

Thin Film Electronics ASA

# First Quarter 2021

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.



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# Business Review

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The first quarter of 2021 marks the one-year anniversary of Thinfilm's transition to its solid-state lithium battery strategy. Following the achievement of critical technology, manufacturing, and go-to-market milestones in 2020 and early 2021, the Company is currently focused on the commercialization of its SSLB technology in its initial target markets, including wearables, hearables, and medical devices.

In January, the Company announced its Microbattery Product Platform (MPP) and confirmed the tape out of the initial product based on that platform. This lead product is designed based on customer requirements for energy dense, long-lived, fundamentally safe, and ultracompact energy storage. The overall platform is designed to deliver these fundamental advantages of steel-substrate SSLB technology across a range of products that can be rapidly and efficiently customized to meet the unique capacity and form factor needs of specific customer designs. In mid-April, the Company confirmed expected key performance parameters of first prototype cells based on the initial MPP-based design.

In concert with the announcement of the MPP, Thinfilm announced go-to-market progress, including signed technology evaluation agreements with customers and partners. As the Company proceeds toward commercialization and scale-up of its SSLB technology, leveraging its existing roll-to-roll facility, it has prioritized those engagements with the greatest potential to leverage the energy density, form factor, and cycling advantages of the core product platform.

As Thinfilm prepares for scale-up of SSLB technology on its roll-to-roll production line, the Company has successfully validated - ahead of schedule - the operational readiness of the full toolset required to implement the Company's baseline manufacturing

process. In addition, the Company has ordered the remaining tool conversions necessary to support transfer of the baseline roll-to-roll process from the sheet-based development line and has confirmed successful runs of ultrathin steel rolls that are critical for enabling unmatched energy densities in solid-state microbatteries.

In February, Thinfilm announced a partnership with Energous Corporation, a leading innovator in wireless charging technology, to simplify the integration of Energous WattUp RF wireless charging and Thinfilm solid-state lithium microbattery technology in form-factor-sensitive applications such as hearables, wearables, and connected sensors. To facilitate the adoption of next-generation charging and energy storage technologies, the companies plan to jointly promote their technologies to customers in markets where designers face severe form factor constraints as well as consumer pressure for convenience and reliability.

To support the Company's business plan, Thinfilm successfully completed a private placement on 1 March 2021, raising approximately NOK 57 million at a price per new share of NOK 0.82. During the first quarter, the Company's board also approved the exercise of certain outstanding warrants, raising total gross proceeds of nearly NOK 20 million. As the Company enters the second quarter of 2021, outstanding warrants B and C represent a total fundraising potential of NOK 155 million.

To support Thinfilm's investor relations activities, the Company announced the hiring of Ståle Bjørnstad. He is based in Norway.

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# Outlook

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In the second quarter, Thinfilm's focus is building on its technical, operational, and go-to-market achievements as the Company pursues commercialization of its SSLB technology in the second half of 2021.

Following the first-quarter announcement of the Company's Microbattery Product Platform (MPP), Thinfilm has announced its engagement in commercial agreement discussions with five leading OEMs across the hearables and wearables segments. Agreements resulting from these discussions will define customer product requirements and align on key technical, operational, and business terms. The geographic and application diversity of these engagements demonstrates a wide range of market interest in the performance advantages and unique form factors that can be enabled by Thinfilm SSLB products based on ultrathin stainless steel substrate technology. The Company expects initial revenues based on the Microbattery Product Platform by the end of 2021.

As of May 2021, Thinfilm can confirm that it has reached an agreement with a Fortune Global 500 company active in the wearables market. In support of this commercial agreement, Thinfilm expects to provide SSLB devices for evaluation in the second half of 2021.

Thinfilm's core technology development activity remains on schedule, with a primary focus on achieving highly manufacturable cells with high volumetric energy density, extended charge cycling lifetimes, and superior safety characteristics. By confirming the planned baseline roll-to-roll cell manufacturing process on the sheet line, Thinfilm has satisfied a key requirement for on-time technology transfer to the roll-based production line in the third quarter and process qualification in the fourth quarter of 2021.

To extend SSLB cell technology benefits to compact, high-capacity battery products, the Company continues development of innovative stacking and packaging techniques. These packaging innovations are critical to achieving maximum volumetric energy density in form-factor-constrained applications in the Company's target markets. In order to enable manufacturing scale-up later this year, the Company has ordered critical equipment, expected to arrive early in the third quarter, to increase throughput, maximize consistency, and maintain differentiated volumetric energy densities in stacked microbattery products.



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# Condensed Consolidated Financial Report as of 31 March 2021

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Following the announcement of its SSLB strategy in January 2020, Thinfilm's business activities have been organized around the priorities of achieving technical success in SSLB development, enabling manufacturing scale in the Company's roll-to-roll factory, securing market interest in the Company's differentiated capabilities and products, and deploying a financial model that is optimized to support the Company's critical technical and market development milestones.

The Company pursues a focused hiring strategy in support of critical technology development, manufacturing, and go-to-market 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 had zero sales revenue in the first three months of 2021, compared to USD 492 thousand during the same period last year. For the first three months of 2020, the USD 492 thousand represented the sale of the EAS on-hand finished goods inventory that had been prepaid by the customer in December 2019 and delivered in January 2020.

Operating costs amounted to USD 3,735 thousand during the first three months of 2021, including the notional cost of share-based compensation of USD 529 thousand. The corresponding figures for the same period last year were USD 2,634 thousand and USD 68 thousand, respectively. The increase in operating costs during the first three months of 2021, compared to the same period of 2020, was USD 1,101 thousand, primarily attributable to the increase in payroll costs and share-based compensation. The expenses by major category are as follows:

- 1 USD 700 thousand higher payroll cost.
- 2 USD 458 thousand higher employee share-based remuneration costs. The fair value of granted employee subscription rights are valued based on the Black-Scholes formula and expensed over the vesting period.
- 3 USD 196 thousand higher services costs.
- 4 USD 231 thousand lower other expenses.

The company focused R&D efforts towards achieving technical success in solid-state lithium battery technology development. During the first three months of 2021, R&D spending was USD 798 thousand compared to USD 624 thousand for the same period in 2020.

Investments in fixed assets during the first three months of 2021 totaled USD 352 thousand, compared to zero during the same period of 2020.

Net financial items for the first three months of 2021 amounted to an expense of USD 1,015 thousand (Q1 2020: USD 751 thousand expense), and were mainly related to changes in warrant liability offset by interest expense.

The Company operates at a loss and there is a tax loss carryforward position in the parent company and in the U.S. subsidiaries. The parent company in Norway has not incurred any tax during the first three months of 2021, nor in the same period of the prior year. The Company has not recognized any deferred tax assets on its balance sheet relating to these tax loss carryforward positions, as this potential asset does not yet qualify for inclusion.

The loss for the first three months of 2021 was USD 4,761 thousand, corresponding to a basic loss per share of USD 0.00. During the same period of 2020, the loss amounted to USD 3,093 thousand, corresponding to a basic loss per share of USD 0.05.

## Cash Flow

The group's cash balance increased by USD 3,627 thousand during the first three months of 2021, compared to a decrease of USD 4,307 thousand during the same period last year. The net increase in cash balance is explained by the following principal elements:

- 1 USD 3,446 thousand outflow from operating activities,
- 2 USD 138 thousand outflow from investing activities, and
- 3 USD 7,212 thousand inflow from financing activities.

The USD 3,446 thousand outflow from operating activities is primarily explained by an operating loss excluding depreciation, amortization and impairment charges of USD 4,749 thousand. The cash balance on 31 March 2021 amounted to USD 9,418 thousand, while the cash balance on 31 March 2020 amounted to USD 4,565 thousand. The cash balance at 31 March 2021 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 11. Current and long-term Debt for further detail).

## Balance Sheet

Non-current assets amounted to USD 926 thousand (31 March 2020: USD 559 thousand). The increase in non-current assets from 31 March 2020 to 31 March 2021 was mainly due to investment in fixed assets. Trade and other receivables amounted to USD 866 thousand as of 31 March 2021 (31 March 2020: USD 2,127 thousand). The reduction relates mainly to receipt of payment in the second quarter of 2020 following the sale of equipment at the end of 2019. Non-current liabilities as of 31 March 2021 totaled USD 20,675 thousand (31 March 2020: 24,075 thousand) and relates to future lease payments for the Junction Avenue, San Jose, California premises and long-term debt relating to an equipment term loan facility with Utica. The equity ratio was negative 344 percent as of 31 March 2021, versus negative 313 percent as of 31 March 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 Company's restructuring, which began in 2019 and continued through the first half of 2020, has resulted in headcount and expenses in line with the Company's revised SSLB strategy and operating plan. As of 31 March 2021, the Company had a cash balance of approximately USD 9.4 million (including restricted cash of approximately USD 1.6 million and approximately 1.4 million paid for shares not yet issued as of the balance sheet date). As of the date of this report, the Company has two categories of outstanding warrants with a total remaining fundraising potential of approximately NOK 155 million. On 1 March 2021, the Company announced the successful completion of a private placement raising gross proceeds of approximately NOK 57 million. On 24 March 2021, the board approved the exercise of a total of 58,680,765 Warrants B, raising a total of approximately NOK 14.7 million. The Company has received further written exercise requests for a total of approximately 87 million Warrants B and C that, as of the date of this report, have yet to be approved by the board. Following approval, receipt of payment, and subsequent issue of shares, the funding raised by such warrant exercises is sufficient to support operations well into the third quarter of 2021. Depending on the timing and quantity of additional warrant exercises, including remaining unexercised 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 into the first quarter of 2022. 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. To continue to fund the Company's activities further into 2022, the Company intends to seek additional funds from the investor market, including potential institutional investment in Europe and the United States.

However, if the group is not able to successfully raise funds as planned, significant uncertainty would exist as to whether the Company and group will continue as going concerns.

II Technology development and engineering sample availability on Thinfilm's sheet line, as well as technology transfer to and scale-up activities related to Thinfilm's roll-to-roll line, can be adversely affected by several factors including but not limited to:

- Quality, composition, and consistency of lithium-based materials, chemicals and unanticipated interactions of the various layers and processes that are key to core battery performance, resulting in longer than planned learning cycles and corrective actions, delaying customer engagements.
- Adequate environmental control of the manufacturing area and storage that might compromise the composition, performance, and defectivity of the device.
- Equipment reliability, modifications needed, and process optimization learning cycle efficiency that may limit the uptime, throughput and quality of the devices produced.
- Issues encountered during handling, processing, and assembly of ultrathin substrates and battery stacks.
- Need for new materials or processes and/or equipment to achieve full manufacturing qualification and product reliability.
- Availability of components and materials, in sufficient quantities, required for battery development, qualification, and scale-up activities.

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.
- Customer product development cycles may not align to the Company's product development cycles. Therefore, changes in customer qualification processes and ramp schedules may result in delayed acceptance of and demand for the Company's products.

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 potential 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 target 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.

Per the date of this report, the group and the parent company have sufficient funds to support operations through the second quarter of 2021 independent of the exercise of outstanding warrants. The Company has received further written exercise requests for a total of approximately 87 million Warrants B and C that, as of the date of this report, have yet to be approved by the board. Following approval, receipt of payment, and subsequent issue of shares, the funding raised by such warrant exercises is sufficient to support operations well into the third quarter of 2021.

Depending on the timing and quantity of additional warrant exercises, including remaining unexercised 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 into the first quarter of 2022. 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. To continue to fund the Company's activities further into 2022, the Company intends to seek additional funds from the investor market. However, if the group is not able to successfully raise funds as planned, significant uncertainty would exist as to whether the Company and group 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 group, the board of directors has, since early Q1 2020, undertaken the following initiatives:

- Secured equity funding approved by the shareholders at the 20 May 2020 Extraordinary General Meeting, equity funding approved by the shareholders at the 19 August 2020 Extraordinary General Meeting, and a private placement completed on 1 March 2021
- Undertaken a program to continue to monitor the group'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 group's available cash resources.

As a consequence of uncertainty introduced by the Covid-19 pandemic, the Company has prioritized raising sufficient funds to provide adequate time to demonstrate a series of technology and market development milestones. 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 potential institutional investment in Europe and the United States. Based on this premise, it is appropriate to prepare the financial statements on the going concern basis.

Following the private placement and subsequent offering approved in the Extraordinary General Meeting of 20 May 2020 and the private placement and subsequent offering approved in the Extraordinary General Meeting of 19 August 2020, the Company had three categories of warrants at the close of 2020:

- Warrant A, which expired on 31 December 2020. Warrants A raised a total of approximately NOK 30 million.
- Warrant B, exercisable at any time until 20 August 2021 at a price of NOK 0.25. If fully exercised, Warrants B can raise a total of NOK 72 million. Following the Company's 25 March 2021 announcement, a total of approximately 71 million Warrants B have been exercised, paid for, and subsequently converted to issued shares, generating gross proceeds of approximately NOK 17.8 million.

Of the remaining Warrants B, the Company has received written notices of exercise for approximately 1.7 million Warrants B that, as of the date of this report, have yet to be approved by the board. Following approval, receipt of payment, and subsequent issue of shares, a further 218 million Warrants B will remain outstanding and unexercised, representing a further fundraising potential of approximately NOK 55 million.

- Warrant C, exercisable between 31 March 2021 and 30 June 2021 at a price of NOK 0.25. If fully exercised, Warrants C can raise a total of NOK 100 million. The Company has received written notices of exercise for approximately 85 million Warrants C that, as of the date of this report, have yet to

be approved by the board. Following approval, receipt of payment, and subsequent issue of shares, a further 315 million Warrants C will remain outstanding and unexercised, representing a further fundraising potential of approximately NOK 79 million.

The Company also intends to continue to pursue additional sources of capital, including institutional investment in Europe and the United States, to support the Company's plans beyond 2021. There is no assurance that the Company will be successful in raising funds. Failure to obtain future funding, when needed or on acceptable terms, would adversely affect its ability to continue as a going concern.

# Thin Film Electronics ASA Group

## Consolidated Financial Statements



### Consolidated Statements of Comprehensive Income

Amounts in USD 1,000	Note	1 January – 31 March 2021	1 January – 31 March 2020	1 January – 31 December 2020
Sales revenue		–	492	492
Other income		–	67	21
<b>Total revenue &amp; Other Income</b>		<b>–</b>	<b>559</b>	<b>513</b>
Operating costs	9,10	(3,735)	(2,634)	(12,531)
Depreciation and amortization		(12)	–	(22)
<b>Operating profit (loss)</b>		<b>(3,747)</b>	<b>(2,075)</b>	<b>(12,040)</b>
Net financial items	12	(1,015)	(751)	(26,753)
Profit (loss) before income tax		(4,761)	(2,826)	(38,794)
Income tax expense		–	–	–
<b>Profit (loss) for the period</b>		<b>(4,761)</b>	<b>(2,826)</b>	<b>(38,794)</b>
<b>Profit (loss) attributable to owners of the parent</b>		<b>(4,761)</b>	<b>(2,826)</b>	<b>(38,794)</b>
Profit (loss) per share basic and diluted	6	(USD0.00)	(USD0.05)	(USD0.10)
Profit (loss) for the period		(4,761)	(2,826)	(38,794)
Currency translation		–	(267)	555
<b>Total comprehensive income for the period, net of tax</b>		<b>(4,761)</b>	<b>(3,093)</b>	<b>(38,239)</b>

## Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	31 March 2021	31 March 2020	31 December 2020
<b>ASSETS</b>	7			
<b>Non-current assets</b>				
Property, plant and equipment	3	352	—	226
Other financial receivables	8	574	559	573
<b>Total non-current assets</b>		<b>926</b>	<b>559</b>	<b>799</b>
<b>Current assets</b>				
Inventory		—	1	—
Trade and other receivables	8	1,207	2,127	1,140
Cash and cash equivalents (i)	11	9,418	4,565	5,790
<b>Total current assets</b>		<b>10,625</b>	<b>6,693</b>	<b>6,930</b>
<b>TOTAL ASSETS</b>		<b>11,551</b>	<b>7,252</b>	<b>7,729</b>
<b>EQUITY</b>				
Ordinary shares	5	13,629	18,660	12,014
Other paid-in equity		11,085	—	(47)
Currency translation		(13,801)	(14,623)	(13,801)
Retained earnings		(49,793)	(26,723)	(45,031)
<b>Total equity</b>		<b>(38,879)</b>	<b>(22,686)</b>	<b>(46,865)</b>
<b>LIABILITIES</b>	7			
<b>Non-current liabilities</b>				
Long-term debt	11	8,807	11,081	9,709
Long-term financial lease liabilities	11	11,868	12,994	12,175
<b>Total non-current liabilities</b>		<b>20,675</b>	<b>24,075</b>	<b>21,884</b>
<b>Current liabilities</b>				
Trade and other payables		3,490	3,744	3,445
Warrants liability (ii)	12	22,119	-	26,020
Current portion of long-term debt	11	4,147	2,119	3,245
<b>Total current liabilities</b>		<b>29,756</b>	<b>5,863</b>	<b>32,710</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11,551</b>	<b>7,252</b>	<b>7,729</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 228 thousand paid for shares not issued as of the balance sheet date.

(ii) The warrants liability is valued at fair value in accordance with International Financial Reporting Standards ("IFRS"). There are no circumstances in which the Corporation would be required to pay any cash upon exercise or expiry of the warrants. See Note 12.

## Consolidated Statements of Changes in Equity

Amounts in USD 1,000	Note	Share capital	Other paid-in equity	Currency translation	Retained earnings	Total
Balance at 1 January 2021		12,014	(47)	(13,801)	(45,032)	(46,865)
Share-based compensation		—	529	—	—	529
Private Placement and subsequent offerings, total (approved 20 May and 19 August 2020)		718	5,190	—	—	5,908
Private Placement (March 2021)		897	5,413	—	—	6,310
Comprehensive income		—	—	—	(4,761)	(4,761)
<b>Balance at 31 March 2021</b>		<b>13,629</b>	<b>11,085</b>	<b>(13,801)</b>	<b>(49,793)</b>	<b>(38,879)</b>
Balance at 1 January 2020		18,660	—	(14,356)	(23,964)	(19,660)
Share-based compensation		—	—	—	68	68
Comprehensive income		—	—	(267)	(2,827)	(3,094)
<b>Balance at 31 March 2020</b>		<b>18,660</b>	<b>—</b>	<b>(14,623)</b>	<b>(26,723)</b>	<b>(22,686)</b>
Balance at 1 January 2020		18,660	—	(14,356)	(23,964)	(19,660)
Reduction of share capital by reduction of PAR		(17,726)	—	—	17,726	—
Share-based compensation		—	626	—	—	626
Private Placement and subsequent offerings, total (approved 20 May and 19 August 2020)		11,081	(672)	—	—	10,409
Comprehensive income		—	—	555	(38,794)	(38,239)
<b>Balance at 31 December 2020</b>		<b>12,014</b>	<b>(47)</b>	<b>(13,801)</b>	<b>(45,032)</b>	<b>(46,865)</b>

## Consolidated Cash Flow Statements

Amounts in USD 1,000	Note	1 January – 31 March 2021	1 January – 31 March 2020	1 January – 31 December 2020
<b>Cash flow from operating activities</b>				
Profit (loss) before tax		(4,761)	(2,827)	(38,794)
Share-based payment (equity part)	5	529	71	626
Depreciation and amortization	3,4	12	—	23
Loss/(gain) on sale of fixed assets		—	—	(50)
Changes in working capital and non-cash items		(240)	(1,368)	(495)
Net financial items		1,015	751	26,803
<b>Net cash from operating activities</b>		<b>(3,446)</b>	<b>(3,373)</b>	<b>(11,886)</b>
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment	3	(138)	—	(248)
Proceeds from sale of fixed assets		—	—	(89)
Interest received		—	22	27
<b>Net cash from investing activities</b>		<b>(138)</b>	<b>22</b>	<b>(310)</b>
<b>Cash flow from financing activities</b>				
Proceeds from issuance of shares	5	8,223		13,259
Interest paid	4	(760)	(720)	(3,185)
Lease payments	4	(251)	(236)	(960)
<b>Net cash from financing activities</b>		<b>7,212</b>	<b>(956)</b>	<b>9,114</b>
<b>Net increase (decrease) in cash and bank deposits</b>		<b>3,628</b>	<b>(4,307)</b>	<b>(3,082)</b>
Cash and bank deposits at the beginning of the period		5,790	8,872	8,872
<b>Cash and bank deposits at the end of the period (i)</b>		<b>9,418</b>	<b>4,565</b>	<b>5,790</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 229 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 Inc. ("Thinfilm Inc.") and TFE Holding ("Thinfilm Holding.") The group was formed on 15 February 2006, when Thinfilm ASA purchased the business and assets, including the subsidiary Thinfilm AB, from Thin Film OldCo AS ("OldCo").

The objectives of the Company shall be the commercialization, research, development and production of technology and products related to solid-state lithium batteries. These objectives may be carried out in full internally, or in whole or in part externally through collaborative efforts with one or more of the Company's ecosystem partners.

The Company is a public limited-liability company incorporated and domiciled in Norway. The address of its registered office is Fridtjof Nansens Plass 4, Oslo, Norway. The Company's shares were admitted to listing at the Oslo Axess on 30 January 2008 and to the Oslo Børs on 27 February 2015. On 24 March 2015 Thinfilm's American Depository Receipts (ADRs) commenced trading in the United States on OTCQX International. 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 first quarter of 2021 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 2020. 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 2020. 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. Per the date of this report, the group and the parent company have sufficient funds to support operations through the second quarter of 2021 independent of the exercise of outstanding warrants. The Company has received further written exercise requests for a total of approximately 87 million Warrants B and C that, as of the date of this report, have yet to be approved by the board. Following approval, receipt of payment, and subsequent issue of shares, the funding raised by such warrant exercises is sufficient to support operations well into the third quarter of 2021. Depending on the timing and quantity of additional warrant exercises, including remaining unexercised 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 into the first quarter of 2022. 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. To continue to fund the Company's activities further into 2022, the Company intends to seek additional funds from the investor market. However, if the group is not able to successfully raise funds as planned, significant uncertainty would exist as to whether the Company and group 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. 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 25 May 2021.

### 3. Property, plant and equipment

Amounts in USD 1,000	Tangible assets
<b>Period ended 31 March 2021</b>	
Net value on 1 January 2021	226
Additions	138
Depreciation	(12)
<b>Net book value on 31 March 2021</b>	<b>352</b>
<b>Period ended 31 March 2020</b>	
Net value on 1 January 2020	—
<b>Net book value on 31 March 2020</b>	<b>—</b>
<b>Period ended 31 December 2020</b>	
Net value on 1 January 2020	—
Additions	248
Disposals	(333)
Impairments	333
Depreciation	(22)
<b>Net book value on 31 December 2020</b>	<b>226</b>
Other receivables include USD 3,287 thousand prepayments related to investment in equipment and machinery that had not been received from the suppliers as of 31 March 2021.	

### 4. Right-of-use

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

	Lease Liability
Lease liability recognized at 1 January 2021	13,244
Lease payment (see note below)	(490)
Interest expense	239
<b>Lease liability as of 31 March 2021</b>	<b>12,993</b>

In the statement of cash flow, principal portions of lease payments are included in line "Lease payment" with an amount of USD 251 thousand, and interest portions of the payments are included in line "Interest paid" with an amount of USD 239 thousand. Both of them are presented as cash flow from financing activities.

For maturity schedule of minimum lease payments, see Note 11.

### 5. Shares, warrants and subscription rights

Number of shares	
Shares at 1 January 2021	985,548,186
<b>Shares at 31 March 2021</b>	<b>1,168,832,778</b>
Shares at 1 January 2020	58,593,581
<b>Shares at 31 December 2020</b>	<b>985,548,186</b>

Number of subscription rights	1 January - 31 March 2021	1 January - 31 December 2020
Subscription rights opening balance	84,168,580	5,373,230
Grant of incentive subscription rights	31,670,404	81,363,440
Terminated, forfeited and expired subscription rights	(24,229)	(2,568,090)
<b>Subscription rights closing balance</b>	<b>115,814,755</b>	<b>84,168,580</b>

Number of warrants	1 January - 31 March 2021	1 January - 31 December 2020
Warrants opening balance	717,651,036	—
Allotment of warrants	—	982,351,512
Exercise and expiry of warrants	(114,361,723)	(264,700,476)
<b>Warrants closing balance</b>	<b>603,289,313</b>	<b>717,651,036</b>

On 1 March 2021, the Company announced the completion of a private placement of 68,922,869 shares at a subscription price of NOK 0.82 per share, resulting in gross proceeds of NOK 56,517 thousand.

As of the date of this report, the Company has received further written exercise requests for a total of approximately 87 million Warrants B and C that, as of the date of this report, have yet to be approved by the board. Upon approval, such warrant exercises are expected to generate gross proceeds of approximately NOK 22 million.

## 6. Profit (loss) per share

	1 January - 31 March 2021	1 January - 31 March 2020	1 January - 31 December 2020
Profit (loss) attributable to shareholders (USD 1000)	(4,761)	(2,826)	(38,794)
Weighted average basic number of shares in issue	1,046,237,575	58,593,581	393,183,402
Weighted average diluted number of shares	1,046,237,575	58,593,581	393,183,402
<b>Profit (loss) per share, basic and diluted</b>	<b>(USD 0.00)</b>	<b>(USD 0.05)</b>	<b>(USD 0.10)</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.

## 7. Guarantees

As a part of the relocation of Thinfilm's US headquarters in 2017, a USD 1,600 thousand Letter of Credit has been issued by Thin Film Electronics ASA to the landlord. Thin Film Electronics ASA has, in addition, entered into a Tenancy Guarantee with the landlord. The guarantee is given to secure payment of the lease rent. The initial guarantee liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. As of 31 March 2021, the guarantee liability amounted to USD 3,500 thousand.

## 8. Trade and other receivables

On 31 March 2021, trade and other receivables amounted to USD 1,207 thousand. The components of this balance are specified below.

Amounts in USD 1,000	31 March 2021	31 March 2020	31 December 2020
Accounts receivable	—	723	—
VAT-related receivables	358	69	201
Pre-payments to suppliers	844	1,332	926
Other current receivables	5	3	13
<b>Sum</b>	<b>1,207</b>	<b>2,127</b>	<b>1,140</b>

Other non-current financial receivables of USD 574 thousand mostly relates to security deposit held by Utica Leaseco, LLC.

## 9. Operating costs

Amounts in USD 1000	1 January - 31 March 2021	1 January - 31 March 2020	1 January - 31 December 2020
Payroll	1,520	820	4,766
Share-based remuneration	529	71	679
Services	425	229	1,808
Premises, supplies	932	962	3,270
Sales and marketing	30	22	65
Other expenses	299	530	1,943
<b>Total operating costs</b>	<b>3,735</b>	<b>2,634</b>	<b>12,531</b>

## 10. Related party transactions

In the period 1 January to 31 March 2021 and 2020, Thinfilm recorded USD 81 thousand and USD 27 thousand, respectively (net of VAT) for legal services provided by law firm Ræder, in which Thinfilm's Chairman is a partner.

In the period 1 January to 31 March 2021, Thinfilm recorded USD 44 thousand for advisory services from Acapulco Advisors AS, a shareholder of Thinfilm.

As of 31 March 2021, the portion of 'Trade and other payables' attributable to related parties is USD 63 thousand.

## 11. Current and long-term debt

In September 2019, the US subsidiary, Thin Film 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 Company entered into the Second Amendment (Amendment) in December 2020. The new terms of the amended agreement are that the lender agreed to accept modified payments from January 2021 through June 2021. In July 2021, regular payments will resume, and will include a lump sum "true up" payment for each Schedule to repay the difference of the amounts due and the reduced payments permitted under this Amendment.

At 31 March 2021, the current portion of the loan principal of USD 4,147 thousand. The long-term portion of the principal of USD 8,807 thousand is recorded as Long-term Debt in the Consolidated Statements of Financial Position.

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

The Company entered into a lease agreement in November 2016 relating to its US headquarters in San Jose, California. The lease in San Jose expires in September 2028. The building element of the lease agreement is classified as a lease liability. The land element of the lease became classified as a lease liability from 1 January 2019. As a part of the relocation of Thinfilm's US headquarters in 2017, a USD 1,600 thousand Letter of Credit was issued by Thin Film Electronics ASA to the landlord. The restricted cash of USD 1,600 thousand securing the Letter of Credit is included in the Company's cash and cash equivalents. Thin Film Electronics ASA, in addition, entered into a Tenancy Guarantee with the landlord. The guarantee was given to secure payment of the lease rent. The initial guarantee liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. As of 31 March 2021, the guarantee liability amounted to USD 3,500 thousand.

The San Jose, California lease is reflected under this caption and the table below. In addition, see Note 4.

The interest rate for the financing is at 17%. Table below disclosures principal payment obligations for the company.

#### Maturity schedule — liabilities

31 March 2021	1 year	2–3 years	3–4 years	4–5 years	Over 5 years
Principal obligations due	4,148	4,025	4,783	—	
Interest payments	1,902	1,219	462	396	
Lease payments	1,996	2,121	2,182	2,246	6,700
<b>Total current and long-term debt</b>	<b>8,046</b>	<b>7,365</b>	<b>7,427</b>	<b>2,642</b>	<b>6,700</b>

## 12. 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 (2) warrants ("Warrants") issued to such subscriber. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The first tranche of warrants, ("Warrant A"), expired on 31 December 2020. The second tranche of warrants, totaling 227,272,727 warrants ("Warrant B"), have a term expiring on 20 August 2021, and are exercisable at NOK 0.25 per share. 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 and issuance of 63,636,363 shares, resulted in two (2) warrants issued to such subscriber. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The first tranche of warrants ("Warrant A"), expired on 31 December 2020. The second tranche of warrants, totaling 63,636,363 warrants ("Warrant B"), expire on 20 August 2021 and are exercisable at NOK 0.25 per share. 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 a private placement of 333,866,666 shares. For each private placement share a warrant was attached and issued to each subscriber. A total of 333,866,666 warrants ("Warrant C"), are exercisable between 31 March 2021 and 30 June 2021 at an exercise price 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 6,063 thousand based on the Black-Scholes valuation model.
- 2 The subsequent offering and issuance of 66,666,666 shares resulted in 66,666,666 warrants issued to each subscriber. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The warrants, totaling 66,666,666 warrants ("Warrant C"), are exercisable between 31 March 2021 and 30 June 2021 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	
	As of 31 March 2021	As of 31 December 2020
Opening Balance	\$26,020	\$-
Warrants Issued	-	29,389
Warrants Exercised	(3,813)	(7,326)
Change in fair value of warrant liability	970	6,118
Ending Balance	23,177	28,181
Deferred loss*	(1,058)	(2,161)
Warrants liability	22,119	26,020

\* Of the difference between fair value and transaction price at issue date; USD 19,370 thousand, USD 4,860 thousand has been deferred and will be expensed over the lifetime of the warrants (remaining deferral at 31 March 2021 is USD 1,058 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:

Private Placement and Subsequent Offering as approved on 20 May 2020	As of 31 March 2021	As of 31 December 2020
	Warrant B	Warrant B
Share price	NOK 0.75	NOK 0.36
Exercise price	NOK 0.25	NOK 0.25
Expected term (in years)	0.39	0.64
Expected share price volatility	100.84%	113.76%
Annual rate of quarterly dividends	0.00%	0.00%
Risk-free interest rate	0.151%	0.031%
Warrant expiration date	20 August 2021	20 August 2021

Private Placement & Subsequent Offering as approved on 19 August 2020	As of 31 March 2021	As of 31 December 2020
	Warrant C	Warrant C
Share price	NOK 0.75	NOK 0.36
Exercise price	NOK 0.25	NOK 0.25
Expected term (in years)	0.25	0.50
Expected share price volatility	110.94%	82.81%
Annual rate of quarterly dividends	0.00%	0.00%
Risk-free interest rate	0.14%	0.02%
Warrant expiration date	30 June 2021	30 June 2021

See Note 5 for more details.