

Thin Film Electronics ASA

Interim report and financial statements
for the first half 2012



CORPORATE OFFICE:

Thin Film Electronics ASA
Corp. id. NO 889 186 232
Henrik Ibsens gate 100
P.O. Box 2911 Solli
NO-0230 Oslo
Norway

Phone: +47 23 27 51 59
Fax: +47 23 27 27 01
Email: info@thinfilm.no

Thin Film Electronics AB
Corp. id. SE 556547-7873
Westmansgatan 27B
SE-582 16 Linköping
Sweden

Phone: +46 13 4602400
Fax: +46 13 4602499

Thin Film Electronics Inc.
Corp. id. USA/CA 3385481
39899 Balentine Drive
Suite 200, Newark
CA 94560, USA

Phone: +1 510 438 6850

BUSINESS REVIEW

During the second quarter of 2012, Thinfilm made several breakthroughs towards commercializing printed memory and integrated systems. The company secured its first substantial commercial agreement and extended an important technology partnership to develop fully printed sensor tags. Thinfilm also successfully delivered system prototypes and engineering samples, including deliveries to a customer outside the toys and games industry.

Highlights:

- ▶ **Secured significant strategic agreements:** Entered into commercial agreement with Bemis Company Inc. ("Bemis"), a Fortune 500 flexible packaging manufacturer, to deliver a customizable sensor platform for Bemis' existing product lines. Extended technology partnership with PARC, a Xerox Company, for the development of printed temperature sensor tags.
- ▶ **Successfully delivered system prototypes and engineering samples:** Unlocked a new market by making first system prototype deliveries to a customer outside the toys and games industry. Delivered custom engineering samples of the Passive Array Memory to a leading toy company.
- ▶ **Extended IPR position :** Received favorable review on a patent for printable protection for memory devices and other printed components.
- ▶ **Strengthened internal capabilities to accelerate roadmap:** Hired additional technical staff and took first steps towards establishing an in-house printing facility.

In July 2012, Thinfilm announced a strategic partnership with Bemis, a leader in flexible packaging and pressure sensitive materials, to commercialize Thinfilm Sensor Tags within the Bemis Intelligent Packaging Platform. The sensor platform will be based on Thinfilm's ongoing development work on printed smart tags to collect sensor data and store information for later retrieval. The design allows the tags to be customized to meet the individual requirements of Bemis' customers. "The agreement marks a substantial commercial milestone for the printed electronics industry. Flexible packaging in North America alone is estimated to be a USD 18 billion market. Bemis is the innovation leader and largest player in this market and has stated that printed electronics could become a part of every package they manufacture," says Jennifer Ernst, Vice President, North America.

In June 2012, Thinfilm and PARC, a Xerox company, extended their technology

partnership to develop key logic blocks for low-cost time-temperature sensors. The project extends Thinfilm's award-winning Addressable Memory™, demonstrated in October 2011, to support the integration of printed sensors and batteries.

During the second quarter of 2012, Thinfilm unlocked a new market for stand-alone memories by delivering system prototypes and engineering samples to a Forbes 2000 company in the security solutions industry. Following the successful delivery, Thinfilm has continued discussions with this customer on design protocols for integration of printed memory in their product line. Thinfilm also made first deliveries of its Passive Array Memory™ to a leading toy company.

In June 2012, Thinfilm received positive review of its patent application for printable protection layers. The novel invention, consisting of stress and scratch resistant films, improves the robustness and extends the lifetime of printed electronic devices. "We expect the patent protection to be broad, and the technique to be applicable to both current and future Thinfilm products. This patent extends our technology base and is an example of our ongoing innovation within printed electronic systems," concludes Christer Karlsson, Thinfilm Chief Technology Officer.

During the second quarter of 2012, Thinfilm also strengthened its internal capabilities to accelerate development of engineering samples and prototypes of printed integrated systems. Thinfilm began upgrading its cleanroom facilities to support high-definition printing, including order of pilot scale gravure printing equipment. The in-house manufacturing line provides tooling for process and product prototype development, and the capacity to handle small-scale commercial orders. In addition, Thinfilm continued to grow its development team in Linköping, Sweden, by recruiting senior technical staff internationally.

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Contact

Torggrim Takle, CFO:
+47 95 14 07 82 | tt@thinfilm.no

Notable events in 2012:

News and announcements:

- ▶ Bemis Selects Thin Film Electronics to Develop Intelligent Packaging Platform, 10 July 2012
- ▶ Thinfilm Files Patent for Printable Protection for Memory Devices, 19 June 2012
- ▶ Thinfilm Extends Relationship with PARC to Accelerate Delivery of Integrated Printed Electronic Systems, 5 June 2012
- ▶ Thinfilm Receives Contract for Parts Identification using Printed Memory, 12 April 2012
- ▶ Thinfilm Wins IDTechEx Product Development Award for World's First Printed Addressable Memory, 4 April 2012
- ▶ Successful completion of private placement , 13 March 2012
- ▶ Thinfilm Receives First Order for Scalable Array Printed Memory, 6 March 2012
- ▶ First Public Application Featuring Thinfilm Memory, 2 March 2012
- ▶ Thinfilm, PARC Win FlexTech Alliance Innovation Award for Printed Addressable Memory, 9 February 2012
- ▶ Thinfilm and PST Sensors to jointly develop printed temperature tags to monitor food and other perishable goods, 24 January 2012
- ▶ Thinfilm builds out ecosystem for printed electronic systems, 24 January 2012

Conferences and trade shows:

- ▶ Thinfilm presented and exhibited at the OE-A conference LOPE-C 19-21 June 2012 in Munich, Germany
- ▶ Thinfilm presented and exhibited at the IDTechEx conference Printed Electronics Europe 3-4 April 2012 in Berlin
- ▶ Thinfilm presented and organized a separate session at the FlexTech Alliance conference, 6-9 February 2012 in Phoenix
- ▶ Thinfilm presented at Semicon, 7 February 2012 in Seoul

About Thinfilm and printed electronics

Thin Film Electronics ASA ("Thinfilm") is a publicly listed Norwegian technology company with its head office in Oslo, product development in Linköping, Sweden, and sales offices in San Francisco, USA, and Tokyo, Japan. Thinfilm is a pioneer in the field of Printed Electronics and provides fully printed, non-volatile, rewritable memory for applications in toys and games, logistics, sensors, and ID systems. Thinfilm's technology and know-how are essentially about bringing low cost electronics to the trillions of disposable products and items that surround us every day, applications for which printed electronics have unique and sustainable cost-functionality advantages. The addressable market size for these applications is massive, and low-cost smart tags will ultimately transform how we live our lives, and the way we interact with the physical world.

According to industry analyst group IDTechEx, the Printed Electronics market

is expected to grow to more than USD 50 billion in market value over the next ten years of which logic, including addressable memory, will be one of the largest segments in this market. Printed RFID tags are predicted to rapidly gain market share over the coming years. As one component in this market, according to IDTechEx, the numbers of printed and chipless RFID tags sold globally will rise from 12 million currently to over 200 billion in 2021.

Thinfilm foresees a gradual shift beyond RFID towards ubiquitous memory tags that can store information and communicate with both external data sources, smart phones, and other devices in their surroundings. Often denoted as "smart tags," these devices differentiate from RFID by containing local storage and processing. Thinfilm's proprietary rewritable memory technology, paired with the Company's strategic development program with PARC, a Xerox Company for logic, give the Company a unique position

in the development of printed smart tags. Eventually, the physical and virtual world will intersect by enabling all objects to communicate with the online web, known as the "Internet of Things" (IoT). This is our Memory Everywhere™ vision.

In contrast to traditional semiconductor processes, using printing reduces the number of process steps, manufacturing costs and environmental impact of manufacturing electronic memory and logic. Commercial applications of printed electronics include e-paper, electronic readers, and organic light-emitting diode (OLED) displays. Sensors, batteries, and photovoltaic energy sources are also in development, and together with Thinfilm's memory technology they will open the door to new products and applications.

CONDENSED CONSOLIDATED FINANCIAL REPORT AS AT 30 JUNE 2012

Thinfilm's revenue amounted to NOK 622 thousand in the first half of 2012, where NOK 537 thousand was related to government grants being recognized as revenue over the period. Sales revenue in the same period amounted to NOK 85 thousand, and was related to sales of engineering samples and technology demonstration kits to strategic customers and partners. In the first half of 2011, revenue amounted to NOK 1204 thousand (out of which sales revenue amounted to NOK 83 thousand).

Operating costs (excluding depreciation and impairment charge) amounted to NOK 23.3 million in the first half of 2012, including the notional cost of share based compensation of approximately NOK 2.3 million. The corresponding figures for the first half of 2011 were NOK 20.9 million and NOK 1.0 million, respectively. Excluding share based compensation and other non-cash costs, the underlying cash cost increase was NOK 1.1 million compared to the first half of 2011. This increase is mainly explained by higher salary costs as Thinfilm has strengthened its technical staff significantly over the last year. At the end of the first half 2012, there were fifteen full-time employees in the group (compared to eleven full-time employees at the end of the first half 2011).

Investments amounted to NOK 0.3 million in the first half of 2012 (compared to NOK 0.5 million in the same period of

2011), mainly related to test and prototype equipment. Depreciation amounted to approximately 0.2 million year to date. In late June 2012, Thinfilm placed an order for a high-definition gravure printing machine (estimated investment of NOK 3 million) to accelerate its development roadmap and as a first step towards establishing an in-house prototype printing facility. Following this, the investment level is expected to increase substantially going forward.

Net financial items in the first half of 2012 amounted to NOK 130 thousand, mainly related to interest income on cash deposits, partly offset by net exchange losses related to variations in SEK and USD. In the same period of 2011, net financial items amounted to NOK 76 thousand.

The company operates at a loss and there is a tax loss carry forward position also in the Swedish subsidiary, such that the group has not incurred any tax costs in 2012 or the year before. The company has not recognized these deferred tax assets in its balance sheet, because this potential asset does not yet qualify for inclusion.

The net result in the first half of 2012 was a loss of NOK 22.8 million, corresponding to a loss of NOK 0.07 per basic share. In the first half of 2011, the loss amounted to NOK 19.8 million corresponding to a similar loss of NOK 0.07 per basic share (as the number of shares has increased over the period).

The group's cash balance increased by NOK 22.1 million in the first half of 2012, largely explained by two principal elements: (i) Operating and development activities resulted in a cash outflow of NOK 21.1 million and (ii) Proceeds of NOK 43.3 million from the private placement completed 12 March 2012. In the first half of 2011, the group's cash balance decreased by NOK 14.7 million. During the second quarter of 2012, Thinfilm repaid and terminated the unsecured short term loan of NOK 1 million that was entered in mid-March 2012 (at no interest costs).

The cash balance on 30 June 2012 amounted to NOK 29.5 million, while net of receivables and payables amounted to NOK 25.5 million. The available liquidity is deemed to be adequate into 2013.

Principal risks

It is the duty of the board to present the principal risks of Thinfilm and its business. Thinfilm does not have any significant assets or liabilities with risk. Thinfilm does not own financial instruments, nor financial assets or liabilities, and has limited financial risks related to currency and interest rates.

The Company's predominant risk is mainly related to market and business risks, which may be summarized in the following points: (i) Many of Thinfilm's intended markets are still immature, (ii) to some extent, Thinfilm is dependent on continued collaboration with existing technology, material, and manufacturing partners, and (iii) product development risks related to eventual cost vs.

functionality competitiveness of the products Thinfilm is currently developing.

Going forward, Thinfilm foresees two important revenue sources: (i) Sales of its own manufactured products and (ii) licensing/royalty revenue, where partners and customers pay for using the Company's intellectual property rights (IPR). Thinfilm's ability to earn revenue partly depends on continued successful technology and product development as well as the Company's ability to legally protect its IPR. This is, in turn, dependent on the Company's ability to attract and retain competent staff and the adequacy of Thinfilm's patenting and other IPR-protection activities.

On 12 March 2012, Thinfilm accomplished a private placement of 25,000,000 new shares in the Company at a price of NOK 1.80 per share, thereby raising NOK 45 million in new capital.

At the annual general meeting 2012 it was resolved to issue one warrant for every two shares subscribed for and issued in this private placement, i.e., a total of 12,500,000 warrants. The warrant would have a term until 22 March 2013, with a short exercise period at the end of the term, and an exercise price per share of NOK 2.20.

In addition, 23,064,000 warrants remain outstanding from the private placement in October 2010, exercisable in the period 1 to 12 October 2012, with an exercise price per share of NOK 1.00. Thus, the potential combined gross proceeds from these two warrant rounds are NOK 50.6 million. Following this, the board has formed a judgment that the Company has adequate resources to fund operations into 2013 or, alternatively, into 2014 if the outstanding warrants are exercised.

At 30 June 2012, the equity amounted to NOK 26.9 million.

Outlook

Thinfilm concentrates its effort around three main areas: (i) Commercializing stand-alone memory, (ii) enabling integrated systems and smart tags, and (iii) building an ecosystem of partners and alliances to complete the Company's technology offerings and extend market potential.

Thinfilm has a unique and cost-competitive stand-alone memory product, and will continue to work towards large-scale commercialization of single-line and passive array memories for both toys and games and other applications.

Addressable Thinfilm Memory products will allow integration to create fully printed systems, such as ID tags, sensor tags, and disposable price labels. With the recent established partnerships for display, sen-

sor, and battery technology, Thinfilm expects to have a first prototype of a printed temperature sensor tag ready by the end of 2012, followed by the development of other integrated systems and smart tags in subsequent years.

Demand for RF tags is expected from adoption of standard EPC RFID (Electronic Product Code™ radio-frequency identification) in open supply chains. The use of RFID in the transit ticketing, and people identification is also forecasted to grow significantly. In parallel to the embracement of item-level ID tagging, near field communication (NFC)-enabled phones will put an RFID-compatible reader in people's pockets, purses, and backpacks. Applications for consumer mass markets will likely include location tags, advertising, and smart packaging.

Successful demonstrations of such prototypes and products are expected to gain significant interest from prospective customers and partners, as well as from established companies offering competing products based on conventional technologies. Consequently, Thinfilm has recently received significant interest in the Company and its technology from various parties, and will continue to pursue commercial and strategic relationships for the development and commercialization of printed integrated systems and smart tags (e.g., strategic, financial, technology, manufacturing, licensing, distribution, and market access partnerships).

Linköping, Sweden, 16 August 2012

*The board of directors of
Thin Film Electronics ASA*

Thin Film Electronics ASA Group

Condensed consolidated interim financial statements 30 June 2012 (Unaudited)

Consolidated statements of comprehensive income

<i>Amounts in NOK 1000</i>	Note	1 April - 30 June, 2012	1 April - 30 June, 2011	1 January - 30 June, 2012	1 January - 30 June, 2011	1 January - 31 December, 2011
Sales revenue		76	47	85	83	102
Other operating revenue		269	1 121	537	1 121	1 661
Total revenue		345	1 168	622	1 204	1 762
Operating costs	7	(13 226)	(8 557)	(23 351)	(20 939)	(40 016)
Depreciation and impairment charge	3	(96)	(68)	(179)	(122)	(313)
Operating profit (loss)		(12 977)	(7 457)	(22 908)	(19 857)	(38 566)
Net financial items		134	96	130	76	(125)
Profit (loss) before income tax		(12 843)	(7 361)	(22 778)	(19 781)	(38 691)
Income tax expense		0	0	0	0	0
Profit (loss) for the period		(12 843)	(7 361)	(22 778)	(19 781)	(38 691)
Profit (loss) per share basic and diluted	5	(NOK 0.04)	(NOK 0.03)	(NOK 0.07)	(NOK 0.07)	(NOK 0.14)
Profit (loss) for the period		(12 843)	(7 361)	(22 778)	(19 781)	(38 691)
Currency translation		14	(86)	(11)	(69)	(9)
Total comprehensive income for the period, net of tax		(12 829)	(7 446)	(22 789)	(19 849)	(38 700)

Consolidated statements of financial position

<i>Amounts in NOK 1000</i>	Note	30 June, 2012	30 June, 2011	31 December, 2011
ASSETS	6			
<u>Non-current assets</u>				
Property, plant and equipment	3	1 438	1 153	1 338
<u>Current assets</u>				
Trade and other receivables		3 602	2 746	3 027
Cash and cash equivalents		29 463	3 370	7 339
Total current assets		33 065	6 116	10 366
TOTAL ASSETS		34 504	7 269	11 704
EQUITY AND LIABILITIES				
<u>Equity</u>				
Ordinary shares	4	36 289	30 921	33 500
Share premium		81 966	23 091	41 405
Other paid-in equity		11 247	7 229	9 258
Currency translation		93	45	104
Retained earnings		(102 712)	(61 024)	(79 934)
Total equity		26 883	262	4 332
<u>Liabilities</u>	6			
Trade and other payables		7 621	7 008	7 372
Total liabilities		7 621	7 008	7 372
TOTAL EQUITY AND LIABILITIES		34 504	7 269	11 704

Consolidated statements of changes in equity

<i>Amounts in NOK 1000</i>	Note	Share capital	Share Premium	Other paid-in equity	Currency translation	Retained earnings	Total
Balance at 1 January 2012		33 500	41 405	9 258	104	(79 934)	4 332
Share issue to employees 28 February		30	204				235
Private placement 12 March		2 750	40 357				43 107
Share issue 10 May, board remuneration		9					9
Share based compensation	4			1 989			1 989
Comprehensive income					(11)	(22 778)	(22 789)
Balance at 30 June 2012		36 289	81 966	11 247	93	(102 712)	26 883
Balance at 1 January 2011		30 649	19 233	6 247	113	(41 243)	14 999
Share issue 23 March		183	2 528				2 711
Share based compensation	4			982			982
Reversal of charges in a prior period			602				602
Share issue 11 May, board remuneration		7					7
Share issue to employees 23 May		83	728				810
Comprehensive income					(69)	(19 781)	(19 849)
Balance at 30 June 2011		30 921	23 091	7 229	45	(61 024)	262
Balance at 1 January 2011		30 649	19 233	6 247	113	(41 243)	14 999
Share issue 23 March		183	2 528				2 711
Share based compensation	4			3 012			3 012
Reversal of charges in a prior period			602				602
Share issue 11 May, board remuneration		7					7
Share issue to employees 23 May		83	728				810
Warrants exercise 3-14 October		2 579	18 313				20 892
Comprehensive income					(9)	(38 691)	(38 700)
Balance at 31 December 2011		33 500	41 405	9 258	104	(79 934)	4 332

Consolidated cash flow statements

<i>Amounts in NOK 1000</i>	Note	1 April - 30 June, 2012	1 April - 30 June, 2011	1 January - 30 June, 2012	1 January - 30 June, 2011	1 January - 31 December, 2011
CASH FLOW FROM OPERATING ACTIVITIES						
Operating profit (loss)		(12 977)	(7 457)	(22 908)	(19 857)	(38 566)
Share based payment	4	1 080	70	1 989	982	3 012
Depreciation and impairment	3	96	68	179	122	313
Changes in working capital and non-cash items		(3 349)	(373)	(401)	3 787	3 739
Interest paid		-	-	-	-	(79)
Net cash from (used) on operating activities		(15 150)	(7 692)	(21 141)	(14 966)	(31 581)
CASH FLOW FROM INVESTING ACTIVITIES						
Purchase of property, plant and equipment	3	(298)	(314)	(298)	(539)	(879)
Interest received		189	8	219	18	37
Net cash from (used) on investing activities		(109)	(306)	(79)	(521)	(842)
CASH FLOW FROM FINANCING ACTIVITIES						
Proceeds from issuance of shares	4	9	817	43 350	817	21 709
Proceeds from short term loan (repayment)		(1 000)	-	-	-	-
Net cash from (used) on financing activities		(991)	817	43 350	817	21 709
Currency translation effects on cash and bank deposits		(1)	(17)	(6)	(13)	(0)
Net increase (decrease) in cash and bank deposits		(16 250)	(7 198)	22 124	(14 684)	(10 715)
Cash and bank deposits at the beginning of the period		45 713	10 568	7 339	18 054	18 054
CASH AND BANK DEPOSITS AT THE END OF THE PERIOD		29 463	3 370	29 463	3 370	7 339

The notes on the following pages are an integral part of this condensed interim financial report

Notes to the consolidated financial statements

Note 1 Information about the group

Thin Film Electronics ASA ("Thinfilm ASA" or "the company") was founded on 22 December 2005. Thin Film Electronics ASA group ("Thinfilm") consists of the parent company Thinfilm ASA and the subsidiaries Thin Film Electronics AB ("Thinfilm AB") and Thin Film Electronics Inc. ("Thinfilm Inc."). The group was formed on 15 February 2006 when Thinfilm ASA purchased the business and assets, including the subsidiary Thinfilm AB, from Thin Film OldCo AS ("OldCo"). Thinfilm Inc. was incorporated in US during April 2011. The accounting year corresponds to the calendar year. Thinfilm AB is held 100 per cent and has been consolidated from

15 February 2006. Thinfilm Inc. is held 100 per cent and has been consolidated from 1 May 2011.

The purpose of Thinfilm ASA is research, development, production and commercialization of technology and products of physical storage of information, as well as related activities including participation in other companies.

The Company is a public limited liability company incorporated and domiciled in Norway. The address of its registered office is Henrik Ibsens gate 100, Oslo, Norway. The company's shares were admitted to listing at the Oslo Axess on 30 January 2008.

Note 2 Basis of preparation, accounting policies, resolutions

This condensed interim financial report for first half of 2012 has been prepared in accordance with IAS 34 'Interim financial reporting'. The condensed consolidated interim financial report should be read in conjunction with the consolidated annual financial statements for 2011.

The IFRS accounting policies applied in this condensed consolidated interim financial report are consistent with those applied and described in the consolidated annual financial statements for 2011.

The going concern assumption has been applied when preparing this interim financial report. Moreover, the Board has formed a judgment that, as of the date of approving the financial statements, the Company has adequate resources to fund operations into 2013 or, alternatively, into 2014 if the outstanding warrants are exercised.

On 12 March 2012, Thinfilm accomplished a private placement of

25,000,000 new shares in the Company at a price of NOK 1.80 per share, thereby raising NOK 45 million in new capital.

At the annual general meeting 2012 it was resolved to issue one warrant for every two shares subscribed for and issued in this private placement, i.e., a total of 12,500,000 warrants. The warrant would have a term until 22 March 2013, with a short exercise period at the end of the term, and an exercise price per share of NOK 2.20.

In addition, 23,064,000 warrants remain outstanding from the private placement in October 2010, exercisable in the period 1 to 12 October 2012, with an exercise price per share of NOK 1.00. Thus, the potential combined gross proceeds from these two warrant rounds are NOK 50.6 million.

This consolidated interim financial report has not been subject to audit. The report was resolved by the board of directors on 16 August 2012.

Note 3 Property, plant and equipment

<i>Amounts in NOK 1000</i>	Tangible assets
Six months ended 30 June 2012	
Net book value on 1 January 2012	1 338
Additions	298
Disposals	0
Depreciation, impairment and other movements	(198)
Net book value on 30 June 2012	1 438
 <i>Six months ended 30 June 2011</i>	
Net book value on 1 January 2011	759
Additions	539
Disposals	0
Depreciation, impairment and other movements	(145)
Net book value on 30 June 2011	1 153
 <i>Year ended 31 December 2011</i>	
Net book value on 1 January 2011	759
Additions	879
Disposals	0
Depreciation, impairment and other movements	(300)
Net book value on 31 December 2011	1 338

Note 4 Shares, warrants and subscription rights

<i>Number of shares</i>	Number of shares
Shares on 1 January 2012	304 544 086
Share issue to employees 28 February	275 000
Private placement 12 March	25 000 000
Share issue 10 May, board remuneration	78 000
Shares on 30 June 2012	329 897 086
Shares on 1 January 2011	278 626 406
Share issue 23 March	1 663 680
Share issue 11 May, board remuneration	60 000
Share issue to employees 23 May	750 000
Shares on 30 June 2011	281 100 086
Shares on 1 January 2011	278 626 406
Share issue 23 March	1 663 680
Share issue 11 May, board remuneration	60 000
Share issue to employees 23 May	750 000
Warrants exercised 3-14 October	23 444 000
Shares on 31 December 2011	304 544 086

<i>Number of warrants and subscription rights</i>	1 January - 30 June, 2012	1 January - 30 June, 2011	1 January - 31 December, 2011
Warrants and subscription rights opening balance	40 603 306	12 540 417	12 540 417
Grant of incentive subscription rights	600 000	2 000 000	7 700 000
Terminated, forfeited and expired subscription rights	(939 306)	(1 850 278)	(1 951 111)
Exercise of subscription rights	(275 000)	(750 000)	(750 000)
Allotment of warrants	12 500 000	46 628 000	46 628 000
Exercise and expiry of warrants	-	-	(23 564 000)
Warrants and subscription rights closing balance	52 489 000	58 568 139	40 603 306

Note 5 Profit (loss) per share

	1 January - 30 June, 2012	1 January - 30 June, 2011	1 January - 31 December, 2011
Profit (loss) attributable to shareholders (NOK 1000)	(22 778)	(19 781)	(38 691)
Weighted average basic number of shares in issue	319 946 313	279 687 263	284 578 310
Weighted average diluted number of shares	324 886 568	289 671 094	296 445 637
Profit (loss) per share, basic and diluted	(NOK 0.07)	(NOK 0.07)	(NOK 0.14)

When the period result is a loss, the loss per diluted number of shares shall not be reduced by the higher diluted number of shares, but the diluted result per share equals the result per basic number of shares.

The diluted number of shares has been calculated by the treasury stock method. If the exercise price of subscription rights exceeds the average share price in the period, the subscription rights are not counted as being dilutive.

Note 6 Contingent assets and liabilities

Thinfilm does not have any contingent assets or liabilities. Thinfilm has not issued any guarantees.

Note 7 Related party transactions

In the period 1 January - 30 June 2012, Thinfilm has recorded NOK 600 thousand for legal services provided by law firm Ræder, in which Thinfilm's chairman is a partner. John Markus Lervik, who at the date of this report controls about 8 per cent of the shares in Thinfilm, has charged NOK 613 thousand plus expenses for services provided 1 January - 30 June 2012.

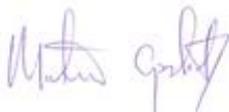
Note 8 Events occurring after the balance sheet date

Between 30 June 2012 and the presentation of this condensed consolidated financial information, no events having any material impact on the result for the first half 2012 or the value of Thinfilm's assets and liabilities at 30 June 2012 have occurred.

Responsibility statement

We confirm to the best of our knowledge that the condensed consolidated financial statements with notes for the period 1 January to 30 June 2012 has been prepared in accordance with IAS 34 - Interim Financial Reporting, and gives a true and fair view of Thinfilm's assets, liabilities, financial position and result for the period. We also confirm to the best of our knowledge that the interim report issued in concert with these condensed financial statements includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

Linköping, Sweden, 16 August 2012



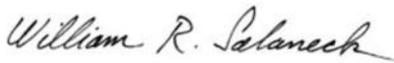
Morten Opstad
Chairman



Rolf Åberg
Board member



Rita Glenne
Board member



William R. Salaneck
Board member



Margareta Josefsson
Board member



Davor Sutija
CEO