

Thin Film Electronics ASA

# Third Quarter 2020

Interim Report and  
Financial Statements



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# About Thinfilm

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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 third quarter of 2020 marks the Company's second complete fiscal quarter following the announcement of and pivot toward the Company's Solid-State Lithium Battery (SSLB) strategy and featured significant progress in SSLB technology development, product development, go-to-market activity, and fundraising.

Thinfilm's singular focus on the development of premium, energy dense, reliable, and fundamentally safe rechargeable solid-state batteries encompasses innovation across several key areas of product design and manufacturing, from the development of the battery's active battery layers to cell stacking and packaging to create microbatteries suitable for a wide range of applications.

Since the start of the third quarter, Thinfilm announced multiple milestone achievements in its development of SSLB technology and related products. As outlined in the Company's SSLB strategy, Thinfilm has focused its technical development activities on the production of premium, milliamp-hour-class batteries based on fundamentally safe solid-electrolyte technology, steel substrates, and innovative stacking techniques.

On 10 July, the Company confirmed the successful production of complete solid-state lithium batteries on Thinfilm steel substrates, reported positive results from initial characterization testing, and announced plans to create a highly efficient, consolidated manufacturing environment in the Company's San Jose, California factory.

Subsequently, Thinfilm confirmed on 3 August that the Company's engineers had completed the consolidation of remaining battery production equipment in San Jose to enable increased manufacturing consistency, greater operational flexibility, and cycle time reductions of 50% or more. At that time, the Company also confirmed a successful external audit of its quality system and updated the scope of its ISO 9001:2015 certification to include the development, manufacturing, and sales of solid-state lithium batteries. Ongoing certification is critical to satisfying target market expectations for a rigorous, audited quality management system.

Most recently, Thinfilm announced on 15 October the achievement of a key packaging milestone: the successful demonstration of the Company's first multi-cell battery based on Thinfilm's proprietary stacking and encapsulation technology. Multi-cell stacking enables the creation of milliamp-hour-class batteries for products with severe form factor constraints,

including the hearables, medical wearables, and connected sensor markets.

In addition to direct technical development with customers in target markets, Thinfilm has also extended its collaboration with technology partners and is actively developing proof-of-concept demonstration of Thinfilm solid-state batteries within a wirelessly rechargeable system.

The Company's go-to-market activities have continued to mature, particularly in the medical wearables and hearables markets, as ongoing discussions with top global manufacturers and innovative startups have validated Thinfilm's core technology differentiation, including improved energy density, extended charge cycling performance, form factor flexibility, and fundamental safety. To date, the Company has engaged with more than two dozen potential customers in target markets and confirmed strong interest in the improvements enabled by SSLB technology.

To secure financing for the Company, Thinfilm announced on July 23 additional committed funding to facilitate the next phase of the Company's technology development and commercialization strategy. 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, raising 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 NOK 60 million, the issued Warrants C could raise up to a combined NOK 100 million, including warrants allocated 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 successful attainment of multiple engineering milestones in the third quarter of 2020 and continued market validation of the advantages of the Company's solid-state lithium battery (SSLB) technology, Thinfilm management maintains its strong focus on technical innovation, scale-up readiness, and go-to-market activities with customers.

Thinfilm is confident in its selection and prioritization of target markets based on extensive outreach to key stakeholders, including leading enterprises, innovative startups, and ecosystem partners. These in-depth technical discussions with more than two dozen potential customers, from global enterprises to innovative startups, have validated both the positive differentiation expected from solid-state lithium battery technology and the potential commercial benefits for Thinfilm customers.

In the hearing aid market, where devices can cost thousands of dollars, are recharged nightly, and are expected to last for several years, Thinfilm expects a solid-state battery delivering 1000 or more charge cycles to potentially pay for itself by dramatically reducing a hearing aid manufacturer's in-warranty claims and repair costs compared to legacy lithium-ion button cells, which are generally rated to 300-400 cycles. In addition, because solid electrolyte material cannot leak from a damaged cell – in contrast to the risk of toxic liquid or gel electrolyte leakage from conventional rechargeable lithium cells – Thinfilm SSLB products can provide fundamentally safer power for on-body wearable applications, reducing risk and potential liability.

For consumer applications such as fitness trackers, customers value high energy density in addition to reliability and form factor flexibility. In certain wearable applications, the battery volume can exceed 50% of the space allocated to electronic components. To deliver sleek, comfortable devices, manufacturers demand increased energy density in addition to ultrathin form factors that can enable reductions in overall device thickness without sacrificing battery life. In medical wearable applications where the device is sealed or sterilized at elevated temperatures, Thinfilm has validated the importance of the high-temperature compatibility of solid-state batteries. By tolerating significantly higher temperatures than traditional lithium-ion and -polymer cells, Thinfilm SSLB devices can free customer designers to leverage in-mold processing and heat-sealing techniques to improve user comfort and product reliability without damage to the battery.

Following expressions of interest in the advantages of solid-state microbattery technology, Thinfilm has expanded its target markets to include security and defense applications. The combination of solid-state chemistry, extended cycling performance, and the mechanical and thermal advantages of steel substrates leads to batteries that address the unique requirements of the defense industry.

Thinfilm continues to execute on its technical roadmap and remains on track to achieve key milestones in its volumetric energy density (VED) roadmap, with a goal of VED superiority in the rechargeable microbattery space. Volumetric Energy Density is a fundamental figure of merit for microbatteries, particularly in applications with constrained form factors, because enhanced VED allows Thinfilm's customers the choice between two positive outcomes: to increase battery capacity within fixed dimensions or to preserve existing battery capacity while shrinking the required battery dimensions.

Based on successful integration and optimization of multiple cell-layer deposition processes and packaging steps, Thinfilm's baseline process represents a solid foundation for sustained competitive advantage in the microbattery market. While several key process development, product development, and go-to-market milestones remain prior to initial revenue from product shipments, Thinfilm can confirm that its current baseline process validates the performance of key innovations in battery materials and packaging development related to volumetric energy density. In addition, the Company's technical team has developed a roadmap for subsequent materials and process advancements to further minimize substrate thicknesses and increase the efficiency of the functional battery layers, leading to significant increases in VED over time. While the Company has not identified any fundamental roadblocks to the achievement of this roadmap, potential integration challenges may arise, as is common in later stages of technology development.

Based on the combination of recent accomplishments and the Company's planned enhancements, Thinfilm expects to be well positioned to deliver superior microbattery volumetric energy density – greater than 400 watt-hours per liter – in 2021. Compared to conventional lithium-ion cells, Thinfilm's target 2021 energy density represents a 50–100% advantage, enabling significantly thinner batteries in form-factor constrained applications.

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# Condensed Consolidated Financial Report as of 30 September 2020

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Following the announcement of its SSLB strategy in January 2020, Thinfilm rapidly restructured its business operations around the priorities of achieving technical success in SSLB development and deploying a financial model that is optimized to support the Company's critical technical and market development milestones.

Following major restructuring activities during the first quarter of 2020 and incremental headcount reductions during the second quarter, the Company focused third quarter hiring activity in support of critical technology and packaging development milestones. The Company's operating plans are designed to fully support the activities necessary to achieve technical and market objectives while preserving cash.

## Profit and Loss

Thinfilm's sales revenue for the first nine months of 2020 was USD 491 thousand, compared to USD 696 thousand for the same period last year. The USD 491 thousand revenue 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 nine months of 2020 (first nine months 2019: USD 519 thousand). Government grant programs ended in mid-2019.

Excluding government grants, other income amounted to USD 21 thousand for the first nine months of 2020 primarily related to the sublease of the second floor of its Junction Avenue, San Jose, California facility of USD 109 thousand offset by USD 89 thousand representing the loss on the disposal of fixed assets. Other income in the first nine 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 Linköping, Sweden site assets.

Operating costs amounted to USD 9,137 thousand during the first nine months of 2020, including the notional cost of share-based compensation of USD 234 thousand. The corresponding figures for the same period last year were USD 28,342 thousand and USD 116 thousand, respectively. The USD 19,205 thousand decrease in operating costs during the first nine months of 2020, compared to the same period of 2019, was primarily attributable to a significant reduction in headcount and its overall cost structure. The expenses by major category are as follows:

- 1 USD 13,570 thousand lower payroll cost due to a reduction in headcount compared to 2019.
- 2 USD 118 thousand lower share based remuneration as a result of lower headcount compared to 2019.
- 3 USD 2,456 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 594 thousand lower services costs. Expenditures for consultants and contractors have decreased as a result of cost savings initiatives and lower activity levels.
- 5 USD 855 thousand lower sales and marketing costs.

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

Investment in fixed and intangible assets during the first nine months of 2020 totaled 248 thousand, compared to USD 2,745 thousand during the same period of 2019.

Net financial items for the first nine months of 2020 were USD 9,249 thousand compared to USD 538

thousand in the first nine months of 2019. The increase is attributable to combination of the revaluation of previously issued Warrants A and B and a charge related to the issuance of Warrant C, including 333,866,666 warrants issued in conjunction with the private placement approved on 19 August 2020 and 66,666,666 warrants issued in conjunction with the corresponding subsequent offering. Such warrants have an exercise price of NOK 0.25.

The group operates at a loss and there is a tax loss carryforward position in the parent company and the 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 nine months of 2020 was USD 20,404 thousand, corresponding to a basic loss per share of USD 0.08. During the same period last year, the loss amounted to USD 30,795 thousand or USD 0.53 per share adjusted for the reverse split.

## Cash Flow

The group's cash balance increased by USD 3,384 thousand during the first nine months of 2020, compared to a decrease of USD 19,568 thousand during the same period last year. The net increase in cash balance is explained by the following principal elements:

- 1 USD 3,296 thousand outflow from operating activities.
- 2 USD 182 thousand outflow from investing activities, and
- 3 USD 6,862 thousand inflow from financing activities.

The USD 3,296 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 nine months of 2020, the Company raised USD 7,959 thousand in a private placement offering. The cash balance of USD

7,047 thousand includes restricted cash of USD 1,600 thousand, securing the letter of credit issued in 2017 by Thin Film Electronics ASA to the landlord of the San Jose, California facility (see Note 12. Current and long-Term Debt for further detail) and USD 1,446 thousand paid for shares not issued as of the balance sheet date.

## Balance Sheet

Non-current assets amounted to USD 855 thousand as of 30 September 2020 versus USD 37,038 thousand as of 30 September 2019. The reduction is due primarily to the impairment of all the Property, Plant and Equipment, Intangible assets, and the right-of-use for the building in San Jose, California as of 31 December 2019. Total current assets amounted to USD 8,333 thousand as of 30 September 2020 versus USD 21,565 thousand as of 30 September 2019. The largest reductions are in trade and other receivables which are down USD 7,258 thousand from 30 September 2019. Non-current liabilities as of 30 September 2020 were USD 23,051 compared to USD 26,011 as of 30 September 2019. The difference is attributable to timing of debt payments. Total current liabilities as of 30 September were USD 24,733 thousand versus USD 6,106 thousand as of 30 September 2019 or an increase of USD 18,627 thousand. The increase is primarily driven by the inclusion of USD 18,676 thousand attributable to the issuance of warrants in conjunction with the private placements and subsequent offerings approved in the Extraordinary General Meetings of 20 May and 19 August 2020.



# Principal Risks

Thinfilm is exposed to various risks of a financial and operational nature. The extraordinary current risks of the pandemic and its effect on the world economy are affecting everyone.

The Company's predominant risks are financial, technical/developmental, as well as other market and business risks, summarized in the following points:

- I The board's authorization of a substantial restructuring of the business during 2019 resulted in an annualized savings of approximately USD 23 million year over year versus 2018. As of 30 September 2020, the Company had a cash balance of approximately USD 7.0 million (including restricted cash of approximately USD 1.6 million and approximately USD 1.4 million paid for shares not yet issued as of the balance sheet date), which is sufficient to fund the company through the fourth quarter of 2020. During the third quarter of 2020, the Company received the proceeds of a NOK 50 million Private Placement approved at the 19 August Extraordinary General Meeting. In addition, the Company raised a further NOK 10 million in the corresponding Subsequent Offering, at the same terms offered in the private placement. In aggregate, the completed equity offerings total NOK 60 million. In addition to funds raised in the Private Placement and Subsequent Offering, the Company has received further equity investment through the exercise of certain Warrants A and B issued as part of the private placement and subsequent offering approved at the Extraordinary General Meeting of 20 May 2020. Depending on the timing and quantity of warrant exercises, including remaining Warrants A (expiring 31 December 2020), Warrants B (expiring 20 August 2021), and Warrants C (exercisable between 31 March 2021 and 30 June 2021), the Company may be able to fund planned operations well into 2021. However, if the timing and quantity of warrant exercises are insufficient to meet the Company's needs, the Company intends to pursue other sources of financing.
- II Technology development and engineering sample availability on Thinfilm's sheet line 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, the group and the parent company have sufficient funds to support operations through 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. However, if the consolidated entity is not able to successfully complete fundraising as planned, significant uncertainty would exist as to whether the Company and consolidated entity will continue as going concerns.

The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow. To address the funding requirements of the consolidated entity, the board of directors has, since early Q1 2020, undertaken the following initiatives:

- Secured commitments for equity funding approved by the shareholders at the 20 May 2020 extraordinary general meeting and further commitments for equity funding approved by the shareholders at the 19 August 2020 extraordinary general meeting
- Undertaken a program to continue to monitor the consolidated entity's ongoing working capital requirements and minimum expenditure commitments; and
- Continued its focus on maintaining an appropriate level of corporate overhead that is in line with the consolidated entity's available cash resources.

The board is mindful that its fundraising activities are taking place in the context of the COVID-19 pandemic. As a consequence, the Company has prioritized raising sufficient funds to provide adequate time to demonstrate subsequent technology and market development milestones, including the production of customer validation samples and the attainment of initial design wins. Following successful attainment of such milestones and depending on the timing and extent of the exercise of outstanding warrants, the Company may seek additional sources of funding according to the previously presented business plan.

At that time, the Company plans to seek additional funds from the investor market, including the US market. Based on this premise, it is appropriate to prepare the financial statements on the going concern basis.

The financial statements for the year ending 2019 reflect a full impairment of the Company's fixed assets and right-of-use asset, given the uncertainty related to its cash position and new strategy. However, the financial statements do not include additional expenses that may be incurred as part of wind-down activities, should the Company and the consolidated entity not continue as going concerns.

In July 2020, the Board received an offer from a consortium of investors, who provided a commitment to subscribe for shares for a total subscription amount of NOK 50 million, subject to certain conditions as to price and warrants subject to approval by an Extraordinary General Meeting.

At the Extraordinary General Meeting of 19 August 2020, shareholders approved a private placement raising NOK 50 million and a subsequent offering raising up to 10 million, for a total of up to NOK 60 million. Additionally, one Warrant C was issued for each share subscribed for in the private placement. Subscribers in the subsequent offering have also been issued one Warrant C for each share allocated and paid for. Following the issuance of Warrants C, the Company has 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. Following the Company's 2 November announcement regarding warrant exercises, a total of approximately 36 million Warrants A have been exercised and approximately 255 million Warrants A remain outstanding, representing a further fundraising potential of approximately NOK 28 million.
- Warrant B, exercisable at any time until 20 August 2021 at a price of NOK 0.15. If fully exercised, Warrants B can raise a total of NOK 72 million. Following the Company's 2 November announcement, a total of approximately 1.8 million Warrants B have been exercised and approximately 287 million Warrants B remain outstanding, representing a further fundraising potential of approximately 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.

Meanwhile, the Company intends to continue to pursue sources of capital in Europe while also expanding its 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 July - 30 September 2020	1 January - 30 September 2020	1 July - 30 September 2019	1 January - 30 September 2019	1 January - 31 December 2019
Sales revenue		—	491	129	696	701
Other income		17	21	(10)	519	480
<b>Total revenue &amp; other income</b>		<b>17</b>	<b>512</b>	<b>119</b>	<b>1,215</b>	<b>1,181</b>
Operating costs	10,11	(3,081)	(9,137)	(6,730)	(28,342)	(31,942)
Depreciation and amortization		(8)	(9)	(977)	(3,140)	(3,949)
Impairment loss	3,4,5			—	—	(42,379)
<b>Operating profit (loss)</b>		<b>(3,072)</b>	<b>(8,634)</b>	<b>(7,588)</b>	<b>(30,267)</b>	<b>(77,089)</b>
Net financial items	13	(9,249)	(11,770)	(611)	(538)	(1,367)
Profit (loss) before income tax		(12,321)	(20,404)	(8,199)	(30,805)	(78,456)
Income tax expense				1	10	10
<b>Profit (loss) for the period</b>		<b>(12,321)</b>	<b>(20,404)</b>	<b>(8,198)</b>	<b>(30,795)</b>	<b>(78,446)</b>
<b>Profit (loss) attributable to owners of the parent</b>		<b>(12,321)</b>	<b>(20,404)</b>	<b>(8,198)</b>	<b>(30,795)</b>	<b>(78,446)</b>
Profit (loss) per share basic and diluted	7	(USD 0.02)	(USD 0.08)	(USD 0.14)	(USD 0.53)	(USD 1.34)
Profit (loss) for the period		(12,321)	(20,404)	(8,198)	(30,795)	(78,446)
Other comprehensive income						
Currency translation		(161)	(209)	(387)	(460)	(637)
<b>Total comprehensive income for the period, net of tax</b>		<b>(12,482)</b>	<b>(20,613)</b>	<b>(8,585)</b>	<b>(31,255)</b>	<b>(79,083)</b>

## Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	30 September 2020	30 September 2019	31 December 2019
<b>ASSETS</b>	8			
<b>Non-current assets</b>				
Property, plant and equipment	3	239	22,793	—
Building – right-of-use	5	—	11,835	—
Intangible assets	4	—	2,410	—
Other financial receivables	9	615	—	559
<b>Total non-current assets</b>		<b>854</b>	<b>37,038</b>	<b>559</b>
<b>Current assets</b>				
Inventory		—	1	1
Trade and other receivables	9	1,286	8,544	2,806
Cash and cash equivalents (i)	12	7,047	13,020	8,872
<b>Total current assets</b>		<b>8,333</b>	<b>21,565</b>	<b>11,679</b>
<b>TOTAL ASSETS</b>		<b>9,187</b>	<b>58,603</b>	<b>12,238</b>
<b>EQUITY</b>				
Shareholders' equity		(38,597)	26,486	(19,660)
<b>Total shareholders' equity</b>		<b>(38,597)</b>	<b>26,486</b>	<b>(19,660)</b>
<b>LIABILITIES</b>	8			
<b>Non-current liabilities</b>				
Long-term debt	12	10,574	12,518	11,812
Long-term lease liabilities	12	12,477	13,493	13,244
<b>Total non-current liabilities</b>		<b>23,051</b>	<b>26,011</b>	<b>25,056</b>
<b>Current liabilities</b>				
Trade and other payables		3,431	5,424	5,454
Warrants liability (ii)	13	18,676	—	—
Current portion of long-term debt	12	2,626	682	1,388
<b>Total current liabilities</b>		<b>24,733</b>	<b>6,106</b>	<b>6,842</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,187</b>	<b>58,603</b>	<b>12,238</b>

(i) Includes restricted cash of USD 1,600 thousand, securing the letter of credit issued in 2017 by Thin Film Electronics ASA to the landlord of the San Jose, California facility and USD 1,446 thousand paid for shares not issued as of the balance sheet date.

(ii) The warrants liability is valued at fair value in accordance with International Financial Reporting Standards ("IFRS"). There are no circumstances in which the Corporation would be required to pay any cash upon exercise or expiry of the warrants. See Note 13.

## Consolidated Statements of Changes in Equity

Amounts in USD 1,000	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	—	222	—	—	222
Private placement and subsequent offerings, total (approved 20 May and 19 August 2020)	7,577	(5,357)	—	—	2,220
Comprehensive income	—	—	(975)	(20,404)	(21,379)
<b>Balance at 30 September 2020</b>	<b>8,511</b>	<b>(5,135)</b>	<b>(15,331)</b>	<b>(26,642)</b>	<b>(38,597)</b>
Balance at 1 January 2019	18,660	321,575	(13,719)	(266,806)	59,710
Share based compensation	—	116	—	—	116
Impact of change in accounting policy*	—	—	—	(477)	(477)
Comprehensive income	—	—	(2,068)	(30,795)	(32,863)
<b>Balance at 30 September 2019</b>	<b>18,660</b>	<b>321,691</b>	<b>(15,787)</b>	<b>(298,078)</b>	<b>26,486</b>
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)
<b>Balance at 31 December 2019</b>	<b>18,660</b>	<b>—</b>	<b>(14,356)</b>	<b>(23,964)</b>	<b>(19,660)</b>

\*-IFRS 16 implementation

# Consolidated Cash Flow Statements

Amounts in USD 1,000	Note	1 July - 30 September 2020	1 January - 30 September 2020	1 July - 30 September 2019	1 January - 30 September 2019	1 January - 31 December 2019
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Profit (loss) before tax		(12,321)	(20,404)	(8,199)	(30,805)	(78,456)
Share-based payment (equity part)	6	75	222	(519)	116	190
Depreciation and amortization	3,4,5	8	9	977	3,140	3,949
Write down inventory, machinery and intangible assets		—	—	1,948	1,666	42,379
Loss/(gain) on sale of fixed assets		—	89	—	(12)	(241)
Taxes paid for the period		—	—	(23)	(69)	10
Changes in working capital and non-cash items		(307)	(851)	753	(98)	1,748
Net financial items		9,249	11,770	—	—	1,367
<b>Net cash from operating activities</b>		<b>(3,296)</b>	<b>(9,165)</b>	<b>(5,063)</b>	<b>(26,062)</b>	<b>(29,054)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Purchase of property, plant and equipment	3	(183)	(248)	(821)	(2,745)	(3,177)
Prepayments relating to purchase of property, plant and equipment		—	—	(1,653)	(1,653)	(1,653)
Purchase of intangible assets		—	—	—	(120)	—
Capitalized development expenses	4	—	—	—	(229)	(353)
Proceeds from sale of fixed assets		—	—	—	12	112
Interest received		1	26	—	(430)	152
<b>Net cash from investing activities</b>		<b>(182)</b>	<b>(222)</b>	<b>(2,474)</b>	<b>(5,165)</b>	<b>(4,919)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Proceeds from issuance of shares	6	7,959	10,601	—	—	—
Proceeds from debt financing		—	—	13,200	13,200	13,200
Deposits		—	—	—	—	(558)
Interest paid	5	(852)	(2,318)	—	—	(1,525)
Lease payments	5	(245)	(721)	(948)	(1,422)	(860)
<b>Net cash from financing activities</b>		<b>6,862</b>	<b>7,562</b>	<b>12,252</b>	<b>11,778</b>	<b>10,257</b>
Currency translation effects on cash and bank deposits			—	(134)	(119)	—
<b>Net increase (decrease) in cash and bank deposits</b>		<b>3,384</b>	<b>(1,825)</b>	<b>4,581</b>	<b>(19,568)</b>	<b>(23,716)</b>
Cash and bank deposits at the beginning of the period		3,663	8,872	8,439	32,588	32,588
<b>Cash and bank deposits at the end of the period (i)</b>		<b>7,047</b>	<b>7,047</b>	<b>13,020</b>	<b>13,020</b>	<b>8,872</b>

i) Includes restricted cash of USD 1,600 thousand, securing the letter of credit issued in 2017 by Thin Film Electronics ASA to the landlord of the San Jose, California facility and USD 1,446 thousand paid for shares not issued as of the balance sheet date.



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# Notes to the Consolidated Financial Statements

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## 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 OTCQX International. On 23 June 2020 Thinfilm's US listing transferred to the OTCQB Venture Market.

## 2. Basis of preparation, accounting policies, and resolutions

This condensed interim financial report for the third quarter of 2020 has been prepared in accordance with IAS 34 interim financial reporting. The condensed consolidated interim financial report should be read in conjunction with the consolidated annual financial statements for 2019. The IFRS accounting policies applied in this condensed consolidated interim financial report are in all materiality consistent with those applied and described in the consolidated annual financial statements for 2019. The interim financial statements have not been subject to audit.

The board confirms that the financial statements of the group, as well as the parent company, have been prepared under the going concern assumption. It became evident by the end of 2018 that the slower than anticipated customer adoption of NFC tags on-package would significantly delay the Company's ability to reach cash 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. Depending on the timing and extent of the exercise of outstanding 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. Refer to the Principal Risks and Going Concern sections of this Interim Report.

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

### 3. Property, plant and equipment

Amounts in USD 1,000	Tangible assets
<b>Period ended 30 September 2020</b>	
Net value on 1 January 2020	—
Additions	248
Disposals	—
Exchange differences	—
Impairments	—
Depreciation	(9)
<b>Net book value on 30 September 2020</b>	<b>239</b>
<b>Period ended 30 September 2019</b>	
Net value on 1 January 2019	22,548
Additions	2,745
Disposals	(253)
Exchange differences	(254)
Impairments	—
Depreciation	(1,993)
<b>Net book value on 30 September 2019</b>	<b>22,793</b>
Other receivables include USD 6,630 thousand prepayments related to investment in equipment and machinery that had not been received from the suppliers as of 30 September 2019.	
<b>Year ended 31 December 2019</b>	
Net value on 1 January 2019	22,548
Additions	6,187
Disposals	(571)
Exchange differences	(2)
Impairments	(25,778)
Depreciation	(2,384)
<b>Net book value on 31 December 2019</b>	<b>—</b>

## 4. Intangible assets

Amounts in USD 1,000	Intangible assets
<b>Period ended 30 September 2020</b>	
Net value on 1 January 2020	—
Additions	—
Disposals	—
Exchange differences	—
Impairment	—
Amortization	—
<b>Net book value on 30 September 2020</b>	<b>—</b>
<b>Period ended 30 September 2019</b>	
Net value on 1 January 2019	2,353
Additions	120
Disposals	—
Exchange differences	—
Impairment	—
Amortization	(63)
<b>Net book value on 30 September 2019</b>	<b>2,410</b>
<b>Year ended 31 December 2019</b>	
Net value on 1 January 2019	2,352
Additions	354
Disposals	—
Exchange differences	—
Impairment	(2,578)
Amortization	(128)
<b>Net book value on 31 December 2019</b>	<b>—</b>

## 5. Right-of-use

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.

	Lease Liability
Lease liability recognized at 1 January 2020	14,214
Lease payment (see note below)	(1,477)
Interest expense	756
<b>Lease liability as of 30 September 2020</b>	<b>13,493</b>

In the statement of cash flow, principal portions of lease payments are included in line "Lease payment" with an amount of USD 721 thousand, and interest portions of the payments are included in line "Interest paid" with an amount of USD 756 thousand. Both of them are presented as cash flow from financing activities.

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

## Right of use assets

Amounts in USD 1000	30 September 2020	30 September 2019	31 December 2019
Net value on 1 January	—	10,376	10,376
Adjustment*	—	2,543	2,543
Impairment	—	—	(11,504)
Amortization	—	(1,083)	(1,415)
<b>Net book value at end of period</b>	<b>—</b>	<b>11,836</b>	<b>—</b>

## 6. Shares, warrants and subscription rights

Number of shares	
Shares at 1 January 2020	58,593,581
<b>Shares at 30 September 2020</b>	<b>693,073,584</b>

Shares at 1 January 2019	58,593,581
<b>Shares at 31 December 2019</b>	<b>58,593,581</b>

Number of subscription rights	1 January - 30 September 2020	1 January - 30 September 2019	1 January - 31 December 2019
Subscription rights opening balance	5,373,230	4,412,622	4,412,622
Grant of incentive subscription rights	73,963,440	699,500	5,429,856
Terminated, forfeited and expired subscription rights	(1,461,891)	(1,010,625)	(4,469,248)
Exercise of subscription rights	—	—	—
<b>Subscription rights closing balance</b>	<b>77,874,779</b>	<b>4,101,497</b>	<b>5,373,230</b>

Number of warrants	1 January - 30 September 2020	1 January - 30 September 2019	1 January - 31 December 2019
Warrants opening balance	—	—	—
Allotment of warrants	982,351,512	—	—
Exercise and expiry of warrants	(3,844,890)	—	—
<b>Warrants closing balance</b>	<b>978,506,622</b>	<b>0</b>	<b>0</b>

The Annual General Meeting of the Company resolved on 28 May 2019 an exchange offer program whereby continuing employees and consultants holding incentive subscription rights ("Eligible Holders") under the Company's 2015, 2016, 2017 and/or 2018 subscription rights programs (the "Former Plans") were entitled to exchange such subscription rights for new subscription rights to be granted under the Company's 2019 subscription right plan. Having been given the opportunity to participate in the exchange program, Eligible Holders holding a total of 1,864,372 subscription rights under the Former Plans have notified the Company that they wish to participate in the exchange program, whereupon such Eligible Holders explicitly waived any right to claim shares under Former Plans. As a result, the board of directors resolved on 25 September 2019 to grant a total of 1,864,372 incentive subscription rights to nineteen Eligible Holders. The grants were made under the Company's 2019 Subscription Rights Incentive Plan, as resolved at the Annual General Meeting on 28 May 2019. The exercise price of the subscription rights is NOK 4.67 per share. Subscription rights granted under this program will vest and become exercisable as follows: 33.3% of the shares subject to the new subscription rights will be vested on the grant date, and the remaining 66.7% will vest in approximately equal quarterly installments over the next 3 years, with approximately 5.55% vesting each quarter on each October 15, January 15, April 15 and July 15 thereafter, subject to the Eligible Holder's continued employment or service with the Company or its subsidiaries on each such date. The subscription rights expire on 28 May 2024.

At the Extraordinary General Meeting of 19 August 2020, the shareholders approved grants of a total of 13,800,000 incentive subscription rights to four board members. The exercise price is NOK 0.15 per share, provided, however, that, subject to the board's discretion, the exercise price may be set higher than NOK 0.15 to avoid any issues with taxation in the jurisdiction of the director. To this end, the subscription rights granted to board members Jon Castor and Kelly Doss on 19 August 2020 will have an exercise price per share of NOK 0.3415 per share. 50% of the subscription rights will become vested and exercisable on the earliest of the date immediately preceding the 2021 Annual General Meeting and 30 June 2021, and the remaining 50% of the subscription rights will become vested and exercisable on the earliest of the date immediately preceding the 2022 Annual General Meeting and 30 June 2022.

The board of directors resolved on 11 September 2020 to issue 60,031,441 incentive subscription rights to employees in the Thinfilm group. The grant was made under the Company's 2020 incentive subscription rights plan as resolved at the Extraordinary General Meeting on 19 August 2020. The exercise price of the subscription rights is NOK 0.2840 per share. The subscription rights vest by 50% per year over two years and expire on 19 August 2025.

The number of shares, warrants and subscription rights have been adjusted to reflect the reserve share split resolved by the extraordinary general meeting of the Company on 23 October 2019.

In connection with the 15 April 2020 Extraordinary General Meeting, the Company conducted a reduction of paid in capital by reduction in par value of shares in accordance with the Norwegian Public Limited Companies Act to cover the losses. The implication of this is that a resolution to distribute dividends may not be adopted until three years have elapsed from the registration in the Register of Business Enterprises, unless the share capital subsequently has been increased by an amount at least equal to the reduction. The Board proposed and the shareholders approved a reduction in share capital by a reduction of the par value of the shares from NOK 2.20 to NOK 0.11 per share to cover losses.

In order to secure the commitment by the consortium of investors, in May 2020, the Board resolved, and issued 5,859,357 shares to investors at a subscription price per share of NOK 0.11, equaling the proposed subscription price in the Private Placement. The current board authorization was approved at the 23 October 2019 extraordinary general meeting.

At the Extraordinary General Meeting of 20 May 2020, the proposals in the Notice of the Extraordinary General Meeting were approved by the shareholders.

- 1 The Company completed the private placement and issued 227,272,727 new shares, thereby increasing share capital by NOK 32,089,823.15 divided into 291,725,665 shares, each share had a par value of NOK 0.11. For each private placement share offered two warrants ("Warrants") are attached and issued to such subscriber. A total of 454,545,454 warrants were issued as part of the private placement. The warrants were issued free of charge. Each warrant will entitle the holder to demand the issuance of one (1) share in the Company. The first tranche of warrants, totaling 227,272,727 warrants ("Warrant A"), 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.

At the Extraordinary General Meeting of 19 August 2020, the proposals in the Notice of the Extraordinary General Meeting were approved by the shareholders.

- 1 The Company completed the private placement of 333,866,666 new shares at a subscription price of NOK 0.15, thereby increasing share capital by NOK 50,080,000. Each share had a par value of NOK 0.11. For each private placement share, a warrant was attached and issued to each subscriber. As a consequence of the private placement offering being fully subscribed, a total of 333,866,666 warrants were issued as part of the offering. The warrants have an exercise price of NOK 0.25, and are exercisable at any time between 31 March 2021 and 30 June 2021. The warrants are transferable, but will not be listed and tradable on a regulated market.
- 2 The subsequent offering raised NOK 10 million with the issuance of 66,666,666 shares at a subscription price of NOK 0.15. The subscription period expired on 15 September 2020 with the shares registered on 1 October 2020. For every share subscribed for and allocated in the subsequent offering, a warrant was attached and issued to such subscriber. As a consequence of the subsequent offering being fully subscribed, a total of 66,666,666 warrants were issued as part of the subsequent offering. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The warrants, totaling 66,666,666 ("Warrant C"), have an exercise price of NOK 0.25 and are exercisable at any time between 31 March 2021 and 30 June 2021. The warrants are transferable, but will not be listed and tradable on a regulated market.

## 7. Profit (loss) per share

	1 January - 30 September 2020	1 January - 30 September 2019	1 January - 31 December 2019
Profit (loss) attributable to shareholders (USD 1000)	(20,613)	(30,795)	(78,446)
Weighted average basic number of shares in issue	248,238,461	58,593,581	58,593,581
Weighted average diluted number of shares	248,238,461	58,593,581	58,593,581
<b>Profit (loss) per share, basic and diluted</b>	<b>(USD 0.08)</b>	<b>(USD 0.53)</b>	<b>(USD 1.34)</b>

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 of 30 September 2020, the guarantee liability amounted to USD 4,000 thousand.

## 9. Trade and other receivables

On 30 September 2020, trade and other receivables amounted to USD 1,286 thousand. The components of this balance are specified below.

Amounts in USD 1,000	30 September 2020	30 September 2019	31 December 2019
Accounts receivable	37	567	928
Receivables from grants	—	974	—
VAT-related receivables	72	326	167
Pre-payments to suppliers	1,173	6,630	1,710
Other current receivables	4	47	1
<b>Sum</b>	<b>1,286</b>	<b>8,544</b>	<b>2,806</b>

Other non-current financial receivables of USD 616 thousand mostly relates to security deposit held by Utica Leaseco, LLC.

## 10. Related party transactions

In the period 1 January - 30 September 2020 and 2019, Thinfilm has recorded USD 329 thousand and USD 539 thousand, respectively (net of VAT) for legal services provided by law firm Ræder, in which Thinfilm's Chairman is a partner.

In May 2020, two shareholders provided the company with a bridge loan in the amount of USD 500 thousand. The loan was repaid from the proceeds of the private placement offering approved at the Extraordinary General Meeting of 20 May 2020. No amounts were outstanding at 30 September 2020.

In August 2020, a shareholder provided the company with a bridge loan in the amount of USD 1,000 thousand. The loan was repaid from the proceeds of the private placement offering approved at the Extraordinary General Meeting of 19 August 2020. No amounts were outstanding at 30 September 2020.

The company pays a consultant, who is also a shareholder, for services provided to the company in the amount of USD 25 thousand.

The amount outstanding in Trade and other payables as of 30 September 2020 amounted to USD 3 thousand.

## 11. Operating costs

Amounts in USD 1000	1 January - 30 September 2020	1 January - 30 September 2019	1 January - 31 December 2019
Payroll	2,582	16,152	17,638
Share based remuneration	234	116	190
Services	1,908	3,756	4,138
Premises, supplies	2,199	4,655	7,094
Sales and marketing	32	887	1,059
Other expenses	2,182	2,776	1,823
<b>Total operating costs</b>	<b>9,137</b>	<b>28,342</b>	<b>31,942</b>



## 12. Current and long-term debt

In September 2019, the US subsidiary, Thinfilm Electronics, Inc., closed an equipment term loan facility with Utica Leaseco, LLC for USD 13,200 thousand, secured by select fixed assets (see Note 3). The terms of the agreement were interest-only monthly payments for the first six months, followed by three months of interim payments, and thereafter a four-year amortization period during which monthly principal and interest payments are due. The Company entered into First Amendment to lease documents (Amendment) effective 11 April 2020. The 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 nine months ended 30 September 2020, the current portion of the loan principal of USD 2,626 thousand. The long-term portion of the principal of USD 10,574 thousand is recorded as Long-term Debt in the Consolidated Statements of Financial Position.

The Company has pledged its roll-to-roll production line equipment and certain sheet-line tools as collateral against the Utica loan. Book value of assets pledged is zero.

The Company entered into a lease agreement in November 2016 relating to its 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 lease liability. The land element of the lease became classified as a lease liability from 1 January 2019, with the implementation of IFRS 16, having previously been accounted for separately as an operating lease. As a part of the relocation of Thinfilm's US headquarters in the second quarter of 2017, a USD 1,600 thousand Letter of Credit was issued by Thin Film Electronics ASA to the 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 Guarantee with the new landlord. The guarantee was given to secure payment of the lease rent. The initial guarantee liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. As of 31 December 2019, the guarantee 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

30 September 2020	Q4 2020	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Principal obligations due	246	3,245	3,856	4,581	1,274	—
Interest payments	511	2,000	1,389	664	434	—
Lease payments	493	1,996	2,121	2,182	2,246	9,010
<b>Total</b>	<b>1,250</b>	<b>7,241</b>	<b>7,366</b>	<b>7,427</b>	<b>3,954</b>	<b>9,010</b>

## 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. At the time of issue, the value of these warrants was determined to be USD 17,912 thousand based on the Black-Scholes valuation model.
- 2 The subsequent offering of NOK 7 million with the issuance of 63,636,363 shares at a subscription price of NOK 0.11. The subscription period expired on 29 June 2020 with the payment for the offered shares due on 7 July 2020. In addition for every share subscribed for and allocated in the subsequent offering, two (2) warrants were attached and issued to such subscriber. As a consequence of the subsequent offering being fully subscribed, a total of 127,272,726 warrants were issued as part of the subsequent offering. The warrants were issued free

of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The first tranche of warrants, totaling 63,636,363 warrants ("Warrant A"), has a term expiring on 31 December 2020, and is exercisable at an exercise price per share of NOK 0.11. The second tranche of warrants, totaling 63,636,363 warrants ("Warrant B"), has a term expiring on 20 August 2021 and is exercisable at an exercise price per share of NOK 0.25. The warrants are transferable, but will not be listed and tradable on a regulated market. At the time of issue, the value of these warrants was determined to be USD 3,725 thousand based on the Black-Scholes valuation model.

At the Extraordinary General Meeting held on 19 August 2020, the proposals in the Notice of the Extraordinary General Meeting were approved by the shareholders.

- 1 The Company completed the private placement of 333,866,666 new shares at a subscription price of NOK 0.15, thereby increasing share capital by NOK 50,080,000. Each share had a par value of NOK 0.11. For each private placement share a warrant was attached and issued to each subscriber. As a consequence of the private placement offering being fully subscribed, a total of 333,866,666 warrants ("Warrant C") were issued as part of the offering. The warrants have an exercise price of NOK 0.25, and are exercisable between 31 March 2021 and 30 June 2021. The warrants are transferable, but will not be listed and tradable on a regulated market. At the time of issue, the value of these warrants was determined to be USD 6,063 thousand based on the Black-Scholes valuation model.
- 2 The subsequent offering raised NOK 10 million with the issuance of 66,666,666 shares at a subscription price of NOK 0.15. The subscription period expired on 15 September 2020 with the shares registered on 1 October 2020. For every share subscribed for and allocated in the subsequent offering, a warrant was attached and issued to such subscriber. As a consequence of the subsequent offering being fully subscribed, a total of 66,666,666 warrants were issued as part of the subsequent offering. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The warrants, totaling 66,666,666 ("Warrant C"), have a term exercise period of between 31 March 2021 and 30 June 2021, and are exercisable at an exercise price per share of NOK 0.25. The warrants are transferable, but will not be listed and tradable on a regulated market. At the time of issue, the value of these warrants was determined to be USD 1,690 thousand based on the Black-Scholes valuation model.

The exercise price of the warrants is denominated in Norwegian Kroner (NOK); however, the functional currency of the Company is the US Dollar. As a result of this difference in currencies, the proceeds that will be received by the Company are not fixed and will vary based on foreign exchange rates. The warrants are a derivative and are required to be recognized and measured at fair value at each reporting period. Any changes in fair value from period to period are recorded as a non-cash gain or loss in the consolidated statement of net loss/(income) and comprehensive loss/(income), in accordance with IFRS 13. Upon exercise, the holders will pay the Company the respective exercise price for each warrant exercised in exchange for one common share of Thin Film Electronics ASA and the fair value at the date of exercise and the associated non-cash liability will be reclassified to share capital. The non-cash liability associated with any warrants that expire unexercised will be recorded as a gain in the consolidated statement of net loss/(income) and comprehensive loss/(income). There are no circumstances in which the Company would be required to pay any cash upon exercise or expiry of the warrants. A reconciliation of the change in fair values of the derivative is below:

	Fair Value of Warrant Liability
Balance, 31 December 2019	\$ —
Exercise of warrant	(1,016)
Warrants Issued	29,389
Change in fair value of warrant liability	(6,228)
Balance, 30 September 2020	22,149
Deferred loss*	(3,473)
Warrants liability, 30 September 2020	\$18,676

\* Of the difference between fair value and transaction price at issue date: USD 19,370 thousand, USD 4,860 thousand has been deferred and will be expensed over the lifetime of the warrants (remaining deferral at 30 Sep 2020 is USD 3,473 thousand) whereas the rest has been expensed immediately.

The fair value of the warrants was calculated using the Black-Scholes valuation model. The inputs used in the Black-Scholes valuation model are:

As of 30 September 2020		
Private Placement and Subsequent Offering as approved on 20 May 2020	Warrant A	Warrant B
Share price	NOK 0.36	NOK 0.36
Exercise price	NOK 0.11	NOK 0.25
Expected term (in years)	0.251	0.888
Expected share price volatility	85.76%	146.12%
Annual rate of quarterly dividends	0.00%	0.00%
Risk-free interest rate	-0.08%	-0.08%

As of 30 September 2020	
Private Placement and Subsequent Offering as approved on 19 August 2020	Warrant C
Share price	NOK 0.36
Exercise price	NOK 0.25
Expected term (in years)	0.748
Expected share price volatility	150.93%
Annual rate of quarterly dividends	0.00%
Risk-free interest rate	-0.08%

See Note 6 for more details.

## 14. Events occurring after the balance sheet date

On 1 October 2020, Thinfilm announced the registration of a share capital increase associated with the subsequent offering approved at the Extraordinary General Meeting of 19 August 2020 was duly registered in the Register of Business Enterprises. Following the share capital increase, the Company's share capital was NOK 83,571,427.50 divided into 759,740,250 shares, each share having a par value of NOK 0.11.

On 7 October 2020, Thinfilm announced the registration of a share capital increase associated with exercises of certain Warrants A and B was duly registered in the Register of Business Enterprises. Following the share capital increase, the Company's share capital was NOK 87,064,043.44 divided into 791,491,304 shares, each share having a par value of NOK 0.11.

On 15 October 2020, Thinfilm announced successful demonstration of its first multi-cell battery based on the Company's SSLB technology. The multi-cell battery utilizes stacking technology developed by Thinfilm to encapsulate multiple layers of active cell materials deposited on stainless steel substrates, enabling flexible scalability of energy storage capacity within compact footprints required in target markets, including wearable devices and connected sensors. The Company also announced that its engineers had implemented and validated multiple process integration and materials advancements in its San Jose, California facility and announced a priority sampling program through which alpha samples would be delivered to lead customers following the successful completion of standard characterization, reliability, and shipment acceptance testing.

On 16 October 2020, Thinfilm announced a resolution of the board directors to issue 600,000 subscription rights, with an exercise price of NOK 0.3724, to an employee in the Thinfilm group. The grant was made under the terms of the Company's 2020 incentive subscription rights plan as resolved at the Extraordinary General Meeting of 19 August 2020, will vest by 50% per year over two years, and expire on 19 August 2025. Following the grant, there are 78,474,779 subscription rights issued and outstanding in Thinfilm.

On 3 November 2020, Thinfilm announced the exercise of a total of 2,155,267 Warrants A and 1,846,282 Warrants B and subsequent resolution to increase the share capital of the Company by NOK 440,181.39 in connection with the issuance of shares upon said exercises. Upon registration of the share capital increase, the Company's share capital will be NOK 87,504,224.83 divided into 795,492,953 shares, each share having a par value of NOK 0.11.

On 18 November 2020, Thinfilm announced the registration of a share capital increase associated with the exercises of certain Warrants A and B was duly registered in the Register of Business Enterprises. Following the share capital increase, the Company's share capital was NOK 87,504,224.83 divided into 795,492,953 shares, each share having a par value of NOK 0.11.