



# THINFILM

## INTERIM REPORT AND FINANCIAL STATEMENTS FIRST QUARTER 2013

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## BUSINESS REVIEW

**Thinfilm started 2013 with the announcement of two commercial agreements that bring Thinfilm products to new markets. In March 2013, the Company also strengthened its financial position by completing a successful warrant round raising NOK 26.8 million.**

### Highlights:

► **Received first order for unique brand-protection system:** A global consumer packaged goods company ordered Thinfilm Brand Protection, a system of specialized printed memory labels to help thwart counterfeiting.

► **Secured new commercial agreement for Printed Integrated System:** Thinfilm entered an agreement to deliver Smart Labels to an international manufacturer of high-value labels.

► **Successful completion of warrant round:** Thinfilm raised NOK 26.8 million with more than 97% of outstanding warrants exercised.

In December 2012, Thinfilm successfully demonstrated a proof-of-concept system for temperature monitoring of perishable goods. This milestone was followed up with two signed, commercial agreements with global companies in March 2013.

A global consumer packaged goods company ordered the first use of Thinfilm Memory for brand protection. This system is based on a smaller and more compact version of Thinfilm's commercially available 20-bit memory, specially designed to help thwart counterfeiting. The brand protection system also includes a custom, handheld reader that tests the product label and verifies its authenticity. Designed for use within the supply chain, the system will enable brand owners to identify counterfeits and determine where in the supply chain they have been introduced (e.g., manufacturing site, transportation, shipping, customs or in store). The largest companies in the world lose billions of dollars each year to illegally copied products. The electronic signature embedded in the brand-protection labels makes it near to impossible for outsiders to falsify the merchandise. Additionally, the signal can be unique to each product line or manufacturer.

Thinfilm brand-protection labels will fit into the existing market of holograms, which estimated value is around USD 5 billion. "This is an extremely attractive opportunity for Thinfilm as we have a commercially available product that is uniquely positioned in an existing multi-billion dollar



**BRAND PROTECTION SYSTEM:** *Thinfilm opened a significant new market by receiving first order from a consumer goods company.*

market," says Davor P. Sutija, CEO of Thinfilm.

Also this quarter, Thinfilm entered a commercial agreement with an international manufacturer of high-value labels for printed integrated system labels (Smart Labels). Under this agreement, Thinfilm will deliver a complete Smart Label closed-system by Q1 2014. These two recent agreements extend the use of printed memory labels to new applications and show the versatility of Thinfilm technology. Adding to the previously announced agreements with Bemis and Hasbro, Thinfilm has secured four commercial agreements in the last three quarters. "Thinfilm has established a strong customer portfolio that provides a good balance between short and longer term opportunities for memory and system applications, respectively. Our commercial momentum is attracting additional customer interest," concludes Davor P. Sutija, Thinfilm CEO.

During the period 11-22 March 2013, Thinfilm received notice of exercise of 12,172,500 warrants (97.4% of the outstanding and exercisable warrants), thereby raising NOK 26.8 million in new capital. The proceeds from this warrant round, combined with the proceeds from the private placement accomplished 12 March 2012, are sufficient to fund the operations of the Company into 2014.

During the first quarter of 2013, Thinfilm took several measures to expand corporate marketing. In March 2013, Heidi Arnesen joined Thinfilm as new Communications Manager to lead the company's marketing and communications programs, and Thinfilm launched a new website. In January 2013, Thinfilm also established a subsidiary in Japan to strengthen its geographical

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presence in Asia.

### Notable events in 2013

#### News and announcements:

- Successful warrants exercise, 25 March 2013
- Thinfilm receives first order for brand-protection system, 22 March 2013
- Thinfilm enters Commercial Agreement for Printed Integrated System, 19 March 2013

#### Conferences and trade shows:

- Thinfilm presented and exhibited at FlexTech in Arizona 29 January – 1 February 2013
- Thinfilm exhibited its products at the IQPC Cold Chain & Temperature Management Summit in Toronto, 25-28 February 2013
- Thinfilm participated at the OE-A work group meeting to finalize the Printed Electronics road map in Portugal March 2013.

### About Thinfilm

Thin Film Electronics ASA ("Thinfilm") is a publicly listed Norwegian company with its headquarters in Oslo, Norway, product development in Linköping, Sweden, sales offices in San Francisco, USA, and Tokyo, Japan, and manufacturing in Pyongtaek, South Korea.

Thinfilm is a leader in the development of Printed Electronics. The first to commercialize printed, rewritable memory, the Company is creating printed systems that include memory, sensing, display, and wireless communication, all at a low cost unmatched by any other electronic technology. Thinfilm's roadmap integrates technology from a strong and growing ecosystem of partners. Our goal is to enable the Internet of Things by bringing intelligence to disposable goods.

Printing electronics uses far fewer process steps than traditional semiconductor fabrication. It reduces manufacturing costs

and lessens the environmental impact of manufacturing electronic memory and logic.

Thinfilm's memory, paired with the logic being developed in conjunction with PARC, a Xerox company, is bringing low-cost electronics to the trillions of disposable products and items that we use every day. Low-cost Smart Labels will ultimately transform how we live our lives and the way we interact with the physical world. Ubiquitous Smart Labels that can both store information and communicate with external data sources, smart phones, and other devices in their surroundings will be part of everyday life. This is known as the Internet of Things and it is our Memory Everywhere™ vision.

#### **Thinfilm Memory™ products:**

► *Memory Labels:* Thinfilm Memory™ stores digital data on a label thinner than a human hair, for just a few cents. For many applications, Thinfilm Memory Labels can be a cost-effective alternative to near field communication (NFC) and radio-frequency identification (RFID).

► *Sensor Labels:* Thinfilm is developing a line of intelligent labels that will sense information and store data for 1/10th to 1/100th the cost of conventional electronics. This is part of Thinfilm's vision to bring the Internet of Things to even the lowest-cost items.

► *Display Labels:* Thinfilm Display Labels will use ultra-low-cost display media to

communicate information stored in the Thinfilm Memory™. Data may be written to the memory through a contact-based interface, stored wirelessly or, as on our Sensor Labels, generated by other functions on the label.

## **CONDENSED CONSOLIDATED FINANCIAL REPORT AS AT 31 MARCH 2013**

Thinfilm's revenue in the first quarter of 2013 amounted to approximately NOK 1.6 million, an increase of NOK 1.3 million compared to first quarter of 2012 (NOK 0.3 million). Sales revenue amounted to approximately NOK 0.9 million in the first quarter of 2013 (Q1 2012: NOK 9 thousand), while revenue related to government grants and other funded projects amounted to NOK 0.6 million over the same period (Q1 2012: NOK 0.3 million). Sales revenue was largely related to technology access fees and delivery of prototypes and product development projects to strategic customers and partners.

Other operating costs (i.e., all operating costs excluding depreciation and impairment charge) amounted to NOK 13.4 million in the first quarter of 2013, including the notional cost of share based compensation of NOK 2.5 million. The corresponding figures for the first quarter of 2012 were NOK 10.1 million and NOK 1.6 million, respectively. Excluding share based compensation and other non-cash costs, the underlying cost increase was approximately NOK 2.4 million compared to first quarter of 2012. This increase is largely explained by higher payroll costs and laboratory costs (NOK 1.7 million and NOK 1.0 million higher than the same period last year, respectively). At the end of the first quarter 2013, there were 24 full-time employees in the group (compared to 15 full-time employees at the end of first quarter 2012). In addition, Thinfilm has expanded its laboratory facilities during the last year, including commissioning of a 1000m<sup>2</sup> class 100 printing facility.

Booked investments amounted to approximately NOK 1.1 million in the first

quarter of 2013 (no investments were made in the first quarter of 2012), mainly related to small-scale printing and testing equipment. However, Thinfilm is in the process of establishing an in-house printing facility to accelerate its development roadmap and plan for early customer deliveries, which includes prepayments for ordered high-definition gravure printing machines. At 31 March 2013, such prepayments to machine suppliers amounted to NOK 5.0 million (approximately 60% of total trade and other receivable balance at 31 March 2013), which will be reclassified as investments when the machines have been delivered to Thinfilm (which is expected during the second and third quarter of 2013). Depreciation amounted to NOK 0.2 million in the first quarter of 2013, compared to less than NOK 0.1 million in the same period the previous year.

Net financial items in the first quarter of 2013 amounted to a gain of approximately NOK 0.3 million, mainly related to interest income on cash deposit and net exchange gains related to variations in SEK and USD. Net financial items were insignificant in the same period of 2012.

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 2013 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 quarter was a loss of NOK 11.8 million, corresponding to a loss of NOK 0.03 per basic share. In the first quarter of 2012, the loss amounted to NOK 9.9 million corresponding to a similar

loss of NOK 0.03 per basic share (as the number of shares has increased over the period).

The group's cash balance decreased by NOK 11.3 million in the first quarter of 2013 (compared to an increase of NOK 38.4 million in the first quarter of 2012), largely explained by operating cash outflow of NOK 14.4 million (which included a cash outflow of NOK 3.9 million from changes in working capital, which again is largely explained by prepayments to machine suppliers). During the exercise period 11-22 March 2013, Thinfilm received notice of exercise of 12,172,500 warrants that were issued and attached to the private placement accomplished 12 March 2012 (97.4% of the exercisable warrants), thereby raising approximately NOK 26.8 million in new capital. As of 31 March 2013, Thinfilm had received payment of NOK 4.0 million (out of the total NOK 26.8 million), and thus, the remaining proceeds of NOK 22.8 million from this warrant round were not included in the cash flow statements for the first quarter of 2013 or in the financial position as of 31 March 2013.

The cash balance on 31 March 2013 amounted to NOK 21.6 million (not including the remaining proceeds of NOK 22.8 million from the warrant round in March 2013), while net of receivables and payables amounted to NOK 24.0 million (including share-based liability of NOK 3.9 million, i.e., provisions for employer's tax expense associated with exercise of subscription rights). The cash balance on 31 March 2012 amounted to NOK 45.7 million, while net of receivables and payables amounted to NOK 37.6 million.

The company's balance sheet comprises essentially cash, receivables, payables and accruals, and net equity. The intangible property rights in form of patents and

know-how, have not yet been capitalized.

### 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 the right to use 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. During the exercise period 11-22 March 2013, Thinfilm received notice of exercise of 12,172,500 warrants (97.4% of the exercisable warrants), thereby raising approximately NOK 26.8 million in new capital. Following the completion of this last warrant round, there are no further outstanding and exercisable warrants in Thinfilm.

The going concern assumption has been applied when preparing this preliminary financial report. 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 2014.

Following the successful demonstration of the world's first printed integrated system with rewritable memory in December 2012 (temperature sensor prototype), Thinfilm continues to see heightened interest from prospective customers, strategic, licensing and other collaboration partners. Thinfilm is in ongoing discussions with various parties, and both the Board and management are very optimistic that Thinfilm will be able to enter into additional commercial relationships in the near future.

At 31 March 2013, the equity amounted to approximately NOK 23.8 million, representing 71 per cent of the gross balance sheet and 61 per cent of the share capital.

### Outlook

Thinfilm concentrates its efforts around three main areas: (1) commercializing stand-alone memory, (2) developing integrated systems and Smart Labels, and (3) 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 toys, games, and other applications. Addressable Thinfilm Memory™ products will allow integration to create fully printed systems, such as wireless ID labels, sensor labels, and disposable price labels. Thinfilm has established partnerships for display, sensor, and battery technology, and demonstrated the world's first prototype of a printed temperature-sensor label with rewritable memory in December 2012. Additional functionality will be added to this sensor platform during 2013 (with commercialization expected by the end of 2014), followed by the development of other integrated systems and Smart Labels in subsequent years.

Demand for radio-frequency (RF) labels is expected from adoption of the EPC RFID (Electronic Product Code™ radio-frequency identification) standard in open supply chains. The use of RFID in transit ticketing and people identification is forecast to grow significantly. In parallel with embracing item-level ID labeling, 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 labels, 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.

Thinfilm continues to see 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 Labels (e.g., strategic, financial, technology, manufacturing, licensing, distribution, and market access partnerships).

*Oslo, 7 May 2013*

*The Board of Directors of  
Thin Film Electronics ASA*

**Thin Film Electronics ASA Group**

Condensed consolidated interim financial statements 31 March 2013 (Unaudited)

**Consolidated statements of comprehensive income**

<i>Amounts in NOK 1000</i>	<b>Note</b>	<b>1 January - 31 March, 2013</b>	<b>1 January - 31 March, 2012</b>	<b>1 January - 31 December, 2012</b>
Sales revenue		937	9	1 949
Other operating revenue		628	268	1 824
<b>Total revenue</b>		<b>1 565</b>	<b>277</b>	<b>3 773</b>
Operating costs	8	(13 377)	(10 125)	(49 991)
Depreciation and impairment charge	3	(231)	(83)	(507)
<b>Operating profit (loss)</b>		<b>(12 042)</b>	<b>(9 931)</b>	<b>(46 725)</b>
Net financial items		261	(4)	320
<b>Profit (loss) before income tax</b>		<b>(11 781)</b>	<b>(9 934)</b>	<b>(46 405)</b>
Income tax expense		0	0	0
<b>Profit (loss) for the period</b>		<b>(11 781)</b>	<b>(9 934)</b>	<b>(46 405)</b>
Profit (loss) per share basic and diluted	5	<b>(NOK 0.03)</b>	(NOK 0.03)	(NOK 0.14)
Profit (loss) for the period		(11 781)	(9 934)	(46 405)
Currency translation		126	(25)	(37)
<b>Total comprehensive income for the period, net of tax</b>		<b>(11 655)</b>	<b>(9 959)</b>	<b>(46 442)</b>

**Consolidated statements of financial position**

<i>Amounts in NOK 1000</i>	<b>Note</b>	<b>31 March, 2013</b>	<b>31 March, 2012</b>	<b>31 December, 2012</b>
<b>ASSETS</b>	6			
<u>Non-current assets</u>				
Property, plant and equipment	3	3 714	1 239	2 732
<u>Current assets</u>				
Trade and other receivables	7	8 438	3 073	4 399
Cash and cash equivalents		21 585	45 713	32 850
Total current assets		30 023	48 786	37 249
<b>TOTAL ASSETS</b>		<b>33 737</b>	<b>50 025</b>	<b>39 981</b>
<b>EQUITY AND LIABILITIES</b>				
<u>Equity</u>				
Ordinary shares	4	38 918	36 280	38 918
Share premium		103 876	82 183	103 876
Equity not registered		4 015	-	-
Other paid-in equity		14 907	10 167	13 628
Currency translation		193	79	67
Retained earnings		(138 120)	(89 868)	(126 339)
Total equity		23 788	38 841	30 150
<u>Liabilities</u>	6			
Trade and other payables		9 948	10 184	9 831
Short term loan (credit facility)		-	1 000	
Total liabilities		9 948	11 184	9 831
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>33 737</b>	<b>50 025</b>	<b>39 981</b>

The cash and cash equivalents balance at 31 March 2013 included a payment of NOK 4.0 million (out of the total NOK 26.8 million) for 1,825,000 warrants (out of the total 12,172,500 warrants) that were subscribed for in the period 11-22 March 2013. Thus, the remaining proceeds of NOK 22.8 million from this warrant round are not included in the financial position as of 31 March 2013.

**Consolidated statements of changes in equity**

<i>Amounts in NOK 1000</i>	Note	Share capital	Share Premium	Equity not registered	Other paid-in equity	Currency translation	Retained earnings	Total
<b>Balance at 1 January 2013</b>		<b>38 918</b>	<b>103 876</b>	<b>0</b>	<b>13 628</b>	<b>67</b>	<b>(126 339)</b>	<b>30 150</b>
<b>Warrants exercise 11-22 March</b>				<b>4 015</b>				<b>4 015</b>
<b>Share based compensation</b>	<b>4</b>				<b>1 280</b>			<b>1 280</b>
<b>Comprehensive income</b>						<b>126</b>	<b>(11 781)</b>	<b>(11 655)</b>
<b>Balance at 31 March 2013</b>		<b>38 918</b>	<b>103 876</b>	<b>4 015</b>	<b>14 907</b>	<b>193</b>	<b>(138 120)</b>	<b>23 789</b>
Balance at 1 January 2012		33 500	41 405	0	9 258	104	(79 934)	4 332
Share issue to employees 28 February		30	204					235
Private placement 12 March		2 750	40 574					43 324
Share based compensation	4				909			909
Comprehensive income						(25)	(9 934)	(9 959)
Balance at 31 March 2012		36 280	82 183	0	10 167	79	(89 868)	38 841
Balance at 1 January 2012		33 500	41 405	0	9 258	104	(79 934)	4 332
Share issue to employees 28 February		30	204					235
Private placement 12 March		2 750	40 336					43 086
Share issue 10 May, board remuneration		9						9
Share issue 20 September, PARC		84	1 378					1 462
Share based compensation	4				4 369			4 369
Warrants B exercise 1-12 October		2 537	20 501					23 038
Share issue to employee 8 November		8	52					60
Comprehensive income						(37)	(46 405)	(46 442)
Balance at 31 December 2012		38 918	103 876	0	13 628	67	(126 339)	30 150

**Consolidated cash flow statements**

<i>Amounts in NOK 1000</i>	Note	1 January - 31 March, 2013	1 January - 31 March, 2012	1 January - 31 December, 2012
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Operating profit (loss)		<b>(12 042)</b>	(9 931)	(46 725)
Share based payment	4	<b>1 280</b>	909	4 369
Depreciation and impairment	3	<b>231</b>	83	507
Changes in working capital and non-cash items		<b>(3 869)</b>	2 730	2 398
Interest paid		-	-	-
Net cash from (used) on operating activities		<b>(14 400)</b>	(6 209)	(39 450)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	3	<b>(1 058)</b>	-	(1 924)
Interest received		<b>88</b>	30	469
Net cash from (used) on investing activities		<b>(970)</b>	30	(1 455)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of shares	4	<b>4 015</b>	43 559	66 427
Proceeds from short term loan (repayment)		-	1 000	-
Net cash from (used) on financing activities		<b>4 015</b>	44 559	66 427
Currency translation effects on cash and bank deposits		<b>90</b>	(6)	(11)
Net increase (decrease) in cash and bank deposits		<b>(11 265)</b>	38 374	25 511
Cash and bank deposits at the beginning of the period		<b>32 850</b>	7 339	7 339
<b>CASH AND BANK DEPOSITS AT THE END OF THE PERIOD</b>		<b>21 585</b>	45 713	32 850

The group had no bank draft facilities at 31 March 2013.

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"), Thin Film Electronics Inc. ("Thinfilm Inc.") and Thin Film Electronics KK ("Thinfilm KK"). 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, and similarly, Thinfilm KK was incorporated in Japan during January 2013. 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. Thinfilm KK is held 100 per cent and has been consolidated from 1 February 2013.

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 quarter of 2013 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 2012.

The IFRS accounting policies applied in this condensed consolidated preliminary financial report are consistent with those applied and described in the consolidated annual financial statements for 2012.

The going concern assumption has been applied when preparing this preliminary financial report. 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 2014.

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. During the exercise period 11-22 March 2013, Thinfilm received notice of exercise of 12,172,500 warrants (97.4% of the exercisable warrants), thereby raising approximately NOK 26.8 million in new capital. Following the completion of this last warrant round, there are no further outstanding and exercisable warrants in Thinfilm.

This consolidated interim financial report has not been subject to audit. The report was resolved by the board of directors on 7 May 2013.

### Note 3 Property, plant and equipment

<i>Amounts in NOK 1000</i>	<b>Tangible assets</b>
<b>Three months ended 31 March 2013</b>	
Net book value on 1 January 2013	<b>2732</b>
Additions	<b>1058</b>
Disposals	<b>0</b>
Depreciation, impairment and other movements	<b>(76)</b>
<b>Net book value on 31 March 2013</b>	<b>3714</b>
<u>Three months ended 31 March 2012</u>	
Net book value on 1 January 2012	1338
Additions	0
Disposals	0
Depreciation, impairment and other movements	(99)
Net book value on 31 March 2012	1239
<u>Year ended 31 December 2012</u>	
Net book value on 1 January 2012	1 338
Additions	1 924
Disposals	0
Depreciation, impairment and other movements	(530)
Net book value on 31 December 2012	2 732

**Note 4 Shares, warrants and subscription rights**

<i>Number of shares</i>	<b>Number of shares</b>
<b>Shares on 1 January 2013</b>	<b>353 801 392</b>
<b>Shares on 31 March 2013</b>	<b>353 801 392</b>
Shares at 1 January 2012	304 544 086
Share issue to employees 28 February	275 000
Private placement 12 March	25 000 000
Shares at 31 March 2012	329 819 086
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
Share issue 20 September, PARC	765 306
Warrants B exercise 1-12 October	23 064 000
Share issue to employee 8 November	75 000
Shares on 31 December 2012	353 801 392

During the period 11-22 March 2013, Thinfilm received notice of exercise of 12,172,500 warrants that was issued and attached to the private placement accomplished 12 March 2012 (97.6% of the exercisable and outstanding warrants), thereby raising approximately NOK 26.8 million in new capital. The related issuance of 12,172,500 new shares is not included in the balance at 31 March 2013 as the full payment for the new shares and the related board resolution was passed 11 April 2013.

<i>Number of warrants and subscription rights</i>	<b>1 January - 31 March, 2013</b>	<b>1 January - 31 March, 2012</b>	<b>1 January - 31 December, 2012</b>
<b>Warrants and subscription rights opening balance</b>	<b>35 100 000</b>	40 603 306	40 603 306
Grant of incentive subscription rights	<b>300 000</b>	600 000	6 500 000
Terminated, forfeited and expired subscription rights	-	(600 000)	(1 089 306)
Exercise of subscription rights	-	(275 000)	(350 000)
Allotment of warrants	-	-	12 500 000
Exercise and expiry of warrants	<b>(12 500 000)</b>	-	(23 064 000)
<b>Warrants and subscription rights closing balance</b>	<b>22 900 000</b>	40 328 306	35 100 000

**Note 5 Profit (loss) per share**

	<b>1 January - 31 March, 2013</b>	<b>1 January - 31 March, 2012</b>	<b>1 January - 31 December, 2012</b>
Profit (loss) attributable to shareholders (NOK 1000)	<b>(11 781)</b>	(9 934)	(46 405)
Weighted average basic number of shares in issue	<b>353 801 392</b>	309 919 642	330 116 095
Weighted average diluted number of shares	<b>362 817 546</b>	315 252 443	336 230 619
Profit (loss) per share, basic and diluted	<b>(NOK 0.03)</b>	(NOK 0.03)	(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 Trade and other receivables**

Thinfilm has made investments in printing machines that had not yet been delivered to Thinfilm at 31 March 2013. These investments are classified as prepayment to supplier and constitute NOK 5.0 million of the total trade and other receivables balance of NOK 8.4 million at 31 March 2013 (approximately 60% of total trade and other receivable balance at 31 March 2013).

**Note 8 Related party transactions**

In the period 1 January - 31 March 2013, Thinfilm has recorded NOK 240 thousand (net of VAT) for legal services provided by law firm Ræder, in which Thinfilm's chairman is a partner.

**Note 9 Events occurring after the balance sheet date**

Between 31 March 2013 and the presentation of this condensed consolidated financial information, no events having any material impact on the result for the first quarter of 2013 or the value of Thinfilm's assets and liabilities at 31 March 2013 have occurred.