearable devices and connected sensors. These samples will also allow the Company and its ecosystem partners to evaluate Thinfilm SSLB performance together with partner technologies to jointly enable innovative rechargeable systems.

In parallel with technology and product development, Thinfilm is actively pursuing design win opportunities in target markets where SSLB technology can provide positive differentiation. Based on engagements with leading manufacturers of wearable devices and connected sensors, the Company has expanded its potential market to include applications with forecasted annual volumes totaling more than one billion units by 2025.

The Company is prioritizing engagements with customers whose applications value high volumetric energy density, superior cycling performance, and the enhanced form factor options inherent in Thinfilm SSLB products. Substantive discussions with leading hearables OEMs reveal a desire for long product lifetimes and superior reliability – corresponding to the superior cycling performance of Thinfilm SSLB technology – to minimize service costs and user inconvenience due to premature replacement of failed batteries. Similar discussions with wearable and medical device OEMs demonstrate the value of Thinfilm's superior energy density and form factor options to minimize the battery footprint inside increasingly sleek, lightweight devices.

Following the 19 August 2020 approval of a private placement raising approximately NOK 50 million and a subsequent offering raising up to NOK 10 million, the Company is confident it can fund planned operations well into the fourth quarter of 2020. Depending on the timing and quantity of warrant exercises, including Warrant A (expiring 31 December 2020), Warrant B (expiring 20 August 2021), and Warrant 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.

Condensed Consolidated Financial Report as of 30 June 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, the Company made incremental reductions in headcount during the second quarter in functions unrelated to core SSLB activities, partially offset by targeted hiring in critical areas including battery technology, process integration, packaging development, and equipment engineering. On 27 May 2020, the Company announced that Mallorie Burak would step down as Chief Financial Officer. Dave Williamson, the Company's corporate controller, was appointed Acting Chief Financial Officer effective 28 May 2020. The Company's revised structure is intended to fully support the activities necessary to achieve technical and market objectives while preserving cash.

Profit and Loss

Thinfilm's sales revenue for the first six months of 2020 was USD 495 thousand, compared to USD 1,181 thousand for the same period last year. For the first six months of 2020, the USD 491 thousand represented the sale of EAS on-hand 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 the first six months of 2020 (first half 2019: USD 529 thousand).

Excluding government grants, other income amounted to USD 4 thousand for the first six months of 2020 primarily related to the sublease of the second floor of its Junction Avenue, San Jose, California facility of USD 93 offset by USD 89 thousand representing the loss on the disposal of fixed assets. Other income in the first six months of 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 Linkoping, Sweden site assets.

Operating costs amounted to USD 6,056 thousand during the first six months of 2020, including the notional cost of share based compensation of USD 147 thousand. The corresponding figures for the same period last year were USD 21,612 thousand and USD 635 thousand, respectively. The decrease in operating costs during the first six months of 2020, compared to the same period of 2019, was USD 15,556 thousand primarily attributable to a significant reduction in headcount and its overall cost structure. The expenses by major category are as follows:

1 USD 11,612 thousand lower payroll cost due to a reduction in headcount compared to 2019.

2 USD 484 thousand lower share based remuneration as a result of lower headcount compared to 2019.

3 USD 2,372 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 2,027 thousand lower services costs. Expenditures for consultants and contractors have decreased as a result of cost savings initiatives and lower activity levels.

5 USD 732 thousand lower sales and marketing costs.

Historically, Thinfilm has maintained a high level of R&D activity. During the first six months of 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.

There was minimal investment in fixed and intangible assets during the first six months of 2020, compared to USD 1,781 thousand during the same period of 2019.

Net financial items for the first six months of 2020 were USD 2,521 thousand compared to USD 73 thousand in the first six months of 2019. The increase is attributable to Interest expense of USD 1,555 thousand and USD 995 thousand charge related to the issuance of warrants tied to the private placement of 227,272,727 warrants and 63,636,363 warrants issued in conjunction with the subsequent offering, both at NOK 0.11.

The Group operates at a loss and there is a tax loss carryforward position in the parent company and in the Swedish and 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 the first six months of 2020 was USD 8,083 thousand, corresponding to a basic loss per share of USD 0.07. During the same period last year, the loss amounted to USD 22,597 thousand or USD 0.39 per share adjusted for the reverse split.

Cash Flow

The group's cash balance decreased by USD 5,209 thousand during the first six months of 2020, compared to a decrease of USD 24,149 thousand during the same period last year. The net decrease in cash balance is explained by the following principal elements:

1. USD 5,869 thousand outflow from operating activities.
2. USD 40 thousand outflow from investing activities, and
3. USD 700 thousand inflow from financing activities.

The USD 5,869 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 the first half of 2020, the Company raised USD 2,642 thousand in a private placement offering. The cash balance of USD 3,663 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 details).

Balance Sheet

Non-current assets amounted to USD 637 thousand as of 30 June 2020 versus USD 559 thousand as of 31 December 2019. The increase is due primarily to additions to property, plant, and equipment. Total current assets amounted to USD 5,260 thousand as of 30 June 2020 versus USD 11,679 thousand as of 31 December 2019. The largest reductions are in cash, which is down USD 5,209 thousand from 31 December 2019, and trade and other receivables, which are down USD 1,210 thousand from 31 December 2019. Non-current liabilities as of 30 June 2020 were USD 24,139 compared to USD 25,056 as of 31 December 2019. Long-term debt decreased by USD 410 thousand and Long-term financial lease decreased by USD 507 thousand, which all related to the total equipment lease (Utica) amount of USD 13,200 thousand. Total current liabilities as of 30 June were USD 6,760 thousand versus USD 6,842 thousand as of 31 December 2019, a decrease of 82 thousand. Included in the first six months of 2020 is USD 995 thousand attributable to the issuance of 581,818,180 warrants in conjunction with the private placement of 227,272,727 shares, and subsequent offering of 63,636,363 shares, as approved by the Extraordinary General Meeting of 20 May 2020. For each share issued as part of that private placement and subsequent offering, the shareholder was issued one "Warrant A", exercisable at a price of NOK 0.11 and expiring 31 December 2020, and one "Warrant B", exercisable at a price of NOK 0.25 and expiring 20 August 2021. If fully exercised, the combined Warrants A and B could raise up to NOK 104,727 thousand.

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 related to the availability and adequacy of financing as well as 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. As of 30 June 2020, the Company had a cash balance of approximately USD 3.2 million (including restricted cash of USD 1.6 million), which is sufficient to fund the company into the third quarter of 2020. In connection with the NOK 50 million equity investment approved at the 19 August 2020 Extraordinary General Meeting, a lead participant in the investor consortium has agreed to and has provided the Company with a USD 1 million bridge loan to ensure that the Company has sufficient levels of cash to continue its operations until such time that the equity financing closes. In addition, the Company also expects to issue a subsequent offering of up to NOK 10 million at the same terms offered in the private placement. In aggregate, the proposed equity offerings total NOK 60 million. Following the close of the private placement and assuming full subscription in the subsequent offering, the Company is confident it can fund planned operations well into the fourth quarter of 2020. Depending on the timing and quantity of warrant exercises, including Warrant A (expiring 31 December 2020), Warrant B (expiring 20 August 2021), and Warrant 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 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 resulting in longer than planned learning cycles and corrective actions, delaying customer sample 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 and second quarters of 2020, in order to reduce the Company's cost structure.

Per the date of this report, following the approvals of the private placement and subsequent offering at the Extraordinary General Meeting of 19 August 2020, the group and the parent company have sufficient funds to support operations well into the fourth quarter of 2020 independent of the exercise of outstanding warrants. Depending on the timing and extent of the exercise of warrants, the Company may require additional sources of funding to continue beyond the fourth quarter of 2020. 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:

- Securing 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 raised 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 progress toward 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. However, if the consolidated entity is not able to successfully complete a fundraising as planned, significant uncertainty would exist as to whether the Company and consolidated entity will continue as going concerns.

The financial statements for the year ending 2019 reflect a full impairment of the Company's fixed assets and financial lease, given the uncertainty related to its cash position and new strategy. However, the financial statements do not include adjustments related to the amounts of liabilities that might be necessary, 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 will be issued for each share subscribed for in the private placement. Subscribers in the subsequent offering will also receive one Warrant C for each share allocated and paid for. Following the issuance of Warrants C, the Company will have three categories of Warrants outstanding, with a total fundraising potential of approximately NOK 204 million:

- Warrant A, exercisable at any time until 31 December 2020 at a price of NOK 0.11. If fully exercised, Warrants A can raise a total of NOK 32 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.
- 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.

In connection with the private placement approved 19 August 2020, lead investors have provided a bridge loan of approximately USD 1 million to the Company to ensure adequate cash remains available to operate until the equity financing closes. Meanwhile, the Company intends to continue to pursue sources of capital in Europe while also expanding outreach to investors based in the United States. 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 January - 30 June 2020	1 January - 30 June 2019	1 January - 31 December 2019
Sales revenue		491	567	701
Other income		4	529	480
Total revenue & other income		**495**	**1,096**	**1,181**
Operating costs	10,11	(6,056)	(21,612)	(31,942)
Depreciation and amortization		(1)	(2,163)	(3,949)
Impairment loss	3,4,5		—	(42,379)
Operating profit (loss)		**(5,562)**	**(22,679)**	**(77,089)**
Net financial items*		(2,521)	73	(1,367)
Profit (loss) before income tax		(8,083)	(22,606)	(78,456)
Income tax expense		—	9	10
Profit (loss) for the period		**(8,083)**	**(22,597)**	**(78,446)**
Profit (loss) attributable to owners of the parent		**(8,083)**	**(22,597)**	**(78,446)**
Profit (loss) per share basic and diluted	7	(USD 0.07)	(USD 0.39)	(USD 1.34)
Profit (loss) for the period		(8,083)	(22,597)	(78,446)
Other comprehensive income				
Currency translation		(48)	(73)	(637)
Total comprehensive income for the period, net of tax		**(8,131)**	**(22,670)**	**(79,083)**

*Net financial items includes a warrants charge of USD 995 thousand and net interest expense of USD 1,526 thousand.

Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	30 June 2020	30 June 2019	31 December 2019
ASSETS	8			
Non-current assets				
Property, plant and equipment	3	64	22,630	—
Building – financial lease	5	—	12,166	—
Intangible assets	4	—	2,626	—
Other financial receivables	9	573	—	559
Total non-current assets		**637**	**37,422**	**559**
Current assets				
Inventory		1	2,029	1
Trade and other receivables	9	1,596	8,794	2,806
Cash and cash equivalents*	13	3,663	8,439	8,872
Total current assets		**5,260**	**19,262**	**11,679**
TOTAL ASSETS		**5,897**	**56,684**	**12,238**
EQUITY				
Ordinary shares	6	3,576	18,660	18,660
Other paid-in equity		147	322,175	—
Currency translation		(14,404)	(15,958)	(14,356)
Retained earnings		(14,321)	(289,185)	(23,964)
Total equity		**(25,002)**	**35,692**	**(19,660)**
LIABILITIES	8			
Non-current liabilities				
Long-term debt	12	11,402	—	11,812
Long-term financial lease liabilities		12,737	13,799	13,244
Total non-current liabilities		**24,139**	**13,799**	**25,056**
Current liabilities				
Trade and other payables		3,967	7,193	5,454
Warrants liability	13	995	—	—
Current portion of long-term debt	12	1,798	—	1,388
Total current liabilities		**6,760**	**7,193**	**6,842**
TOTAL EQUITY AND LIABILITIES		**5,897**	**56,684**	**12,238**

*Cash and cash equivalents includes a restricted cash of USD 1,600 thousand.

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 2020	18,660	—	(14,356)	(23,964)	(19,660)
Reduction of share capital by reduction of PAR	(17,726)	—	—	17,726	—
Share based compensation	—	147	—	—	147
Private placement approved 20 May 2020	2,642	—	—	—	2,642
Comprehensive income	—	—	(48)	(8,083)	(8,131)
Balance at 30 June 2020	**3,576**	**147**	**(14,404)**	**(14,321)**	**(25,002)**
Balance at 1 January 2019	18,660	321,575	(13,719)	(266,806)	59,710
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 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 January – 30 June 2020	1 January – 30 June 2019	1 January – 31 December 2019
Cash flow from operating activities				
Profit (loss) before tax		(8,083)	(22,606)	(78,456)
Share-based payment (equity part)	6	147	635	190
Depreciation and amortization	3,4,5	1	2,163	3,949
Write down inventory, machinery and intangible assets		—	—	42,379
Loss/(gain) on sale of fixed assets		89	(12)	(241)
Taxes paid for the period		—	(46)	10
Changes in working capital and non-cash items		(544)	838	1,748
Net financial items		2,521	—	1,367
Net cash from operating activities		**(5,869)**	**(19,028)**	**(29,054)**
Cash flow from investing activities				
Purchase of property, plant and equipment	3	(65)	(1,781)	(3,177)
Prepayments relating to purchase of property, plant and equipment		—	(2,735)	(1,653)
Capitalized development expenses	4	—	(229)	(353)
Proceeds from sale of fixed assets		—	12	112
Interest received		25	71	152
Net cash from investing activities		**(40)**	**(4,662)**	**(4,919)**
Cash flow from financing activities				
Proceeds from issuance of shares		2,642	—	—
Proceeds from debt financing		—	—	13,200
Deposits		—	—	(558)
Interest paid		(1,466)	—	(1,525)
Lease payments		(476)	(474)	(860)
Net cash from financing activities		**700**	**(474)**	**10,257**
Currency translation effects on cash and bank deposits		—	15	—
Net increase (decrease) in cash and bank deposits		**(5,209)**	**(24,149)**	**(23,716)**
Cash and bank deposits at the beginning of the period (of which USD 1,600 thousand is restricted cash)		8,872	32,588	32,588
Cash and bank deposits at the end of the period		**3,663**	**8,439**	**8,872**

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 Singapore pte. Ltd. ("Thinfilm SING"). The group was formed on 15 February 2006, when Thinfilm ASA purchased the business and assets, including the subsidiary Thinfilm AB, from Thin Film OldCo AS ("OldCo"). The Company is in the process of dissolving some of these subsidiaries in 2020.

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 the OTCQX market. 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 second 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 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 2019.

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 break-even. 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. Per the date of this report, the group and the parent company do not have sufficient funds to support operations throughout the financial year 2020. The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow. Refer to Principal Risks and Going Concern on pages 6 though 9.

The report was resolved by the Thin Film Electronics ASA Board of Directors on 19 August 2020.

3. Property, plant and equipment

Amounts in USD 1,000	Tangible assets
Period ended 30 June 2020	
Net value on 1 January 2020	—
Additions	65
Disposals	—
Exchange differences	—
Impairments	—
Depreciation	(1)
Net book value on 30 June 2020	**64**
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.	
Year 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	**—**

4. Intangible assets

Amounts in USD 1,000	Intangible assets
Period ended 30 June 2020	
Net value on 1 January 2020	—
Additions	—
Disposals	—
Exchange differences	—
Impairment	—
Amortization	—
Net book value on 30 June 2020	**-**
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**
Year 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	**—**

5. Financial lease

The Company entered into a lease agreement in November 2016 relating to the property building of its new US headquarters in San Jose, California. The lease in San Jose expires in September 2028.

	Lease Liability
Lease liability recognized at 1 January 2020	14,214
Lease payment (see note below)	(984)
Interest expense	508
Lease liability as of 30 June 2020	**13,738**

In the statement of cash flow, principal portions of lease payments are included in the line "Lease payment" with an amount of USD 476 thousand, and interest portions of the payment are included in the line "interest paid" with an amount of USD 508 thousand. Both of them are presented as cash flow from financing activities.

For the maturity schedule of minimum lease payments, see Note 12

Right of use assets

Amounts in USD 1,000	30 June 2020	30 June 2019	31 December 2019
Net value on 1 January	—	10,376	10,376
Adjustment*	—	2,543	2,543
Impairment	—	—	(11,504)
Amortization	—	(753)	(1,415)
Net book value at end of period	**—**	**12,166**	**—**

6. Shares, warrants, and subscription rights

Number of shares	
Shares at 1 January 2020	58,593,581
Shares at 30 June 2020	**291,725,665**
Shares at 1 January 2019	58,593,581
Shares at 31 December 2019	**58,593,581**

Number of warrants and subscription rights	1 January – 30 June 2020	1 January – 30 June 2019	1 January – 31 December 2019
Warrants and subscription rights opening balance	5,373,230	4,412,622	4,412,622
Grant of incentive subscription rights	132,000	699,500	5,429,856
Warrants granted from the Private Placement and the Subsequent Offering	581,818,180	—	—
Terminated, forfeited and expired subscription rights	(673,312)	(1,010,625)	(4,469,248)
Exercise of subscription rights	—	—	—
Allotment of warrants	—	—	—
Exercise and expiry of warrants	—	—	—
Warrants and subscription rights closing balance	**586,650,098**	**4,101,497**	**5,373,230**

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.

The new subscription rights will vest and become exercisable as follows: 33.3% of the shares subject to the new subscription rights will be vested on the grant date, and the remaining 66.7% will vest in approximately equal quarterly installments over the next 3 years, with approximately 5.55% vesting each quarter on each 15 October, 15 January, 15 April, and 15 July thereafter, subject to the Eligible Holder's continued employment or service with the Company or its subsidiaries on each such date. The subscription rights expire on 28 May 2024.

The number of shares, warrants, and subscription rights have been adjusted to reflect the 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 following proposals in the Notice of the Extraordinary General Meeting were approved by the shareholders

1 The Company completed the private placement and issued of 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"), will have a term expiring on 31 December 2020, and be exercisable at an exercise price per share of NOK 0.11. The second tranche of warrants, totaling 227,272,727 warrants ("Warrant B"), will have a term expiring on 20 August 2021, and be 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 will be 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 will entitle 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"), will have a term expiring on 31 December 2020, and be exercisable at an exercise price per share of NOK 0.11. The second tranche of warrants, totaling 63,636,363 warrants ("Warrant B"), will have a term expiring on 20 August 2021, and be 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.

7. Profit (loss) per share

	1 January – 30 June 2020	1 January – 30 June 2019	1 January – 31 December 2019
Profit (loss) attributable to shareholders (USD 1000)	(8,083)	(22,597)	(78,446)
Weighted average basic number of shares in issue	111,112,347	58,593,581	58,593,581
Weighted average diluted number of shares	111,112,347	58,593,581	58,593,581
Profit (loss) per share, basic and diluted	**(USD 0.07)**	**(USD 0.39)**	**(USD 1.34)**

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 new landlord. Thin Film Electronics ASA 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 2020, the guarantee liability amounted to USD 4,000 thousand.

9. Trade and other receivables

On 30 June 2020, trade and other receivables amounted to USD 1,596 thousand. The components of this balance are specified below.

Amounts in USD 1,000	1 January – 30 June 2020	1 January – 30 June 2019	1 January – 31 December 2019
Accounts receivable	57	1,109	928
Receivables from grants	—	1,617	—
VAT-related receivables	512	(194)	167
Pre-payments to suppliers	964	6,195	1,710
Other current receivables	63	67	1
Sum	**1,596**	**8,794**	**2,806**

Other non-current financial receivables of USD 573 thousand mostly relates to security deposit held by Utica Leaseco, LLC.

10. Related party transactions

In the period 1 January - 30 June 2020 and 2019, Thinfilm has recorded USD 180 thousand and USD 465 thousand, respectively (net of VAT) for legal services provided by law firm Ræder, in which Thinfilm's Chairman is a partner.

The amount outstanding in Trade and other payables to related parties, as of 30 June 2020, amounted to USD 0 thousand.

During the period 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. No amounts were outstanding at 30 June 2020.

11. Operating costs

Amounts in USD 1,000	1 January – 30 June 2020	1 January – 30 June 2019	1 January – 31 December 2019
Payroll	1,723	13,338	17,638
Share based remuneration	151	635	190
Services	1,135	3,162	4,138
Premises, supplies	1,120	3,492	7,094
Sales and marketing	27	759	1,059
Other expenses	1,900	226	1,823
Total operating costs	**6,056**	**21,612**	**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 a First Amendment to the lease documents (Amendment) effective 11 April 2020. The new 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. For the six months ended 30 June 2020, the current portion of the loan principal of USD 1,798 thousand and the long-term portion of the principal of USD 11,402 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 a 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 new 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 financial lease. 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. 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 new 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 Guaranty with the new landlord. The guaranty was given to secure payment of the lease rent. The initial Guaranty 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 2019, the Guaranty liability amounted to USD 4,000 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

Amounts in USD 1,000							
30 June 2020			**1–2 Years**	**2–3 Years**	**3–4 Years**	**4–5 Years**	**Over 5 Years**
	Q3 2020	**Q4 2020**					
Principal obligations due	—	246	3,245	3,855	4,580	1,274	—
Interest payments	480	511	1,999	1,389	663	433	—
Lease payments	490	490	1,996	2,120	2,182	2,245	9,008

Total	**970**	**1,247**	**7,240**	**7,364**	**7,425**	**3,952**	**9,008**

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 will be 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"), will have a term expiring on 31 December 2020, and be exercisable at an exercise price per share of NOK 0.11. The second tranche of warrants, totaling 227,272,727 warrants ("Warrant B"), will have a term expiring on 20 August 2021, and be exercisable at an exercise price per share of NOK 0.25. The Company recorded a warrant charge of USD 15 million in connection with this warrants issuance.

2 The subsequent offering of NOK 7 million with the issuance of up to 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 will be attached and issued to such subscriber. As a consequence of the subsequent offering being fully subscribed, a total of 127,272,726 warrants will be issued as part of the subsequent offering. The warrants will be 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 63,636,363 warrants ("Warrant A"), will have a term expiring on 31 December 2020, and be exercisable at an exercise price per share of NOK 0.11. The second tranche of warrants, totaling 63,636,363 warrants ("Warrant B"), will have a term expiring on 20 August 2021, and be 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. The Company recorded a warrant charge of USD 4,200 thousand in connection with the issuance of these warrants.

The warrants are settled in NOK. The IFRS definition of an equity instrument has not been met. As a result, the warrants have been classified as a liability because the functional currency of the Company is USD. The warrants are adjusted to fair value at each reporting date with a corresponding charge to the income statement.

Included in the first six months of 2020 is USD 995 thousand attributable to the issuance of 581,818,180 warrants in conjunction with the private placement of 227,272,727 shares, and 63,636,363 issued in the subsequent offering.

See Note 6 for more details.

14. Events occurring after the balance sheet date

On 10 July 2020, Thinfilm announced the successful production of its first complete solid-state lithium batteries on steel substrates. The Company also announced an accelerated plan to transfer ownership of remaining process equipment to the San Jose facility. The Company also disclosed that it had recently made key hires in battery technology, process integration, packaging, and equipment engineering.

On 15 July 2020, Thin Film Electronics ASA announced the registration of a share capital increase associated with the subsequent offering approved at the Extraordinary General Meeting of 20 May 2020 was duly registered in the Register of Business Enterprises. Following the share capital increase, the Company's share capital was NOK 39,089,823.08 divided into 355,362,028 shares, each share having a par value of NOK 0.11.

On 23 July 2020, Thinfilm announced that it had secured additional funding by way of a committed private placement of shares raising NOK 50 million. Thin Film Electronics ASA received an offer and commitments from certain investors to subscribe for shares for a total subscription amount of approximately NOK 50 million. The offered and committed subscription price per share was NOK 0.15. The offer was conditional upon the issuance of one warrant ("Warrant C") for each share subscribed for in the private placement. The Warrant would have an exercise price of NOK 0.25 per share and be exercisable at any time from 31 March 2021 until 30 June 2021. The offer involves the issuance of 333,866,666 new shares at a subscription price per share of NOK 0.15 and will be proposed for approval at the Extraordinary General Meeting of 19 August 2020.

On 23 July 2020, Thinfilm announced, in connection with the announcement of a committed private placement of shares raising NOK 50 million, a potential subsequent offering, raising up to NOK 10 million, at the same subscription price as in the private placement, subject to shareholder approval at the Extraordinary General

Meeting of 19 August 2020. The last day of trading inclusive of subscription rights was 23 July 2020, and the first day of trading exclusive of subscription rights was 24 July 2020. The offer involves the issuance of up to 66,666,666 new shares at a subscription price per share of NOK 0.15.

On 29 July 2020, Thinfilm announced, in connection with the committed private placement of shares raising NOK 50 million and a potential subsequent offering raising up to NOK 10 million, an Extraordinary General Meeting to be held as an electronic meeting on 19 August 2020 at 9:00am CET.

On 3 August 2020, Thinfilm announced the successful completion of the accelerated consolidation of remaining SSLB process equipment in Thinfilm's San Jose, California facility, in line with the Company's plans announced 10 July 2020. The consolidated production environment is expected to enable continued rapid redevelopment of SSLB technology and products by increasing manufacturing consistency, increasing tool utilization, eliminating the transfer of work-in-progress material between facilities, and increasing operational flexibility. The Company also announced that it had successfully completed and passed its recent quality system audit, thereby renewing Thinfilm's ISO 9001:2015 certification with an updated scope including the development, manufacturing, and sales of solid-state lithium batteries.

On 10 August 2020, in connection with the private placement announced 23 July 2020, a lead investor provided a bridge loan of approximately USD 1 million, secured by a first priority pledge of certain intellectual property and shares of common stock in TFE Holding, owned by Thin Film Electronics ASA, to ensure adequate cash remains available to operate until the equity financing closes.

On 19 August 2020, at the Extraordinary General Meeting of Thin Film Electronics ASA, the board proposed and the shareholders approved a private placement raising approximately NOK 50 million and a subsequent offering raising up to NOK 10 million. The approved private placement involves the issuance of 333,866,666 new shares at a subscription price per share of NOK 0.15 and the issuance of one warrant ("Warrant C") for each share subscribed for in the private placement. Each Warrant C will have an exercise price of NOK 0.25 per share and will be exercisable at any time from 31 March 2021 until 30 June 2021. The approved subsequent offering involves the issuance of up to 66,666,666 new shares at a subscription price per share of NOK 0.15 and the issuance of one warrant ("Warrant C") with terms identical to the corresponding private placement.

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 2020

- The interim condensed consolidated financial statements with notes for the first half of 2020 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 2020 give a true and fair view of Thinfilm'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 this consolidated review report gives 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 the condensed consolidated review report and note 2.
- Major related party transactions have been disclosed in note 10 of the financial statements.

The Thin Film Electronics ASA Board of Directors, Oslo, Norway, 19 August 2020

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

Kevin Barber
Managing Director (CEO)