
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2021

or

Transition Report Pursuant Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____.

Commission file number 001-37659

INTERLINK ELECTRONICS, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

77-0056625
(I.R.S. Employer
Identification No.)

**1 Jenner, Suite 200
Irvine, California 92618**
(Address of principal executive offices, zip code)

(805) 484-8855
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock, \$0.001 par value per share	LINK	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 4, 2021, the issuer had 6,602,498 shares of common stock issued and outstanding.

**INTERLINK ELECTRONICS, INC.
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PART I: FINANCIAL INFORMATION
Item 1. Financial Statements**INTERLINK ELECTRONICS, INC.**
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
	<i>(in thousands, except par value)</i>	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,642	\$ 6,120
Restricted cash	5	5
Accounts receivable, net	1,106	1,113
Inventories	807	866
Prepaid expenses and other current assets	325	392
Total current assets	<u>8,885</u>	<u>8,496</u>
Property, plant and equipment, net	372	407
Intangible assets, net	146	195
Right-of-use assets	207	334
Deferred tax assets	533	527
Other assets	70	63
Total assets	<u>\$ 10,213</u>	<u>\$ 10,022</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 233	\$ 235
Accrued liabilities	452	343
Lease liabilities, current	150	219
PPP loan payable	—	186
Accrued income taxes	183	59
Total current liabilities	<u>1,018</u>	<u>1,042</u>
Long-term liabilities		
Lease liabilities, long-term	71	140
Total long-term liabilities	<u>71</u>	<u>140</u>
Total liabilities	<u>1,089</u>	<u>1,182</u>
Commitments and contingencies (Note 7)		
Stockholders' equity		
Preferred stock, \$0.01 par value: 1,000 shares authorized, no shares issued or outstanding	—	—
Common stock, \$0.001 par value: 30,000 shares authorized, 6,602 shares issued and outstanding at September 30, 2021; 6,601 shares issued and outstanding at December 31, 2020	7	7
Additional paid-in-capital	57,986	57,966
Accumulated other comprehensive income	58	37
Accumulated deficit	(48,927)	(49,170)
Total stockholders' equity	<u>9,124</u>	<u>8,840</u>
Total liabilities and stockholders' equity	<u>\$ 10,213</u>	<u>\$ 10,022</u>

See accompanying notes to these unaudited condensed consolidated financial statements.

INTERLINK ELECTRONICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<i>(in thousands, except per share data)</i>			
Revenue, net	\$ 2,223	\$ 1,548	\$ 5,855	\$ 4,941
Cost of revenue	931	737	2,562	2,173
Gross profit	<u>1,292</u>	<u>811</u>	<u>3,293</u>	<u>2,768</u>
Operating expenses:				
Engineering, research and development	105	208	554	786
Selling, general and administrative	928	682	2,407	2,092
Total operating expenses	<u>1,033</u>	<u>890</u>	<u>2,961</u>	<u>2,878</u>
Income (loss) from operations	259	(79)	332	(110)
Other income (expense):				
Other income (expense), net	(6)	(41)	(25)	(43)
Income (loss) before income taxes	253	(120)	307	(153)
Income tax expense (benefit)	30	(185)	64	(213)
Net income	<u>\$ 223</u>	<u>\$ 65</u>	<u>\$ 243</u>	<u>\$ 60</u>
Earnings per share – basic and diluted	<u>\$ 0.03</u>	<u>\$ 0.01</u>	<u>\$ 0.04</u>	<u>\$ 0.01</u>
Weighted average common shares outstanding – basic	<u>6,602</u>	<u>6,601</u>	<u>6,601</u>	<u>6,581</u>
Weighted average common shares outstanding - diluted	<u>6,602</u>	<u>6,601</u>	<u>6,601</u>	<u>6,598</u>

INTERLINK ELECTRONICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	(in thousands)			
Net income	\$ 223	\$ 65	\$ 243	\$ 60
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(2)	64	21	49
Comprehensive income	<u>\$ 221</u>	<u>\$ 129</u>	<u>\$ 264</u>	<u>\$ 109</u>

See accompanying notes to these unaudited condensed consolidated financial statements.

INTERLINK ELECTRONICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)

<u>Three months ended September 30, 2021</u>	<u>Common Stock</u>		<u>Additional Paid-in- Capital</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance at June 30, 2021	6,601	\$ 7	\$ 57,971	\$ 60	\$ (49,150)	\$ 8,888
Net income	—	—	—	—	223	223
Foreign currency translation adjustment	—	—	—	(2)	—	(2)
Stock-based compensation	1	—	15	—	—	15
Balance at September 30, 2021	<u>6,602</u>	<u>\$ 7</u>	<u>\$ 57,986</u>	<u>\$ 58</u>	<u>\$ (48,927)</u>	<u>\$ 9,124</u>

<u>Nine months ended September 30, 2021</u>	<u>Common Stock</u>		<u>Additional Paid-in- Capital</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance at December 31, 2020	6,601	\$ 7	\$ 57,966	\$ 37	\$ (49,170)	\$ 8,840
Net income	—	—	—	—	243	243
Foreign currency translation adjustment	—	—	—	21	—	21
Stock-based compensation	1	—	20	—	—	20
Balance at September 30, 2021	<u>6,602</u>	<u>\$ 7</u>	<u>\$ 57,986</u>	<u>\$ 58</u>	<u>\$ (48,927)</u>	<u>\$ 9,124</u>

<u>Three months ended September 30, 2020</u>	<u>Common Stock</u>		<u>Additional Paid-in- Capital</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance at June 30, 2020	6,601	\$ 7	\$ 57,966	\$ (108)	\$ (49,288)	\$ 8,577
Net income	—	—	—	—	65	65
Foreign currency translation adjustment	—	—	—	64	—	64
Stock-based compensation	—	—	—	—	—	—
Balance at September 30, 2020	<u>6,601</u>	<u>\$ 7</u>	<u>\$ 57,966</u>	<u>\$ (44)</u>	<u>\$ (49,223)</u>	<u>\$ 8,706</u>

<u>Nine months ended September 30, 2020</u>	<u>Common Stock</u>		<u>Additional Paid-in- Capital</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance at December 31, 2019	6,563	\$ 7	\$ 57,940	\$ (93)	\$ (49,283)	\$ 8,571
Net income	—	—	—	—	60	60
Foreign currency translation adjustment	—	—	—	49	—	49
Stock-based compensation	38	—	26	—	—	26
Balance at September 30, 2020	<u>6,601</u>	<u>\$ 7</u>	<u>\$ 57,966</u>	<u>\$ (44)</u>	<u>\$ (49,223)</u>	<u>\$ 8,706</u>

See accompanying notes to these unaudited condensed consolidated financial statements.

INTERLINK ELECTRONICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 243	\$ 60
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	214	216
Stock-based compensation	20	26
Operating leases - other	(13)	11
Gain on forgiveness of PPP loan	(186)	—
Loss on disposal of property and equipment	14	—
Changes in operating assets and liabilities:		
Accounts receivable	7	(194)
Inventories	64	(36)
Prepaid expenses and other assets	62	(169)
Accounts payable	(12)	14
Accrued liabilities	100	68
Accrued income taxes	132	105
Deferred taxes	(6)	(46)
Deferred revenue	—	(13)
Net cash provided by operating activities	<u>639</u>	<u>42</u>
Cash flows from investing activities:		
Property, plant and equipment	(142)	—
Intangible assets	—	(66)
Net cash used in investing activities	<u>(142)</u>	<u>(66)</u>
Cash flows from financing activities:		
Proceeds from PPP loan	—	186
Net cash provided by financing activities	<u>—</u>	<u>186</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	25	49
Net increase in cash and cash equivalents	522	211
Cash, cash equivalents and restricted cash, beginning of period	6,125	5,844
Cash, cash equivalents and restricted cash, end of period	<u>\$ 6,647</u>	<u>\$ 6,055</u>
Reconciliation of cash, cash equivalents and restricted cash, end of period:		
Cash and cash equivalents, end of period	\$ 6,642	\$ 6,050
Restricted cash, end of period	5	5
Cash, cash equivalents and restricted cash, end of period	<u>\$ 6,647</u>	<u>\$ 6,055</u>
Supplemental disclosure of cash flow information:		
Income taxes paid (refunded), net	\$ (14)	\$ 30
Interest paid	—	—
Supplemental disclosure of non-cash investing and financing activities:		
Lease liabilities arising from obtaining right-of-use assets	\$ 50	\$ 313

See accompanying notes to these unaudited condensed consolidated financial statements.

INTERLINK ELECTRONICS, INC.

Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 1 – The Company and its Significant Accounting Policies

Description of Business

Interlink Electronics, Inc. (“we,” “us,” “our,” “Interlink” or the “Company”) designs, develops, manufactures and sells a range of force-sensing technologies that incorporate our proprietary materials technology, firmware and software into a portfolio of standard sensor based products and custom sensor system solutions. These include sensor components, subassemblies, modules and products that support effective, efficient cursor control and novel three-dimensional user inputs. Our Human Machine Interface (“HMI”) technology platforms are deployed in a wide range of markets including consumer electronics, automotive, industrial, and medical.

Interlink serves our world-wide customer base from our corporate headquarters in Irvine, California (Orange County) and from our facility in Camarillo, California (Ventura County). We have established a Global Product Development and Materials Science Center in our Camarillo footprint. This facility has a state-of-the-art printed electronics development laboratory as well as materials science lab. Our engineering team is based in this center where we work with our U.S. and global customers on developing, engineering, prototyping and implementing our advanced HMI solutions. We also maintain a small embedded software and Internet-of-Things (“IoT”) application development center in Singapore. We manufacture all our products in our printed electronics manufacturing facility in Shenzhen, China. In addition, we maintain a global distribution and logistics center in Hong Kong, a technical sales office in Japan, and several manufacturer representatives and distributors in strategic locations in our key markets, all of which allows us to support our global customer base. We sell our products in a wide range of markets, including consumer electronics, automotive, industrial and medical. Our customers are some of the world’s largest companies and most recognizable brands.

We were incorporated in California in 1985. In 1996, we re-incorporated into a Delaware corporation and, in 2012, we again changed our domicile from Delaware to Nevada by completing a merger with a newly formed Nevada corporation named Interlink Electronics, Inc.

Our principal executive office is located at 1 Jenner, Suite 200, Irvine, California 92618 and our telephone number is (805) 484-8855. Our website address is www.interlinkelectronics.com. Interlink makes available its annual financial statements, quarterly financial statements, and other significant reports and amendments to such reports, free of charge, on its website as soon as reasonably practicable after such reports are prepared.

Fiscal Year

Our fiscal year is the calendar year reporting cycle beginning January 1 and ending December 31.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intra-entity transactions and balances have been eliminated in consolidation.

The accompanying unaudited interim consolidated financial statements for the Company and its subsidiaries have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial reporting. Accordingly, certain information and footnote disclosures normally included in annual consolidated financial statements have been condensed or omitted. In the opinion of management, the accompanying unaudited interim consolidated financial statements reflect all adjustments (consisting of only normal recurring adjustments and the elimination of intra-entity accounts) considered necessary for a fair presentation of all periods presented. The results of the Company’s operations for any interim periods are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year. These unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes included in our Annual Report on Form 10-K, which was filed the Securities and Exchange Commission on March 17, 2021.

INTERLINK ELECTRONICS, INC.

Notes to Condensed Consolidated Financial Statements - continued
(unaudited)

Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and disclosures made in the accompanying notes to the consolidated financial statements. Management regularly evaluates estimates and assumptions related to revenue recognition, allowances for doubtful accounts, warranty reserves, inventory valuation reserves, stock-based compensation, purchased intangible asset valuations and useful lives, asset retirement obligations, and deferred income tax asset valuation allowances. These estimates and assumptions are based on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The actual results we experience may differ materially and adversely from our original estimates. To the extent there are material differences between the estimates and the actual results, our future results of operations will be affected.

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers* (“ASC 606”), when a customer obtains control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services.

To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy a performance obligation. The five-step model is applied to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services transferred to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, we assess the goods or services promised within each contract and determine those that are performance obligations and assess whether each promised good or service is distinct. We then recognize revenue in the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Delivery occurs when goods are shipped and title and risk of loss transfer to the customer, in accordance with the terms specified in the arrangement with the customer. Revenue recognition is deferred until the earnings process is complete.

We (i) input orders based upon receipt of a customer purchase order, (ii) confirm pricing through the customer purchase order record, (iii) validate creditworthiness through past payment history, credit agency reports and other financial data, and (iv) recognize revenue upon shipment of goods or when risk of loss and title transfer to the buyer. All customers have warranty rights, and some customers also have explicit or implicit rights of return. We establish reserves for potential customer returns or warranty repairs based on historical experience and other factors that enable us to reasonably estimate the obligation.

A portion of our product sales is made through distributors under agreements allowing for right of return. Our past history with these sell-through right of return provisions allow us to reasonably estimate the amount of inventory that could be returned pursuant to these agreements, and revenue is recognized accordingly.

We recognize revenue for non-recurring engineering or non-recurring tooling fees when there is persuasive evidence of an arrangement, performance obligations are identified, fees are fixed or determinable, delivery has occurred, and collectability is reasonably assured.

INTERLINK ELECTRONICS, INC.

Notes to Condensed Consolidated Financial Statements - continued
(unaudited)

Warranty

We establish reserves for future product warranty costs that are expected to be incurred pursuant to specific warranty provisions with our customers. We generally warrant our products against defects for one year from date of shipment, with certain exceptions in which the warranty period can extend to more than one year based on contractual agreements. A warranty reserve is recorded against revenues when products are shipped. At each reporting period, we adjust our reserve for warranty claims based on our actual warranty claims experience as a percentage of net revenue for the preceding 12 months and also consider the effect of known operations issues that may have an impact that differs from historical trends. Historically, our warranty returns have not been material.

Shipping and Handling Fees and Costs

Amounts billed to customers for shipping and handling fees are presented in revenues. Costs incurred for shipping and handling are included in cost of revenues.

Engineering, Research and Development Costs

Engineering, research and development (“R&D”) costs are expensed when incurred. R&D expenses consist primarily of compensation expenses for employees engaged in research, design and development activities. R&D expenses also include depreciation and amortization, and overhead, including facilities expenses.

Marketing and Advertising Costs

All of the costs related to marketing and advertising our products are expensed as incurred or at the time the marketing or advertising takes place.

Stock-Based Compensation

Under the terms of our 2016 Omnibus Incentive Plan (the “2016 Plan”), directors, officers and key employees could be granted restricted stock units and stock awards, as well as non-qualified or incentive stock options, at the discretion of the Compensation Committee of the Board of Directors.

All stock-based payments to directors and employees, including grants of stock options and stock purchase rights, are recognized in the financial statements based on their respective grant date (measurement date) fair values. We calculate the compensation cost of full-value awards such as restricted stock units and stock awards based on the market value of the underlying stock at the date of the grant. The fair value of stock option awards is estimated at the date of grant using the Black-Scholes option pricing model; however, the value calculated using an option pricing model may not be indicative of the fair value observed in a willing buyer/willing seller market transaction, or actually realized by the employee upon exercise. Expected volatility used to estimate the fair value of options granted is based on the historical volatility of our common stock. The risk-free interest rate is based on the United States Treasury constant maturity rate for the expected life of the stock option. The expected life of a stock award is the period of time that the award is expected to be outstanding.

We recognize compensation expense for all stock-based awards on a straight-line basis over the requisite service period for the entire award. The amount of compensation expense recognized through the end of each reporting period is equal to the portion of the grant-date value of the awards that have vested, or for partially vested awards, the value of the portion of the award that is ultimately expected to vest for which the requisite services have been provided. The benefits of tax deductions in excess of recognized compensation cost are reported as a financing cash flow.

As of September 30, 2021, there were no stock-based compensation awards outstanding.

INTERLINK ELECTRONICS, INC.

Notes to Condensed Consolidated Financial Statements - continued
(unaudited)

Other Income, Net

Other income, net, consists of interest income /expense, foreign exchange gains and losses and other non-operating gains and losses.

Income Taxes

We account for income taxes under the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. We assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe that recovery is not determinable beyond a “more likely than not” standard, we establish a valuation allowance. To the extent we establish a valuation allowance or increase or decrease this allowance in a period, we include an expense or benefit within the tax provision in the statement of operations. We also utilize a “more likely than not” recognition threshold and measurement analysis for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. We recognize potential accrued interest and penalties related to unrecognized tax benefits within the statement of operations as income tax expense.

We operate within multiple tax jurisdictions and are subject to audit in these jurisdictions. Our foreign subsidiaries are subject to foreign income taxes on earnings in their respective jurisdictions. Earnings of our foreign subsidiaries that constitute Global Intangible Low Taxed Income (“GILTI”) are included in U.S. taxable income with related taxes recorded as a current period income tax expense.

Foreign Currency Translation

The functional currency of our Chinese subsidiary is the Chinese Yuan Renminbi. The functional currency for our Hong Kong and Singapore subsidiaries is the United States dollar. Assets and liabilities are translated into United States dollars at the exchange rate in effect on the balance sheet date. Revenues and expenses are translated at the average exchange rate prevailing during the respective periods. Foreign currency transaction and remeasurement gains and losses are included in results of operations.

Segment Reporting

We operate in one reportable segment: the manufacture and sale of force sensing technology solutions.

Comprehensive Income

Comprehensive income includes all components of comprehensive income, including net income and any changes in equity during the period from transactions and other events and circumstances generated by non-owner sources.

Earnings Per Share

Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing net income by the weighted average number of diluted common shares, which is inclusive of common stock equivalents from unexercised stock options and restricted stock units. Unexercised stock options and restricted stock units are considered to be common stock equivalents if, using the treasury stock method, they are determined to be dilutive.

Under the two-class method of determining earnings for each class of stock, we consider the dividend rights and participating rights in undistributed earnings for each class of stock.

INTERLINK ELECTRONICS, INC.

Notes to Condensed Consolidated Financial Statements - continued
(unaudited)

Leases

The Company accounts for its leases under ASC Topic 842, *Leases*. Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases, and are recorded on the consolidated balance sheets as both a right-of-use (“ROU”) asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company’s incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the ROU asset is amortized over the lease term. For finance leases, interest on the lease liability and the amortization of the ROU asset results in front-loaded expense over the lease term. Variable lease expenses are recorded when incurred.

In calculating the ROU asset and lease liability, the Company has elected to combine lease and non-lease components. The Company excludes short-term leases having initial term of 12 months or less from this guidance as an accounting policy election, and recognizes rent expense for such short-term leases on a straight-line basis over the lease term.

Risk and Uncertainties

Our future results of operations involve a number of risks and uncertainties. Factors that could affect our business or future results and cause actual results to vary materially from historical results include, but are not limited to, the rapid change in our industry; problems with the performance, reliability or quality of our products; loss of customers; impacts of doing business internationally, including foreign currency fluctuations; potential shortages of the supplies we use to manufacture our products; disruptions in our manufacturing facilities; changes in environmental directives impacting our manufacturing process or product lines; the development of new proprietary technology and the enforcement of intellectual property rights by or against us; our ability to attract and retain qualified employees; and our ability to raise additional capital.

Public Health Threats

Public health threats could adversely affect our ongoing or planned business operations. For example, the COVID-19 pandemic resulted in quarantines, restrictions on travel and other business and economic disruptions. We cannot presently predict the scope and severity of any potential business shutdowns or disruptions from such public health threats, but if we or any of the third parties with whom we engage, including the suppliers, distributors, resellers and other third parties with whom we conduct business, were to experience shutdowns or other business disruptions, our ability to conduct our business in the manner and on the timelines we plan could be materially and adversely impacted.

Fair Value Measurements

We determine fair value measurements based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, we follow the following fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) our own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs):

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets;

Level 2: Other inputs observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborate inputs; and

Level 3: Unobservable inputs for which there is little or no market data and which requires the owner of the assets or liabilities to develop its own assumptions about how market participants would price these assets or liabilities.

Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy.

INTERLINK ELECTRONICS, INC.**Notes to Condensed Consolidated Financial Statements - continued**
*(unaudited)***Recently Issued Accounting Pronouncements**

We reviewed all recently issued accounting pronouncements and concluded they are not applicable or not expected to be material to our financial statements.

Subsequent Events

The Company has evaluated subsequent events through November 4, 2021, being the date these condensed consolidated financial statements were issued.

Note 2 – Details of Certain Financial Statement Components

Inventories, stated at the lower of cost or net realizable value, consisted of the following:

	September 30, 2021	December 31, 2020
Inventories	(in thousands)	
Raw materials	\$ 473	\$ 520
Work-in-process	204	246
Finished goods	130	100
Total inventories	<u>\$ 807</u>	<u>\$ 866</u>

Property, plant and equipment, net, consisted of the following:

	September 30, 2021	December 31, 2020
Property, plant and equipment, net	(in thousands)	
Furniture, machinery and equipment	\$ 1,680	\$ 1,662
Leasehold improvements	429	538
	<u>2,109</u>	<u>2,200</u>
Less: accumulated depreciation	(1,737)	(1,793)
Total property, plant and equipment, net	<u>\$ 372</u>	<u>\$ 407</u>

Depreciation expense totaled \$51 thousand and \$55 thousand for the three months ended September 30, 2021 and 2020, respectively, and \$163 thousand and \$173 thousand for the nine months ended September 30, 2021 and 2020, respectively.

Intangible assets, net consisted of the following:

	September 30, 2021	December 31, 2020
Intangible assets, net	(in thousands)	
Patents and trademarks	\$ 658	\$ 658
Less: accumulated amortization	(512)	(463)
Total intangible assets, net	<u>\$ 146</u>	<u>\$ 195</u>

INTERLINK ELECTRONICS, INC.

Notes to Condensed Consolidated Financial Statements - continued
(unaudited)

Amortization expense totaled \$16 thousand and \$16 thousand for the three months ended September 30, 2021 and 2020, respectively, and \$50 thousand and \$44 thousand for the nine months ended September 30, 2021 and 2020, respectively. Future amortization expense on existing intangible assets over the next five years is as follows:

Years ending December 31,	(in thousands)
2021 (remainder of year)	\$ 16
2022	54
2023	42
2024	27
2025	7
Thereafter	—
	<u>\$ 146</u>

Accrued liabilities consisted of the following:

	September 30, 2021	December 31, 2020
	(in thousands)	
Accrued liabilities		
Accrued warranty	\$ 7	\$ 7
Accrued wages and benefits	348	180
Accrued vacation	77	110
Accrued other	20	46
Total accrued liabilities	<u>\$ 452</u>	<u>\$ 343</u>

Note 3 – Earnings Per Share

Basic earnings per share is computed by dividing net income for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income for the period by the weighted average number of common shares outstanding during the period, plus the dilutive effect of outstanding stock options and restricted stock-based awards using the treasury stock method.

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income	\$ 223	\$ 65	\$ 243	\$ 60
Weighted average outstanding shares of common stock	6,602	6,601	6,601	6,581
Dilutive potential common shares from stock options and restricted stock units	—	—	—	17
Common stock and common stock equivalents	<u>6,602</u>	<u>6,601</u>	<u>6,601</u>	<u>6,598</u>
Earnings per share, basic and diluted	<u>\$ 0.03</u>	<u>\$ 0.01</u>	<u>\$ 0.04</u>	<u>\$ 0.01</u>
Shares subject to anti-dilutive stock options and restricted stock-based awards excluded from calculation	<u>—</u>	<u>2</u>	<u>—</u>	<u>2</u>

INTERLINK ELECTRONICS, INC.**Notes to Condensed Consolidated Financial Statements - continued**
*(unaudited)***Note 4 – Significant Customers, Concentrations of Credit Risk, and Geographic Information**

We manage and operate our business through one operating segment.

Net revenues from customers equal to or greater than 10% of total net revenues are as follows:

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Customer A	17 %	24 %	22 %	17 %
Customer B	15 %	* %	11 %	11 %
Customer C	* %	11 %	13 %	11 %

* Less than 10% of total net revenues

Net revenues by geographic area are as follows:

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	(in thousands)			
United States	\$ 674	\$ 512	\$ 1,534	\$ 1,934
Asia and Middle East	1,383	935	3,873	2,577
Europe and other	166	101	448	430
Revenue, net	<u>\$ 2,223</u>	<u>\$ 1,548</u>	<u>\$ 5,855</u>	<u>\$ 4,941</u>

Revenues by geographic area are based on the country of shipment destination. The geographic location of distributors and third-party manufacturing service providers may be different from the geographic location of the purchasers and/or ultimate end users.

We provide credit only to creditworthy third parties who are subject to our credit verification procedures. Accounts receivable balances are monitored on an ongoing basis, and accounts deemed to have credit risk are fully reserved. At September 30, 2021, two customers accounted for 34% and 23% of total accounts receivable, respectively. At December 31, 2020, two customers accounted for 47% and 22% of total accounts receivable, respectively. Our allowance for doubtful accounts was \$0 at both September 30, 2021 and December 31, 2020.

Our long-lived assets were geographically located as follows:

	<u>September 30,</u>	<u>December 31,</u>
	<u>2021</u>	<u>2020</u>
	(in thousands)	
United States	\$ 1,124	\$ 1,194
Asia	204	332
Total long-lived assets	<u>\$ 1,328</u>	<u>\$ 1,526</u>

INTERLINK ELECTRONICS, INC.

Notes to Condensed Consolidated Financial Statements - continued
(unaudited)

Note 5 – Related Party Transactions

Qualstar Corporation (OTCM:QBAK)

Qualstar Corporation (OTCMKTS:QBAK) (“Qualstar”) is a related party. Steven N. Bronson, our Chairman of the Board, President and Chief Executive Officer, is also the President and Chief Executive Officer and Director of Qualstar. Ryan J. Hoffman, our Chief Financial Officer, is also the Chief Financial Officer of Qualstar. Mr. Bronson, together with BKF Capital Group, Inc. (OTCMKTS:BKFG) which he controls, has a controlling interest in both Interlink and Qualstar. We have a facilities agreement with Qualstar to allow Qualstar to use of a portion of our Irvine, California office facility, for which we have agreed to split substantially all rent and lease-related costs on an apportioned basis according to the approximate relative usage levels by each entity. Qualstar also has a facilities agreement with us to allow us to use of a portion of its Camarillo, California office and warehouse facility, for which we have agreed to split substantially all rent and lease-related costs on an apportioned basis according to the approximate relative usage levels by each entity. In addition, we have consulting agreements with Qualstar for certain of our respective employees and/or independent contractors that provide operational, sales, marketing, general and administrative services to the other entity. Interlink and Qualstar also agree to reimburse, or be reimbursed by, one another for expenses paid by one company on behalf of the other. Transactions with Qualstar are as follows:

	Three months ended September 30,			
	2021		2020	
	Due from Qualstar	Due to Qualstar	Due from Qualstar	Due to Qualstar
	(in thousands)			
Balance at June 30,	\$ 16	\$ 1	\$ 48	\$ 7
Billed (or accrued) to Qualstar by Interlink	217	—	127	—
Paid by Qualstar to Interlink	(217)	—	(162)	—
Billed (or accrued) to Interlink by Qualstar	—	22	—	18
Paid by Interlink to Qualstar	—	(23)	—	(20)
Balance at September 30,	<u>\$ 16</u>	<u>\$ —</u>	<u>\$ 13</u>	<u>\$ 5</u>
	Nine months ended September 30,			
	2021		2020	
	Due from Qualstar	Due to Qualstar	Due from Qualstar	Due to Qualstar
	(in thousands)			
Balance at January 1,	\$ 52	\$ 34	\$ 24	\$ 12
Billed (or accrued) to Qualstar by Interlink	692	—	381	—
Paid by Qualstar to Interlink	(728)	—	(392)	—
Billed (or accrued) to Interlink by Qualstar	—	76	—	71
Paid by Interlink to Qualstar	—	(110)	—	(78)
Balance at September 30,	<u>\$ 16</u>	<u>\$ —</u>	<u>\$ 13</u>	<u>\$ 5</u>

INTERLINK ELECTRONICS, INC.

Notes to Condensed Consolidated Financial Statements - continued
(unaudited)

BKF Capital Group (OTCM:BKFG)

BKF Capital Group, Inc. (OTCMKTS:BKFG) (“BKF Capital”) is a related party. Steven N. Bronson, our Chairman of the Board, President and Chief Executive Officer, is also the Chief Executive Officer and Chairman of BKF Capital. Ryan J. Hoffman, our Chief Financial Officer, is also the Chief Financial Officer of BKF Capital. BKF Capital, together with Mr. Bronson, has a controlling interest in Interlink. We previously had a facilities agreement with BKF Capital under which BKF Capital was allowed to use a portion of our Irvine, California office facility, for which we had agreed to split substantially all rent and lease-related costs on an apportioned basis according to the approximate relative usage levels by each entity. In addition, we have consulting agreements with BKF Capital for certain of our respective employees and/or independent contractors that provide operational and general and administrative services to the other entity. Interlink and BKF Capital also agree to reimburse, or be reimbursed by, one another for expenses paid by one company on behalf of the other. Transactions with BKF Capital are as follows:

	Three months ended September 30,			
	2021		2020	
	Due from BKF Capital	Due to BKF Capital	Due from BKF Capital	Due to BKF Capital
	(in thousands)			
Balance at June 30,	\$ 6	\$ —	\$ 1	\$ —
Billed (or accrued) to BKF Capital by Interlink	33	—	3	—
Paid by BKF Capital to Interlink	(32)	—	(4)	—
Billed (or accrued) to Interlink by BKF Capital	—	30	—	—
Paid by Interlink to BKF Capital	—	(30)	—	—
Balance at September 30,	<u>\$ 7</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
	Nine months ended September 30,			
	2021		2020	
	Due from BKF Capital	Due to BKF Capital	Due from BKF Capital	Due to BKF Capital
	(in thousands)			
Balance at January 1,	\$ —	\$ —	\$ —	\$ —
Billed (or accrued) to BKF Capital by Interlink	46	—	4	—
Paid by BKF Capital to Interlink	(39)	—	(4)	—
Billed (or accrued) to Interlink by BKF Capital	—	30	—	—
Paid by Interlink to BKF Capital	—	(30)	—	—
Balance at September 30,	<u>\$ 7</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Note 6 – Income Taxes

Income tax expense as a percentage of pre-tax income was 11.9% for the three months ended September 30, 2021, versus tax benefit of 154.2% for the comparable period in the prior year. Income tax expense as a percentage of pre-tax income was 20.8% for the nine months ended September 30, 2021 versus tax benefit of 139.2% for the comparable period in the prior year. Our income tax expense/benefit is primarily impacted by permanent taxable differences, the mix of domestic and foreign pre-tax earnings, as well as our ability to utilize prior net operating loss carryforwards (“NOLs”).

The Company experienced an ownership change under IRC Section 382 in February 2010. In general, a Section 382 ownership change occurs if there is a cumulative change in our ownership by “5% shareholders” (as defined in the Internal Revenue Code of 1986, as amended) that exceeds 50 percentage points over a rolling three-year period. An ownership change generally affects the rate at which NOLs and potential other deferred tax assets are permitted to offset future taxable income. Certain state jurisdictions within

INTERLINK ELECTRONICS, INC.

Notes to Condensed Consolidated Financial Statements - continued
(unaudited)

which we operate contain similar provisions and limitations. All of the remaining federal and state NOLs as of September 30, 2021 are subject to annual limitations due to the February 2010 ownership change.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize the existing deferred tax assets. Given our current earnings and anticipated future earnings, we determine there is sufficient evidence to reach a conclusion that a valuation allowance is not warranted.

Note 7 – Commitments and Contingencies

Lease Agreements

We lease facilities under non-cancellable operating leases. The leases expire at various dates through fiscal 2023 and frequently include renewal provisions for varying periods of time, provisions which require us to pay taxes, insurance and maintenance costs, and provisions for minimum rent increases. Minimum leases payments, including scheduled rent increases are recognized as rent expenses on a straight-line basis over the term of the lease.

The rate implicit in each lease is not readily determinable, and we therefore use our incremental borrowing rate to determine the present value of the lease payments. The weighted average incremental borrowing rate used to determine the initial value of ROU assets and lease liabilities capitalized during the nine months ended September 30, 2021 and 2020 was 5.50% and 6.75%, respectively.

ROU assets for operating leases are periodically reduced by impairment losses. We use the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant and Equipment – Overall*, to determine whether a ROU asset is impaired, and if so, the amount of the impairment loss to recognize. As of September 30, 2021, we have not recognized any impairment losses for our ROU assets.

We monitor for events or changes in circumstances that require a reassessment of our leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in profit or loss.

In June 2020, the Company entered into a sublease agreement to lease 4,351 square feet of space located in Irvine, California for approximately \$6 thousand per month with 3 percent annual increases, plus common area maintenance costs. The lease term began July 1, 2020 and ends May 31, 2023. The space is used for executive offices, sales, finance and administration.

The Company leases a 14,476 square-foot manufacturing facility and administrative office in Shenzhen, China. In May 2020, the Company renewed this lease for the period June 1, 2020 through May 31, 2022 for approximately \$7 thousand per month through May 31, 2021 and increasing to approximately \$8 thousand per month through May 31, 2022.

The Company leases a 275 square-foot engineering and administrative office in Singapore for approximately \$1 thousand per month. This lease term ends May 2022.

The Company leases a 3,000 square-foot distribution facility in Hong Kong for approximately \$2 thousand per month. This lease term ends April 2023.

The Company leases a 500 square-foot sales office in Tokyo, Japan for approximately \$1 thousand per month. This lease term ends November 2022.

As of September 30, 2021, the Company had current and long-term lease liabilities of \$150 thousand and \$71 thousand, respectively, and ROU assets of \$207 thousand. As of December 31, 2020, the Company had current and long-term lease liabilities of \$219 thousand and \$140 thousand, respectively, and ROU assets of \$334 thousand. Future imputed interest as of September 30, 2021 totaled \$10 thousand. The weighted average remaining lease term of the Company's leases as of September 30, 2021 is 0.8 years.

INTERLINK ELECTRONICS, INC.**Notes to Condensed Consolidated Financial Statements - continued**
(unaudited)

Future minimum lease payments under non-cancellable operating leases that have remaining non-cancellable lease terms in excess of one year are as follows:

Years ending December 31,	(in thousands)
2021 (remainder of year)	\$ 49
2022	144
2023	38
2024	—
2025	—
Thereafter	—
Total undiscounted future non-cancelable minimum lease payments	231
Less: imputed interest	(10)
Present value of lease liabilities	\$ 221

During the three months ended September 30, 2021, we recognized approximately \$68 thousand in operating lease costs, including approximately \$29 thousand in cost of revenue and approximately \$39 thousand in operating expenses. During the three months ended September 30, 2020, we recognized approximately \$77 thousand in operating lease costs, including approximately \$29 thousand in cost of revenue and approximately \$48 thousand in operating expenses.

During the nine months ended September 30, 2021, we recognized approximately \$234 thousand in operating lease costs, including approximately \$88 thousand in cost of revenue and approximately \$146 thousand in operating expenses. During the nine months ended September 30, 2020, we recognized approximately \$187 thousand in operating lease costs, including approximately \$73 thousand in cost of revenue and approximately \$114 thousand in operating expenses.

Litigation

We are not party to any legal proceedings as of September 30, 2021. We are occasionally involved in legal proceedings in the ordinary course of business, including actions against us which assert or may assert claims or seek to impose fines and penalties in substantial amounts. Related legal defense costs are expensed as incurred.

Warranties

We establish reserves for future product warranty costs that are expected to be incurred pursuant to specific warranty provisions with our customers. We generally warrant our products against defects for one year from date of shipment, with certain exceptions in which the warranty period can extend to more than one year based on contractual agreements. Our warranty reserves are established at the time of sale and updated throughout the warranty period based upon numerous factors including historical warranty return rates and expenses over various warranty periods. Historically, our warranty returns have not been material.

Intellectual Property Indemnities

We indemnify certain customers and our contract manufacturers against liability arising from third-party claims of intellectual property rights infringement related to our products. These indemnities appear in development and supply agreements with our customers as well as manufacturing service agreements with our contract manufacturers, are not limited in amount or duration and generally survive the expiration of the contract. Given that the amount of any potential liabilities related to such indemnities cannot be determined until an infringement claim has been made, we are unable to determine the maximum amount of losses that we could incur related to such indemnifications.

INTERLINK ELECTRONICS, INC.

Notes to Condensed Consolidated Financial Statements - continued
(unaudited)

Director and Officer Indemnities and Contractual Guarantees

We have entered into indemnification agreements with our directors and executive officers, which require us to indemnify such individuals to the fullest extent permitted by Nevada law. Our indemnification obligations under such agreements are not limited in amount or duration. Certain costs incurred in connection with such indemnifications may be recovered under certain circumstances under various insurance policies. Given that the amount of any potential liabilities related to such indemnities cannot be determined until a lawsuit has been filed, we are unable to determine the maximum amount of losses that we could incur relating to such indemnities.

We have also entered into an employment agreement with Steven N. Bronson, our Chairman of the Board, President and Chief Executive Officer. This agreement contains certain severance and change in control obligations. Under the agreement, if Mr. Bronson's employment is terminated due to his death or disability (as such terms are defined in the agreement), Mr. Bronson or his beneficiaries will be entitled to receive: (i) his base compensation to the end of the monthly pay period immediately following the date of termination; (ii) accrued bonus payments; and (iii) all unvested equity and/or options issued by the Company shall immediately fully vest. If Mr. Bronson's employment is terminated by him for good reason (as such term is defined in the agreement), or by us without cause, then Mr. Bronson will be entitled to receive: (i) his base compensation to the date of termination; (ii) a severance payment equal to twelve months of his base compensation; (iii) any earned bonus compensation; (iv) employee benefits for twelve months following the date of termination; (v) any vested company match 401k or other retirement contribution; and (vi) all unvested equity and/or options issued by the Company shall immediately fully vest.

In the event of a change in control of the Company (as such term is defined in the agreement), Mr. Bronson is entitled to receive: (i) a change in control payment in an amount equal to twelve months of his base compensation, payable as of the date the change in control occurs; and (ii) all unvested equity and/or options issued by the Company shall immediately fully vest.

Guarantees and Indemnities

In the normal course of business, we are occasionally required to undertake indemnification for which we may be required to make future payments under specific circumstances. We review our exposure under such obligations no less than annually, or more frequently as required. The amount of any potential liabilities related to such obligations cannot be accurately determined until a formal claim is filed. Historically, any such amounts that become payable have not had a material negative effect our business, financial condition or results of operations. We maintain general and product liability insurance which may provide a source of recovery to us in the event of an indemnification claim.

Note 8 – Subsequent Events

Series A Convertible Preferred Stock

On October 21, 2021, the Company entered into a securities purchase agreement with twenty one (21) investors, pursuant to which the Company sold to the investors an aggregate of one hundred twenty thousand (120,000) shares of its 8.0% Series A Convertible Preferred Stock, par value \$0.01 per share, at an offering price of \$25.00 per share, for gross proceeds of \$3.0 million. Each share of Series A Convertible Preferred Stock is convertible into shares of the Company's common stock at a conversion price of \$12.50 per common share, or 2.0 shares of common stock, at any time at the option of the holder, subject to certain customary adjustments. The Company may elect to automatically convert some or all of the Series A Convertible Preferred Stock into shares of common stock at any time on or after April 22, 2022 if the closing price of the common stock equals or exceeds \$15.00 (120% of the initial conversion price) for at least 20 out of 30 consecutive trading days ending within five trading days prior to the notice of automatic conversion. The offering closed on October 22, 2021. After payment of placement agent cash fees and expenses of the offering, the Company received net proceeds of approximately \$2.82 million. The securities purchase agreement allows for the sale by the Company of up to an additional 480,000 shares of Series A Convertible Preferred Stock at one or more subsequent closings within ninety (90) days of the initial closing date. Holders of the Series A Convertible Preferred Stock generally have no voting rights.

INTERLINK ELECTRONICS, INC.

Notes to Condensed Consolidated Financial Statements - continued
(unaudited)

On October 21, 2021, the Company filed the Certificate of Designations with the Secretary of State of the State of Nevada to establish the voting rights, powers, preferences and privileges, and the relative, participating, optional or other rights, and the qualifications, limitations or restrictions thereof, of the Series A Convertible Preferred Stock (“Certificate of Designations”). The Series A Convertible Preferred Stock will not be redeemable before April 22, 2022 except as described below upon the occurrence of a Fundamental Change (as defined in the Certificate of Designations). The Company may redeem, at the Company’s option, the Series A Convertible Preferred Stock, in whole or in part, at a cash redemption price of \$27.50 plus accrued and unpaid dividends beginning April 22, 2022 through October 21, 2023, at a cash redemption price of \$28.125 plus accrued and unpaid dividends beginning October 22, 2023 through October 21, 2024, and, at a cash redemption price of \$28.75 plus accrued and unpaid dividends beginning October 22, 2024. If the Company exercises the foregoing redemption right, holders of the Series A Convertible Preferred Stock will have the right to convert such shares into shares of common stock at the conversion price until the redemption date specified in the redemption notice delivered by the Company. However, at any time within sixty (60) days after the occurrence of a Fundamental Change, the Company may redeem, at the Company’s option, the Series A Convertible Preferred Stock, in whole or in part, at a cash redemption price of \$27.50 plus accrued and unpaid dividends if the redemption date occurs from October 22, 2022 through October 21, 2023, at a cash redemption price of \$28.125 plus accrued and unpaid dividends if the redemption date occurs from October 22, 2023 through October 21, 2024, and at a cash redemption price of \$28.75 plus accrued and unpaid dividends, if the redemption date occurs on and after October 22, 2024. If the Company exercises the foregoing redemption right, holders of the Series A Convertible Preferred Stock will have the right to convert such shares into shares of common stock at the conversion price after the Fundamental Change but prior to the redemption date specified in the redemption notice delivered by the Company.

The Company entered into a registration rights agreement with the investors, dated October 22, 2021, pursuant to which the Company agreed to register for resale by the investors the shares of common stock issuable upon conversion of the Series A Convertible Preferred Stock. The Company has committed to file the registration statement no later than January 19, 2022 and to cause the registration statement to become effective no later than April 19, 2022. The registration rights agreement provides for liquidated damages upon the occurrence of certain events, including the Company’s failure to file the registration statement or cause it to become effective by the deadlines set forth above. The amount of liquidated damages payable to an investor would be 0.5% of the aggregate amount invested by such investor for each 30-day period, or pro rata portion thereof, during which the default continues.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe," "may," "will," "potentially," "estimate," "continue," "anticipate," "intend," "could," "would," "project," "plan," "expect" and similar expressions that convey uncertainty of future events or outcomes are intended to identify forward-looking statements. These forward-looking statements speak only as of the date of this Form 10-Q and are subject to uncertainties, assumptions and business and economic risks. As such, our actual results could differ materially from those set forth in the forward-looking statements as a result of the factors set forth below in Part II, Item 1A, "Risk Factors," and in our other reports filed with the Securities and Exchange Commission. You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances described in the forward-looking statements will be achieved or occur. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Form 10-Q to conform these statements to actual results or to changes in our expectations, except as required by law.

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

Overview

Interlink Electronics, Inc. ("we", "us", "our", "Interlink" or the "Company") designs, develops, manufactures and sells a range of force-sensing technologies that incorporate our proprietary materials technology, firmware and software into a portfolio of standard products and custom solutions. These include sensor components, subassemblies, modules and products that support effective, efficient cursor control and novel three-dimensional user inputs. Our Human Machine Interface ("HMI") technology platforms are deployed in a wide range of markets including consumer electronics, automotive, industrial, and medical. The application of our HMI technology platforms includes vehicle entry, vehicle multi-media control interface, rugged touch controls, presence detection, collision detection, speed and torque controls, biological monitoring and others.

Interlink has been a leader in the printed electronics industry for over 30 years with the commercialization of our patented Force-Sensing Resistor ("FSR®") technology that has enabled rugged and reliable HMI solutions. Our solutions have focused on handheld user input, menu navigation, cursor control, and other intuitive interface technologies for the world's top electronics manufacturers.

We invented FSR® technology and pioneered commercialization of printed electronics manufacturing, paving the way for industry-wide adoption of force sensing technology. Our extensive knowledge and experience with this technology, along with the firmware we incorporate in our HMI solutions, differentiates us from other providers of HMI solutions. We, along with our customers, incorporate our FSR and force sensing sensors and modules into end user products. Our sensors and modules are used in electronics devices and systems where user input must be converted into useful output data. Our force sensing technology solution platforms enabled industry-first implementations in gaming, smartphone, rugged notebook, automotive cockpit and automotive entry applications. Consumer and end-user demand for enhanced user experience is driving the need for innovative multi-modal HMI technologies and applications. Force sensing input provides a critical novel modality that drives a paradigm shift in HMI.

Market requirements for innovative solutions that enable smaller, thinner devices, lower power consumption, highly refined designs, better navigation and more intuitive usability in all environments, are also driving increased demand for our products. Industry is moving towards the use of multi-modal HMI in the home, industrial, medical and automotive spaces. Interlink delivers cutting edge, high performance HMI solutions for customers who wish to replace outdated switches and knobs in these environments.

Significant market opportunities are rapidly emerging for us to improve upon the functionality of standard capacitive sensors which are widely available and competitively priced. Inadvertent activation, where users unintentionally activate a control, is a common problem with capacitive technology. In contrast, force sensing solutions require a deliberate application of force to operate. We have had recent success in using our force sensing solutions in combination with capacitive technologies to minimize the latter's performance issues, enabling force sensing solutions to complement competitive technologies and provide hybrid solutions and open up new opportunities for growth. We continue to simultaneously expand our standard product portfolio and develop new technology platforms to grow existing markets and capture emerging markets. This portfolio expansion will incorporate other complimentary sensing technologies. This broader portfolio of technologies will allow us to use our expertise in integrating multiple sensing technologies for applications in the rapidly growing Internet-of-Things ("IoT").

Interlink serves our world-wide customer base from our corporate headquarters in Irvine, California (Orange County) and from our facility in Camarillo, California (Ventura County). We have established a Global Product Development and Materials Science Center in our Camarillo footprint. This facility has a state-of-the-art printed electronics development laboratory as well as materials science lab. Our engineering team is based in this center where we work with our U.S. and global customers on developing, engineering, prototyping and implementing our advanced HMI solutions. We also maintain a small embedded software and IoT application development center in Singapore. We manufacture all our products in our printed electronics manufacturing facility in Shenzhen, China. In addition, we maintain a global distribution and logistics center in Hong Kong, a technical sales office in Japan, and several manufacturer representatives and distributors in strategic locations in our key markets, all of which allows us to support our global customer base. We sell our products in a wide range of markets, including consumer electronics, automotive, industrial and medical. Our customers are some of the world's largest companies and most recognizable brands.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with generally accepted accounting principles in the United States ("GAAP"). The preparation of consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by our management. To the extent that there are differences between our estimates and actual results, our future financial statements presentation, financial condition, results of operations, and cash flows will be affected.

A description of our critical accounting policies that represent the more significant judgments and estimates used in the preparation of our financial statements was provided in the Management's Discussion and Analysis of Financial Condition and Results of Operations section in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 17, 2021. There have been no changes to our critical accounting policies and estimates described in the Form 10-K that have had a material impact on our condensed consolidated financial statements and related notes.

Recently Issued and Adopted Accounting Pronouncements

We reviewed all recently issued accounting pronouncements and concluded they are all not applicable or not expected to be material to our financial statements.

Results of Operations

The following table sets forth certain unaudited condensed consolidated statements of operations data for the periods indicated. The percentages in the table are based on net revenues.

	Three months ended September 30,				Nine months ended September 30,			
	2021		2020		2021		2020	
	\$	%	\$	%	\$	%	\$	%
	(in thousands, except percentages)							
Revenue, net	\$2,223	100.0 %	\$1,548	100.0 %	\$ 5,855	100.0 %	\$ 4,941	100.0 %
Cost of revenue	931	41.9 %	737	47.6 %	2,562	43.8 %	2,173	44.0 %
Gross profit	1,292	58.1 %	811	52.4 %	3,293	56.2 %	2,768	56.0 %
Operating expenses:								
Engineering, research and development	105	4.7 %	208	13.4 %	554	9.5 %	786	15.9 %
Selling, general and administrative	928	41.7 %	682	44.1 %	2,407	41.1 %	2,092	42.3 %
Total operating expenses	1,033	46.5 %	890	57.5 %	2,961	50.6 %	2,878	58.2 %
Income (loss) from operations	259	11.7 %	(79)	(5.1)%	332	5.7 %	(110)	(2.2)%
Other income (expense):								
Other income (expense), net	(6)	(0.3)%	(41)	(2.6)%	(25)	(0.4)%	(43)	(0.9)%
Income (loss) before income taxes	253	11.4 %	(120)	(7.8)%	307	5.2 %	(153)	(3.1)%
Income tax expense (benefit)	30	1.3 %	(185)	(12.0)%	64	1.1 %	(213)	(4.3)%
Net income	\$ 223	10.0 %	\$ 65	4.2 %	\$ 243	4.2 %	\$ 60	1.2 %

Comparison of Three Months Ended September 30, 2021 and 2020

Revenue, net by the markets we serve is as follows:

	Three months ended September 30,				\$ Change	% Change
	2021		2020			
	Amount	% of Net Revenue	Amount	% of Net Revenue		
	(in thousands, except percentages)					
Industrial	\$ 557	25.1 %	\$ 319	20.6 %	\$ 238	74.6 %
Medical	333	15.0 %	16	1.0 %	317	1,981.3 %
Consumer	374	16.8 %	375	24.2 %	(1)	— %
Standard	959	43.1 %	839	54.2 %	120	14.3 %
Revenue, net	\$ 2,223	100.0 %	\$ 1,548	100.0 %	\$ 675	43.6 %

We sell our custom products into the industrial, medical and consumer markets. We previously sold custom products in the automotive market and continue to pursue opportunities in that sector. We sell our standard products through various distribution networks. The ultimate customer for standard products may come from different markets which are often unknown to us at the time of sale. Each market has different product design cycles. Products with longer design cycles often have much longer product life-cycles. Industrial and medical products generally have longer design and life-cycles than consumer products. We currently have products with life-cycles that have exceeded twenty years and are ongoing.

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Revenues were up in the three months ended September 30, 2021 compared to the three months ended September 30, 2020 in the industrial and medical markets, and for our standard products. The increase in revenue from our industrial market customers was due to increased purchasing volume by these customers for use in their ongoing product lines resulting from changes in demand by their customers. The increase in revenue from our medical market customers was due to an increase in purchasing levels by these customers in the current year as compared to the pandemic-impacted levels in the prior year. The cyclical purchasing pattern of some of our larger customers affects our revenues on a quarterly basis. In the normal cycle, our larger customers tend to purchase in bulk quantities and consume these products over several financial reporting periods. In all markets, the timing of orders from our customers is not always predictable and can be concentrated in varying periods during the year to coincide with their project and building plans.

	Three months ended September 30,		2021		2020		\$ Change	% Change
	Amount	% of Net Revenue	Amount	% of Net Revenue				
Gross profit	\$ 1,292	58.1 %	\$ 811	52.4 %	\$ 481	59.3 %		

Our gross profit and gross margin percentage are impacted by various factors including product mix, customer mix, volume, material costs, manufacturing efficiencies, facilities costs, compensation costs and provisions for excess and obsolete inventories. The increase in gross profit for the three months ended September 30, 2021 as compared with the prior year was due to the increase in revenues, while gross margin percentage was positively impacted by changes in product mix and customer mix.

	Three months ended September 30,		2021		2020		\$ Change	% Change
	Amount	% of Net Revenue	Amount	% of Net Revenue				
Engineering, research and development	\$ 105	4.7 %	\$ 208	13.4 %	\$ (103)	(49.5)%		

Engineering and R&D expenses consist primarily of compensation expenses for employees engaged in research, design and development activities. Our R&D team focuses both on internal design development, as well as design development aimed at addressing customer design challenges, in order to develop our HMI solutions. Our engineering and R&D costs were down for the three months ended September 30, 2021 when compared with the prior year because we reduced costs and headcount at our Singapore R&D center as part of the transfer of the lab to Camarillo, California, and also due to receipt of a research incentive grant from the Singapore government that reduced expenses for 2021.

	Three months ended September 30,		2021		2020		Change	% Change
	Amount	% of Net Revenue	Amount	% of Net Revenue				
Selling, general and administrative	\$ 928	41.7 %	\$ 682	44.1 %	\$ 246	36.1 %		

Selling, general and administrative expenses consist primarily of compensation expenses, legal and other professional fees, facilities expenses and communication expenses. Selling, general and administrative expenses increased during the three months ended September 30, 2021 as compared with the prior year due to increases in sales, marketing, finance and administrative personnel, increase in legal and professional services costs, and an increase in costs associated with having relisted with Nasdaq during 2021.

	Three months ended September 30,		2021		2020		Change	% Change
	Amount	% of Pre-tax Income	Amount	% of Pre-tax Income				
Income tax expense (benefit)	\$ 30	11.9 %	\$ (185)	154.2 %	\$ 215	nm %		

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Income tax expense reflects statutory tax rates in the jurisdictions that we operate adjusted for book/tax differences. The tax expense (benefit) for the three month periods ended September 30, 2021 and 2020 was a result of taxable income (losses) in the domestic and foreign jurisdictions in which we operate, including the effects of permanent taxable differences.

Our effective tax rate is directly affected by the relative proportions of income before taxes in the jurisdictions in which we operate. Discrete tax events and permanent taxable differences may cause our effective rate to fluctuate on a quarterly basis. Certain events, including, for example, acquisitions and other business changes, which are difficult to predict, may also cause our effective tax rate to fluctuate. We are subject to changing tax laws, regulations, and interpretations in multiple jurisdictions. Continued corporate tax reform continues to be a priority in the U.S. and other jurisdictions. Additional changes to the tax system in the U.S. could have significant effects, positive and negative, on our effective tax rate, and on our deferred tax assets and liabilities.

Comparison of Nine Months Ended September 30, 2021 and 2020

Revenue, net by the markets we serve is as follows:

	Nine months ended September 30,					
	2021		2020		\$ Change	% Change
	Amount	% of Net Revenue	Amount	% of Net Revenue		
	(in thousands, except percentages)					
Industrial	\$ 1,529	26.1 %	\$ 1,204	24.4 %	\$ 325	27.0 %
Medical	662	11.3 %	540	10.9 %	122	22.6 %
Consumer	1,271	21.7 %	823	16.7 %	448	54.4 %
Standard	2,393	40.9 %	2,374	48.0 %	19	0.8 %
Revenue, net	\$ 5,855	100.0 %	\$ 4,941	100.0 %	\$ 914	18.5 %

Revenues were up in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 in all of the markets we serve. The increase in revenue from our industrial market customers was due to increased purchasing volume by these customers for use in their ongoing product lines resulting from changes in demand by their customers. The increase in revenue from our consumer market customers was due to an increase in purchasing levels on corresponding products and programs. The increase in revenue from our medical market customers was due to an increase in purchasing levels by these customers in the current year as compared to the pandemic-impacted levels in the prior year. In the normal cycle, some of our larger customers purchase in bulk quantities while their consumption of these products can straddle several financial reporting periods. In all markets, the timing of orders from our customers is not always predictable and can be concentrated in varying periods during the year to coincide with their project and building plans.

	Nine months ended September 30,					
	2021		2020		\$ Change	% Change
	Amount	% of Net Revenue	Amount	% of Net Revenue		
	(in thousands, except percentages)					
Gross profit	\$ 3,293	56.2 %	\$ 2,768	56.0 %	\$ 525	19.0 %

Our gross profit and gross margin percentage are impacted by various factors including product mix, customer mix, volume, material costs, manufacturing efficiencies, facilities costs, compensation costs and provisions for excess and obsolete inventories. The increase in gross profit for the nine months ended September 30, 2021 as compared with the prior year was due to the increase in revenues, while gross margin percentage was relatively unchanged.

	Nine months ended September 30,					
	2021		2020		\$ Change	% Change
	Amount	% of Net Revenue	Amount	% of Net Revenue		
	(in thousands, except percentages)					
Engineering, research and development	\$ 554	9.4 %	\$ 786	15.9 %	\$ (232)	(29.5)%

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Our engineering and R&D costs were down for the nine months ended September 30, 2021 when compared with the prior year because we reduced costs and headcount at our Singapore R&D center as part of the transfer of the lab to Camarillo, California, and also due to receipt of a research incentive grant from the Singapore government that reduced expenses for 2021.

	Nine months ended September 30,		2021		2020		Change	% Change
	Amount	% of Net Revenue	Amount	% of Net Revenue				
	(in thousands, except percentages)							
Selling, general and administrative	\$ 2,407	41.1 %	\$ 2,092	42.3 %	\$ 315	15.1 %		

Selling, general and administrative expenses increased during the nine months ended September 30, 2021 as compared with the prior year due to increases in sales, marketing, finance and administrative personnel, and an increase in legal and professional services costs and filing fees associated with having relisted with Nasdaq during 2021, offset by the \$186 thousand gain/benefit recorded for forgiveness of the Paycheck Protection Program (the “PPP”) loan in the first quarter of 2021.

	Nine months ended September 30,		2021		2020		Change	% Change
	Amount	% of Pre-tax Income	Amount	% of Pre-tax Income				
	(in thousands, except percentages)							
Income tax expense (benefit)	\$ 64	20.8 %	\$ (213)	139.2 %	\$ 277	nm %		

Income tax expense (benefit) reflects statutory tax rates in the jurisdictions that we operate adjusted for book/tax differences. The tax expense (benefit) for the nine month periods ended September 30, 2021 and 2020 was a result of taxable income (losses) in the domestic and foreign jurisdictions in which we operate, including the effects of permanent taxable differences.

Liquidity and Capital Resources

Cash requirements for working capital and capital expenditures have been funded from cash balances on hand and cash generated from operations. As of September 30, 2021, we had cash and cash equivalents of \$6.647 million, working capital of \$7.867 million, and no indebtedness. Cash and cash equivalents consist of cash and money market funds. We did not have any short-term or long-term marketable investments as of September 30, 2021. Of the \$6.647 million of cash balances on hand, \$2.565 million was held by foreign subsidiaries. If these funds are needed for our operations in the U.S., we have several methods to repatriate without significant tax effects, including repayment of intercompany loans or distributions of previously taxed income. Other distributions may require us to incur U.S. or foreign taxes to repatriate these funds. However, our intent is to permanently reinvest these funds outside the U.S. and our current plans do not demonstrate a need to repatriate cash to fund our U.S. operations.

During the second quarter of 2020, the Company received a loan in the aggregate principal amount of \$186 thousand pursuant to the PPP under the Coronavirus Aid, Relief, and Economic Security Act. The full amount of the loan principal and interest was forgiven in the first quarter of 2021.

We believe that our existing cash and cash equivalents balance will be sufficient to maintain our current operations considering our current financial condition, obligations, and other expected cash flows. If our circumstances change, however, we may require additional cash. If we require additional cash, we may attempt to raise additional capital through equity, equity-linked or debt financing arrangements. If we raise additional funds by issuing equity or equity-linked securities, the ownership of our existing stockholders will be diluted. If we raise additional financing by the incurrence of indebtedness, we could be subject to fixed payment obligations and could also be subject to restrictive covenants, such as limitations on our ability to incur additional debt, and other operating restrictions that could adversely impact our ability to conduct our business. If we are unable to raise additional needed funds, we may also take measures to reduce expenses to offset any shortfall.

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Cash Flow Analysis

Our cash flows from operating, investing and financing activities are summarized as follows:

	Nine Months Ended September 30,	
	2021	2020
Net cash provided by operating activities	\$ 639	\$ 42
Net cash (used in) investing activities	(142)	(66)
Net cash provided by financing activities	—	186

Net Cash Provided By Operating Activities

For the nine months ended September 30, 2021, the \$639 thousand of cash provided by operating activities was attributable to net income of \$243 thousand, adjusted for non-cash charges of \$235 thousand, non-cash gain on forgiveness of PPP loan of \$186 thousand, and cash provided by changes in operating assets and liabilities of \$347 thousand.

For the nine months ended September 30, 2020, the \$42 thousand of cash provided by operating activities was attributable to net income of \$60 thousand, adjusted for non-cash charges of \$253 thousand, and cash used in changes in operating assets and liabilities of \$271 thousand.

Accounts receivable decreased slightly from \$1,113 thousand at December 31, 2020 to \$1,106 thousand at September 30, 2021 due to timing of shipments and payments during the third quarter of 2021 compared to the fourth quarter of 2020. Many of our customers pay promptly and accounts receivable is generally related to the most recent shipments. Inventories decreased slightly from \$866 thousand at December 31, 2020 to \$807 thousand at September 30, 2021. Inventory balances fluctuate depending on the timing of materials purchases and product shipments. Prepaid expenses and other current assets decreased from \$392 thousand at December 31, 2020 to \$325 thousand at September 30, 2021, and accounts payable and accrued liabilities increased from \$578 thousand at December 31, 2020 to \$685 thousand at September 30, 2021, primarily due to the timing of payment for purchases of materials and other services provided.

Net Cash (Used In) Investing Activities

Net cash used in investing activities of \$142 thousand for the nine months ended September 30, 2021 consisted of purchases of property, plant, and equipment, primarily related to completion of the Global Product Development and Materials Science Center in our Camarillo footprint. Net cash used in investing activities of \$66 thousand for the nine months ended September 30, 2020 consisted of legal costs related to securing patents on new products and processes developed thereunder.

Net Cash Provided By Financing Activities

There was no cash provided by or used in financing activities during the nine months ended September 30, 2021. Net cash provided by financing activities for the nine months ended September 30, 2020 was attributable to proceeds from the PPP loan.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not Applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The phrase “disclosure controls and procedures” refers to controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended, or the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the U.S. Securities and Exchange Commission, or SEC. Disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including our chief executive officer, or CEO, and chief financial officer, or CFO, as appropriate to allow timely decision regarding required disclosure.

Our management, with the participation of our CEO and CFO, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of September 30, 2021, the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our CEO and CFO had concluded that as of September 30, 2021, our disclosure controls and procedures were designed at a reasonable assurance level and were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

There was no change in our internal control over financial reporting during the period ended September 30, 2021 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II: OTHER INFORMATION**Item 1A. Risk Factors**

This Quarterly Report on Form 10-Q contains forward-looking statements, which are subject to a variety of risks and uncertainties. Other actual results could differ materially from those anticipated in those forward-looking statements as a result of various factors, including those set forth in the risk factors relating to our business and common stock contained in Item 1A of our [Annual Report on Form 10-K filed with the SEC on March 17, 2021](#). There have been no material changes to such risk factors during the nine months ended September 30, 2021.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File Number	Exhibit	Filing Date	
3.1	Articles of Incorporation of the Registrant	10	000-21858	3.1	February 17, 2016	
3.2	Certificate of Designations of Series A Preferred Stock	8-K	001-37659	3.1	October 25, 2021	
3.3	Bylaws of the Registrant	10	000-21858	3.2	February 17, 2016	
3.4	Amendment to Bylaws of the Registrant	10	000-21858	3.3	February 17, 2016	
31.1	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1*	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

* The information in this exhibit is furnished and deemed not filed with the Securities and Exchange Commission for purposes of section 18 of the Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of Interlink Electronics, Inc. under the Securities Act of 1933, as amended, or the Exchange Act of 1934, as amended, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 4, 2021

Interlink Electronics, Inc.
(Registrant)

By: /s/ Ryan J. Hoffman

Ryan J. Hoffman

Chief Financial Officer

(Principal Financial and Accounting Officer)

**Certification of Principal Executive Officer
Pursuant To Exchange Act Rules 13a-14(a) and 15d-14(a),
As Adopted Pursuant To
Section 302 of Sarbanes-Oxley Act of 2002**

I, Steven N. Bronson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Interlink Electronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021

/s/ Steven N. Bronson
Steven N. Bronson, Chief Executive Officer
(Principal Executive Officer)

**Certification of Principal Financial Officer
Pursuant To Exchange Act Rules 13a-14(a) and 15d-14(a),
As Adopted Pursuant To
Section 302 of Sarbanes-Oxley Act of 2002**

I, Ryan J. Hoffman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Interlink Electronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021

/s/ Ryan J. Hoffman

Ryan J. Hoffman, Chief Financial Officer
(Principal Financial and Accounting Officer)

**Certification of Principal Executive Officer and Principal Financial Officer
Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant To
Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), Steven N. Bronson, Chief Executive Officer (Principal Executive Officer) and Ryan J. Hoffman, Chief Financial Officer (Principal Financial and Accounting Officer) of Interlink Electronics, Inc. (the "Company"), hereby certifies that, to the best of his knowledge:

1. Our Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, to which this Certification is attached as Exhibit 32.1 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2021

/s/ Steven N. Bronson

Steven N. Bronson
Chief Executive Officer
(Principal Executive Officer)

Date: November 4, 2021

/s/ Ryan J. Hoffman

Ryan J. Hoffman
Chief Financial Officer
(Principal Financial and Accounting Officer)

**Certification of Principal Executive Officer
Pursuant To Exchange Act Rules 13a-14(a) and 15d-14(a),
As Adopted Pursuant To
Section 302 of Sarbanes-Oxley Act of 2002**

I, Steven N. Bronson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Interlink Electronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021

/s/ Steven N. Bronson
Steven N. Bronson, Chief Executive Officer
(Principal Executive Officer)

**Certification of Principal Financial Officer
Pursuant To Exchange Act Rules 13a-14(a) and 15d-14(a),
As Adopted Pursuant To
Section 302 of Sarbanes-Oxley Act of 2002**

I, Ryan J. Hoffman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Interlink Electronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021

/s/ Ryan J. Hoffman
Ryan J. Hoffman, Chief Financial Officer
(Principal Financial and Accounting Officer)

**Certification of Principal Executive Officer and Principal Financial Officer
Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant To
Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), Steven N. Bronson, Chief Executive Officer (Principal Executive Officer) and Ryan J. Hoffman, Chief Financial Officer (Principal Financial and Accounting Officer) of Interlink Electronics, Inc. (the "Company"), hereby certifies that, to the best of his knowledge:

1. Our Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, to which this Certification is attached as Exhibit 32.1 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2021

/s/ Steven N. Bronson
Steven N. Bronson
Chief Executive Officer
(Principal Executive Officer)

Date: November 4, 2021

/s/ Ryan J. Hoffman
Ryan J. Hoffman
Chief Financial Officer
(Principal Financial and Accounting Officer)
