Interim Report and Financial Statements

Fourth Quarter 2015

Contents

Contact

John Afzelius-Jenevall
Chief Financial Officer
Mob.+47 95 87 96 80
jaj@thinfilm.no

Highlights

- Thinfilm Receives NFC SpeedTap™ Order from Global FMCG Leader
- Leo Burnett and Thinfilm Partner on Mobile Marketing Solutions for Leading Brands
- Thinfilm and Constantia Flexibles Partner to Deliver Smart Packaging Solutions to the Beverages Market
- Jones and Thinfilm Create ‘Smart Packaging’ Solution for Big Pharma
- Thinfilm and Tata Consultancy Services to Create New NFC Retail Experience
- Thinfilm Begins Delivery of NFC OpenSense™ Pilot-Orders to Key Customers
- Luxury Spanish Winery launches NFC OpenSense-enabled Product
- Thinfilm Partners in Vietnam to Combat Counterfeiting
- Woodford Investment Management Invests USD 42 Million in Thinfilm

Locations:

Norway - Oslo
Corporate Headquarters
Henrik Ibsens gate 100
PO Box 2911 Solli
0230 Oslo
Phone +47 23 27 51 59

Sweden - Linköping
Product Development Center
Westmansgatan 27B
582 16 Linköping
Phone +46 13 460 2400

USA - San Jose
NFC Innovation Center
2865 Zanker Rd.
San Jose, CA 95134
Phone +1 408 503 7300

Japan - Tokyo
Sales Office
6F Ginza Daiei Building
1-16-7 Ginza Chuo-ku
Tokyo 104-0061
Phone: +81 3 4360 8664

Business Review

During the fourth quarter of 2015 and the start of 2016, Thinfilm strengthened its go-to-market strategy through agreements with preferred conversion partners, new Asian market customers, a next-generation retail solution provider, and a global brand digital-strategy agency. Deliveries of pilot orders commenced, product deliveries continued, and technology transfer-related deliveries contributed to Thinfilm posting increased revenues in the fourth quarter of 2015.

The Company announced key partnerships with several industry leaders – Leo Burnett/Arc in the advertising and digital activation space, Tata Consultancy Services in the retail solutions field, Jones Packaging in flexible packaging for pharmaceuticals, and Constantia Flexibles for packaging and labels for beverages. It is anticipated that the collaborative relationships will play a key role in providing NFC OpenSense™ to leading brands across a range of industries. Thinfilm also began deliveries of NFC OpenSense tags to customers, marking a critical step toward the product's commercial launch. A 5-figure unit order for NFC SpeedTap™ from a leading global FMCG brand that sells billions of units annually demonstrated the Company's product diversity and has spurred discussions about potential field trials. Thinfilm also largely completed the technology transfer of the Thinfilm Memory™ technology to Xerox, and deliveries of roll-to-roll test equipment were made during the fourth quarter.

In Q4 2015, Thinfilm continued to deliver EAS labels to Nedap, and the total volume delivered during 2015 totaled 11.2 million units. EAS labels have been integrated in shoes through the end-customer's global supply chain. Conversion of portions of the initial volumes to wet inlays will be processed by Thinfilm's supply chain partners during the first half of 2016. Negotiations for scaled-up delivery quantities, starting in 2016, continue.

Thinfilm Receives NFC SpeedTap Order from Global FMCG Leader

Thinfilm received a 5-figure unit order for NFC SpeedTap™ tags from a leading global FMCG (fast moving consumer goods) brand. The client is working closely with Thinfilm on conversion and product application initiatives, and discussions for future field trials are underway. The total sales volume of the client is several billion units annually.

Leo Burnett and Thinfilm Partner to Deliver Innovative Mobile Marketing Solutions to the World's Most Valued Brands

Thinfilm announced a partnership with Leo Burnett Worldwide, Inc., one of the largest and most awarded creative communications agencies in the world. The two companies are collaborating to deliver Thinfilm's NFC OpenSense™ technology to Leo Burnett clients for a range of digital and IoT-related applications, including mobile marketing, consumer engagement, customer loyalty, social media integration, and product authentication. Through the partnership, Leo Burnett is positioning NFC OpenSense as a new wireless technology its clients can employ to effectively market to consumers, influence purchasing decisions, strengthen brand loyalty, and accelerate repurchase and cross-sell to drive revenues. Leo Burnett's account managers are being educated on the features and benefits of the technology, and will drive client discussions in situations where the solution may be a fit.

Thinfilm and Constantia Flexibles Partner to Deliver Smart Packaging Solutions to the Beverages Market

Thinfilm announced a partnership with Constantia Flexibles, one of the world's leading manufacturers of flexible packaging and labels. The two companies are collaborating to deliver pressure-sensitive labels utilizing Thinfilm's NFC OpenSense™ technology to leading brands within the beverages industries for consumer engagement and mobile marketing applications. As part of the partnership, Thinfilm received a 6-figure unit order from Constantia for NFC OpenSense. The partners are now working closely to create key manufacturing and application processes for incorporating NFC OpenSense technology into wine, spirit, and beverage labels as well as flexible packaging for consumer packaged goods (CPG).

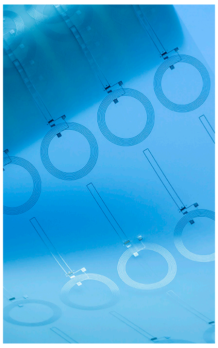
Jones and Thinfilm Create 'Smart Packaging' Solution for Top Pharmaceutical Brands

Thinfilm announced a commercial partnership with Jones Packaging, a world-class provider of premier packaging solutions for healthcare and consumer brands. The two companies are collaborating to integrate Thinfilm's NFC OpenSense™ technology into paperboard pharma packaging for Rx and OTC medications and establish key manufacturing processes for production on Jones' high speed lines. Jones and Thinfilm are also engaging leading global pharmaceutical companies to integrate the smart technology into product packaging and deliver the solution to market. As part of the initiative, Jones placed a six-figure unit order for NFC OpenSense tags.

Thinfilm and Tata Consulting Services to Create New NFC Retail Experience

Thinfilm announced a global alliance with Tata Consultancy Services ("TCS"), the leading IT services, consulting and business solutions firm. Through the partnership, the companies will create the "Next Experience in Retail" through a powerful combination of Thinfilm's proprietary NFC technology and TCS's comprehensive portfolio of retail solutions and accelerators. TCS will collaborate with Thinfilm to incorporate NFC OpenSense™ and NFC SpeedTap™ technologies into the TCS OmniStore™ POS Platform and the TCS Optumera™ Suite of Products. TCS and Thinfilm demonstrated several next-generation retail solutions at NRF@16 (aka "Retail's BIG Show"), the National Retail Federation's annual convention and EXPO, on January 17-20 in New York City.

Thinfilm Begins Delivery of NFC OpenSense Pilot-Orders to Key Customers



Thinfilm announced that the Company has started delivering NFC OpenSense™ tags to lead customers for conversion and application to bottles and medical devices. The deliveries, which are connected to orders received earlier this year, mark a critical milestone in the roadmap for the commercial launch of NFC OpenSense and demonstrate Thinfilm's ability and commitment to produce leading-edge "smart packaging" solutions for its clients. Expectations are that NFC-enabled products featuring Thinfilm's OpenSense technology will reach commercial markets early in 2016.

Luxury Spanish Winery launches NFC OpenSense-enabled Product

Thinfilm announced that Barbadillo, a leading Spanish winemaker, unveiled a highly exclusive release of rare sherry in connected "smart bottles" protected by Thinfilm's NFC-based authentication technology. The NFC OpenSense tags incorporated into each bottle are specifically designed to thwart counterfeiters, prevent unauthorized refills, and facilitate product authentication. Thinfilm demonstrated the Versos 1891 connected "smart bottle" at Mobile World Congress 2016, February 22-25 in Barcelona, Spain.

Thinfilm Partners in Vietnam to Combat Counterfeiting

Thinfilm announced a partnership with SmartSign, a leading provider of digital security products and other technology-based solutions in Southeast Asia. The companies are leveraging Thinfilm's NFC OpenSense™ technology as a means of addressing rampant counterfeiting that currently exists in many Vietnamese markets, including wine and spirits, tobacco, and home health products. Thinfilm and SmartSign will be demonstrating the solution at an Anti-Counterfeiting Workshop featuring NFC technology and SMS labels in March in Hanoi.

Woodford Investment Management Invests USD 42 Million in Thinfilm

Thinfilm announced that Woodford Investment Management has agreed to acquire 120,000,000 new shares in Thinfilm in a private placement at a subscription price of NOK 3.00 per share totaling NOK 360,000,000 (USD 42 million). Upon completion of the transaction, Woodford will hold 17.8% of the shares in the Company. Upon subscription in the offering, Woodford will also receive 40,000,000 warrants, each with an exercise price of NOK 4.50. The warrants are exercisable after a 12-month holding period, and expire in two years. The issuance of shares and warrants is subject to the approval of an extraordinary general meeting (the "EGM") in Thinfilm. An EGM will be called for as soon as practical and will take place on or about 16 March 2016. Completion of the private placement is conditional upon EGM approving the transaction.

Thinfilm Receives Funding to Help Create Open-Source "Internet of Things" Platform

Thinfilm announced that the Company has been been awarded a grant from the European Commission as part of its Horizon 2020 research and innovation initiative. The grant will fund the "TagItSmart" project, through which Thinfilm will partner with global technology, consumer packaged goods (CPG), and smart-products leaders to create the world's first "Internet of Things" (IoT) platform featuring open-source, open API (Application Programming Interface) architecture. For its part in the project, Thinfilm will receive EUR 472,312 (approximately USD 511,000) over three years. Key collaboration partners include Siemens, Unilever, EVRYTHNG, VTT, and the University of Surrey.

Shows and Events

Nov 2-4, eBev, Miami, FL

Patty Britton, Thinfilm's VP of Sales & Business Development for the Americas, hosted roundtable discussions at this event.

Nov 5, innoCos digital, New York City, NY

Thinfilm participated as an exhibitor and Patty Britton, Thinfilm's VP of Sales & Business Development for the Americas, presented at a workshop session.

Nov 12-13, Cxense Experience Americas, Miami, FL

Davor Sutija, Thinfilm's CEO, delivered a presentation at this event.

Nov 18-19, Printed Electronics USA, Santa Clara, CA

Thinfilm participated as an exhibitor and Erwan Le Roy, Thinfilm's SVP Strategic Marketing and GM Smart Sensors, delivered a presentation at this event.

Nov 18-19, Active & Intelligent Packaging Industry Association (AIPIA), Utrecht, the Netherlands

Thinfilm participated as an exhibitor and Davor Sutija, Thinfilm's CEO, delivered a presentation at this event.

Thinfilm Product Families

Thinfilm Memory™ for Consumables Solution: Thinfilm Memory labels for Smart Consumables is a cost-effective read/write memory solution for interactive consumable refills and other plug-and-play product offerings. The non-volatile, rewritable memory – printed on a thin, flexible label – facilitates an electronic handshake between base units and refills while making consumables interactive and enabling usage tracking.

Thinfilm Memory for Brand Protection Solution: Thinfilm Memory labels for Brand Protection is a two-part system that can help manufacturers protect their brands from counterfeiting and grey-market activity. It consists of adhesive labels that generate a distinct forensic electrical signature. A Thinfilm authentication unit reads the label.

Electronic Article Surveillance (EAS) Tags: Thinfilm EAS tags use a proprietary process to improve traditional electronic article surveillance technology by introducing a new category of thin, flexible anti-shoplifting tags. These next-generation labels are compatible with the global base of installed 8.2MHz RF EAS infrastructure.

NFC SpeedTap™: The Thinfilm NFC SpeedTap is a wireless tag that combines the instant interactivity of Near Field Communication (NFC) with the advantages of printed electronics technology. The NFC SpeedTap enables smartphones to communicate with NFC enabled everyday objects in support of B2B and B2C use cases.

NFC OpenSense™: Thinfilm's proprietary and patent-pending NFC OpenSense technology provides smartphone-centric NFC readability before and after product opening. Unique identifiers within each OpenSense tag support applications for fighting product diversion, counterfeiting, unauthorized refills, and the use of forged containers. On the consumer side, brand marketers can benefit from enhanced consumer engagement capabilities.

Smart Labels: Thinfilm has developed a smart label platform and a line of intelligent labels featuring memory, displays, logic, sensing capabilities, and wireless communication. The labels can sense distinct phenomena and store data for 80% to 90% less than the cost of conventional electronics. This is part of Thinfilm's vision to bring the Internet of Everything to even the lowest-cost items.

About Thinfilm

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 to enable the Internet of Everything by bringing intelligence to disposable goods.

Thin Film Electronics ASA ("Thinfilm") is a publicly listed Norwegian company with headquarters in Oslo, Norway; product development and production in Linköping, Sweden; product development, production, and business development in San Jose, California, USA; and sales offices in the United States, Hong Kong, and Singapore. Learn more at www.thinfilm.no.

Condensed Consolidated Financial Report as of 31 December 2015

In 2015, Thinfilm launched its first NFC products, and delivered more than 11 million EAS labels. In addition, product development revenue and revenue from the tech transfer of Thinfilm Memory™ to Xerox grew significantly, more than offsetting lower JDA/project revenue. Joint Development Agreement (JDA) activities were markedly lower in 2015, compared to the previous year, as resources were allocated to the launch of NFC products, in particular NFC OpenSense™, which was launched in the first quarter of 2015. Activity in San Jose, USA, increased as further hires and investments in equipment and tools were made there, while the number of employees in Linköping, Sweden decreased, as the development efforts on organic transistors have been scaled back, and as Xerox will assume responsibility for volume production of Thinfilm Memory™.

Profit and Loss

Thinfilm's revenue and other income in 2015 amounted to USD 4,413 thousand. Excluding the other income recognized in the period, total revenue was USD 4,005 thousand, an increase of USD 16 thousand, or 0.4%, compared to total revenue in 2014 (2014: USD 3,989 thousand). Sales revenue amounted to USD 2,214 thousand in 2015, compared to USD 1,849 thousand in 2014, and was largely related to product deliveries, technology access fees, product development projects, and delivery of prototypes and products to strategic customers and partners. The 20% increase in sales revenue year-on-year is a result of increasing product related revenue and technology transfer revenue, more than compensating for the significant reduction in JDA/project related revenue. Revenue related to government grants and other funded projects amounted to USD 1,791 thousand in 2015 (2014: USD 2,140 thousand). The 16% decrease is largely explained by the high funded projects activity in the second half of 2014, and the significantly stronger USD compared to the NOK in 2015 compared to last year. The latter results in a lower USD value when translated from NOK as most of the funded projects are denominated in NOK. Other income amounted to USD 408 thousand in 2015 (2014: 490 thousand) and was almost entirely related to sublease income from the San Jose site. In 2014, income associated with the acquisition of certain assets from Kovio, Inc. accounted for USD 469 thousand of the other income total of USD 490 thousand, which was accounted for as a "Business Combination" as described in IFRS 3.

Total revenue and other income in the fourth quarter 2015 was USD 1,599 thousand compared to USD 1,189 thousand in the same period the previous year. Sales revenue increased by 92% in the fourth quarter compared to the same period in 2014 to USD 989 thousand. The increase is mainly explained by technology transfer revenue from Xerox, as the technology transfer process was largely completed and as deliveries of roll-to-roll test equipment were made. In addition, increasing product related revenue from product deliveries and deliveries of samples more than offset decreasing JDA/project related sales revenue. Other income in the fourth quarter of 2015 amounted to USD 125 thousand.

Operating costs (excluding depreciation and amortization charges) amounted to USD 34,664 thousand in 2015, including the cost of share-based compensation of USD 1,064 thousand. The corresponding figures in 2014 were USD 28,970 thousand and a USD 940 thousand, respectively.

The USD 1,064 thousand cost of share-based compensation in 2015 is mainly explained by two counteracting factors: (i) The negative cost effect created by the reduction in the employer's tax provision due to a lower share price on 31 December 2015 compared to 31 December 2014 plus the effect of shares exercised during the year accounted for USD 670 thousand of the balance, (ii) Outstanding Employee Subscription Rights and SRs granted during the year added some USD 1,782 thousand to the share-based remuneration cost. The employer´s tax paid in 2015 due to exercise of Employee Subscription Rights amounted to USD 921 thousand.

Operating costs in the fourth quarter of 2015 increased some 26% compared to Q4 2014 to USD 10,859 thousand (Q4 2014: 8,633 thousand). The increase in costs is primarily attributable to a higher number of employees and increased activity at the US site. This increase was partially offset by lower use of external development work. While resources allocated to production related activities are increasing markedly, Thinfilm still uses a significant share of its resources on R&D activities. In 2015 some USD 10,924 thousand were spent developing e.g. printed batteries, displays and roll-to-roll printing processes. The corresponding amount for the full year 2014 was USD 14,743 thousand.

Excluding share-based compensation, depreciation and amortization, the underlying cost increase in 2015 was USD 5,571 thousand, or 20% compared to 2014. This increase is caused mainly by:

1) USD 3,004 thousand higher payroll costs, as the number of full-time employees increased from 90 at the end of December 2014 to 106 one year later. This increase is a result of a strengthening of the organisation, primarily in the US, as the focus has shifted from development to production. The number of employees in Linköping was reduced due to the mentioned scale back of organic transistors development as well as Xerox assuming responsibility for volume production of Thinfilm Memory™. The downsizing of employees in primarily Linköping resulted in a payroll liability recorded in December 2015 which is payable in 2016. The accrual increased payroll by some USD 167 thousand. Employer´s tax payable on exercise of Employee Subscription Rights in the period inflated payroll costs by USD 921 thousand (which was partially mitigated by a USD 811 thousand cash inflow from financing as a consequence of the exercises).

2) USD 2,471 thousand higher costs for Premises and supplies, mainly since the costs for manufacturing supplies were higher as production activities increased significantly 2015. The NFC Innovation Centre is a front-end production facility, and is currently in operation 24 hours per day, 7 days per week. While the bulk of the production currently remains non-revenue generating (engineering lots used for yield-, design, and product development work), the cost impact is close to that of a fully ramped facility.

3) In addition, the cost for sales and marketing and other expenses increased by USD 579 and 984 thousand respectively. The former is driven mainly by the increased activity level of the sales team globally, and the latter is primarily explained by a USD 760 thousand increase in costs related to delivery of labels due to higher product sales in 2015 compared to 2014.

4) The abovementioned increases were partially offset by USD 1,466 thousand lower costs for services, mainly since the activity level in external development projects was lower than in 2014.

Investments in fixed and intangible assets amounted to USD 5,720 thousand in 2015, a 22% decrease compared to 2014 (2014: USD 7,312 thousand), and were mainly related to equipment and tools for the Printed Dopant Poly Silicon (PDPS) line as well as improvements to the San Jose site, and also the licencing of technology. The 2014 investments were dominated by the acquisition of assets from Kovio, Inc., in January 2014 and complementary acquisitions of equipment and tools for the site in Linköping, Sweden. Depreciation and amortization during 2015 amounted to USD 1,537 thousand (2014: USD 1,305 thousand). Net financial items in 2015 amounted to a gain of USD 2,406 thousand (2014: USD 701 thousand), and were mainly related to interest income on cash deposits and currency variations, in particular since the USD strengthened significantly against the NOK in the period. The company operates at a loss and there is a tax loss carry forward position in all significant group entities, such that the group has not incurred any tax costs in 2015 or the prior year. 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 2015 was a loss of USD 29,382 thousand, corresponding to a basic loss per share of USD 0.05. In 2014, the loss amounted to USD 25,096 thousand, corresponding to a basic loss per share of USD 0.05. The loss in the fourth quarter of 2015 increased by 22% to USD 9,350 thousand compared to the previous year (Q4 2014: 7,689).

Cash Flow

The group’s cash balance decreased by USD 14,913 thousand in 2015 (compared to a decrease of USD 12,948 thousand in 2014). The decrease in cash balance is explained by three principal elements: 1) an outflow of USD 26,036 thousand from operating activities, 2) a USD 5,404 thousand outflow from investing activities and 3) a USD 21,130 thousand inflow from financing activities, as a result of the issuance of shares to US investors in June 2015 as well as exercises of employee subscription rights in 2015. The cash balance on 31 December 2015 amounted to USD 15,940 thousand, while cash net of receivables and payables amounted to USD 13,888 thousand (including share-based liability of USD 554 thousand, i.e., provisions for employer´s tax associated with future exercise of subscription rights). The cash balance on 31 December 2014 amounted to USD 30,854 thousand, while cash net of receivables and payables amounted to USD 28,671 thousand (including share-based liability of USD 1,365 thousand).

Balance Sheet

The Company’s balance sheet is comprised of fixed & intangible assets, cash, receivables, payables & accruals, and equity. Fixed assets amounted to USD 7,788 thousand and stem from machinery and equipment in San Jose, California, and Linköping, Sweden. In addition, USD 2,602 thousand in intangible assets are on the balance sheet, mainly as a result of the acquisition of assets from Kovio, Inc., and licencing of technology.

Principal Risks

It is the duty of the Board to present the principal risks of Thinfilm and its business.

The Company's predominant risks are market and business risks, summarized in the following points:

1) Many of Thinfilm's intended markets are still immature, and there is a potential risk of delays in the timing of sales.
2) To some extent, Thinfilm is dependent on continued collaboration with existing technology, material, and manufacturing partners.
3) Product development risks related to eventual cost vs. functionality competitiveness of the products Thinfilm is developing also need to be considered.

Besides intellectual property and property, plant & equipment and inventory, Thinfilm does not have any significant assets or liabilities with risk.

Going forward, Thinfilm foresees two important revenue sources:

1) sales of its own manufactured products, and
2) 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.

Thinfilm is exposed to certain financial risks related to fluctuation of exchange rates and interest level.

The going concern assumption has been applied when preparing this interim financial report. The Board has formed a judgment that, after having taken the recently announced investment from Woodford Investment Management into consideration, as of the date of approving the financial statements, the Company has adequate resources to fund operations for the rest of 2016 and into 2017.

On 31 December 2015, the equity amounted to USD 24,645 thousand, representing 83% of the gross balance sheet and 235% of the share capital.

Outlook

Thin Film Electronics is developing technology that is expected to be critical to the extension of the Internet of Things to ordinary objects. Thinfilm's NFC OpenSense™ and SpeedTap™ labels communicate wirelessly with appropriately configured NFC-enabled smartphones, and can be applied to consumables and other disposable objects. The inclusion of NFC in smartphones increased dramatically in 2015, and according to NFC Forum, there are now 1 billion smart phones with NFC, and the number is expected to increase to 2 billion in 2016. In addition, applications well beyond payments are now being introduced, and most major OEM smartphone manufacturers are now members of NFC Forum, including Samsung and Apple, where Thinfilm continues to chair the Retail sub-committee. (http://www.smartcardalliance.org/nfc-expands-beyond-payments-makes-big-impacts-across-industries-with-handsets-in-the-market-reaching-1-billion).

During 2015, Thinfilm began mass-production of wireless tags for electronic article surveillance, shipping over 10M units during the year, and launched NFC wireless products in Q1-15, with pilot deliveries of NFC OpenSense™ labels to lead customers in several verticals, including wines, spirits, and medical products starting in Q4-15. Thinfilm's NFC labels are distinguished by their exceptional speed, less than 10 milliseconds for full read, their ability to identify whether a product package has been opened, and by the fact that each label is encoded during production with a unique identifier or URL, which prevents hacking and spoofing. Thinfilm has also built a significant partner ecosystem, including an exclusive partnership with Leo Burnett/ARC, the world's leading digital activation agency and advertising group, and go-to-market implementation partners such as Tata Consulting Services, who are incorporating Thinfilm into their next-generation retail offerings. In addition, packaging partners such as Jones Packaging, specialized in pharma packaging, and Constantia Flexibles, a Spear Europe Ltd. Company, the leading provider of labels to the global beverage industry, are developing qualified reference designs intended to provide ease of completing field trials and market introductions on Thinfilm's NFC products.

Thinfilm plans to continue to increase production capacity, which currently allows seven-figure monthly production of NFC labels and multi-million monthly production of EAS tags, to reach an overall 40-million annual unit production capacity, based on NFC label equivalents, in Q2-16. This is expected to support the market introduction of NFC label products in categories such as wines and specialty foods, and field trials in liquors, while also providing capacity for the expected demand from new EAS orders, currently under negotiation.

The process of migrating transistor manufacturing from sheet-based to roll-based PDPS production has progressed. Initial engineering design is now completed, and vendor selection and site selection commenced. By accelerating the transition to roll-to-roll printed electronics manufacturing, Thinfilm expects to be prepared to support up to a billion unit annual production volume in 2018, and in parallel, will look to partner with scale-up qualified industrial companies to maintain its low-capex business model, as exemplified by its Thinfilm memory partnership with Xerox. Thinfilm expects to maintain a significant investment in new product development, focusing on new sensor labels, with launch dates later this year for temperature sensors.

Thin Film Electronics ASA Group

Condensed consolidated interim financial statements as of 31 December 2015 (Unaudited)

Consolidated statements of comprehensive income

Amounts in USD 1000	Note	1 October - 31 December 2015	1 October - 31 December 2014	1 January - 31 December 2015	1 January - 31 December 2014
Sales revenue		**989**	514	**2 214**	1 849
Other operating revenue		**485**	686	**1 791**	2 140
Other income		**125**	(11)	**408**	490
Total revenue & other income		**1 599**	1 189	**4 413**	4 479
Operating costs	9,10	**(10 859)**	(8 633)	**(34 664)**	(28 970)
Depreciation and amortization	3, 4	**(458)**	(378)	**(1 537)**	(1 305)
Operating profit (loss)		**(9 718)**	(7 822)	**(31 788)**	(25 796)
Net financial items		**368**	133	**2 406**	701
Profit (loss) before income tax		**(9 350)**	(7 689)	**(29 382)**	(25 096)
Income tax expense		**-**	-	**-**	-
Profit (loss) for the period		**(9 350)**	(7 689)	**(29 382)**	(25 096)
Profit (loss) attributable to owners of the parent		**(9 350)**	(7 689)	**(29 382)**	(25 096)
Profit (loss) per share basic and diluted	6	**(USD 0.02)**	(USD 0.02)	**(USD 0.05)**	(USD 0.05)
Profit (loss) for the period		**(9 350)**	(7 689)	**(29 382)**	(25 096)
Other Comprehensive Income					
Currency translation		**(516)**	(4 386)	**(5 120)**	(6 391)
Total comprehensive income for the period, net of tax		**(9 866)**	(12 075)	**(34 502)**	(31 487)

Consolidated statements of financial position

Amounts in USD 1000	Note	31 December 2015	31 December 2014
ASSETS	7		
Non-current assets			
Property, plant, and equipment	3	**7 788**	4 870
Intangible assets	4	**2 602**	2 319
Total non-current assets		**10 390**	7 189
Current assets			
Inventory		**367**	451
Trade and other receivables	8	**3 118**	2 565
Cash and cash equivalents		**15 940**	30 854
Total current assets		**19 425**	33 870
TOTAL ASSETS		**29 815**	41 059
EQUITY AND LIABILITIES			
Equity			
Ordinary shares	5	**10 466**	9 898
Other paid-in equity		**119 906**	97 637
Currency translation		**(14 719)**	(9 599)
Retained earnings		**(91 008)**	(61 626)
Total equity		**24 645**	36 311
Liabilities	7		
Trade and other payables		**5 170**	4 748
Total liabilities		**5 170**	4 748
TOTAL EQUITY AND LIABILITIES		**29 815**	41 059

Consolidated statements of changes in equity

Amounts in USD 1000	Note	Share capital	Other paid-in equity	Currency translation	Retained earnings	Total
Balance at 1 January 2015		9 898	97 637	(9 599)	(61 626)	36 311
Share issues		568	20 562			21 130
Share based compensation			1 707			1 707
Comprehensive income				(5 120)	(29 382)	(34 502)
Balance at 31 December 2015		**10 466**	**119 906**	**(14 719)**	**(91 008)**	**24 645**
Balance at 1 January 2014		9 173	72 931	(3 208)	(36 531)	42 366
Share issues		725	22 802			2 100
Share based compensation			1 903			1 328
Comprehensive income				(6 391)	(25 096)	(19 338)
Balance at 31 December 2014		**9 898**	**97 637**	**(9 599)**	**(61 626)**	**36 311**

Consolidated cash flow statements

Amounts in USD 1000	Note	1 October - 31 December 2015	1 October - 31 December 2014	1 January - 31 December 2015	1 January - 31 December 2014
CASH FLOW FROM OPERATING ACTIVITIES					
Operating profit (loss)		**(9 718)**	(7 822)	**(31 788)**	(25 796)
Share-based payment	5	**517**	575	**1 707**	1 903
Depreciation and amortization		**458**	380	**1 537**	1 307
Write down inventory		**243**	-	**243**	-
Loss on sale and disposals of fixed assets	3, 4	**39**	-	**130**	-
Changes in working capital and non-cash items		**683**	476	**2 135**	(1 794)
Net cash from (used on) operating activities		**(7 779)**	(6 391)	**(26 036)**	(24 381)
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property, plant, and equipment	3	**37***	(287)	**(4 809)**	(3 191)
Purchases of intangible assets		**(62)**	-	**(799)**	-
Acquisition of business activity		**-**	-	**-**	(2 700)
Capitalized development expenses	4	**(21)**	(26)	**(112)**	(26)
Proceeds from sale of fixed assets		**15**	-	**170**	-
Interest received		**1**	109	**146**	570
Net cash from (used on) operating activities		**(30)**	(204)	**(5 404)**	(5 347)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from issuance of shares	5	**22**	21 431	**21 130**	22 289
Net cash from (used) on financing activities		**22**	21 431	**21 130**	22 289
Currency translation effects on cash and bank deposits		**(894)**	(3 895)	**(4 603)**	(5 509)
Net increase (decrease) in cash and bank deposits		**(8 681)**	10 940	**(14 913)**	(12 948)
Cash and bank deposits at the beginning of the period		**24 622**	19 915	**30 854**	43 803
CASH AND BANK DEPOSITS AT THE END OF THE PERIOD		**15 940**	30 854	**15 940**	30 854

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

* Positive number due to reversal of accruals exceeding actual purchases.

Notes to the Consolidated Financial Statements

Note 1 - Information about the group

Thin Film Electronics ASA ("Thinfilm" or "the Company") was founded on 22 December 2005. Thin Film Electronics ASA Group ("Thinfilm") consists of the parent company Thinfilm ASA and the subsidiaries Thin Film Electronics AB ("Thinfilm AB"), Thin Film Electronics Inc. ("Thinfilm Inc."), Thin Film Electronics KK ("Thinfilm KK") and Thin Film Electronics HK Limited ("Thinfilm HK"). 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 the US during April 2011, Thinfilm KK was incorporated in Japan during January 2013, and similarly Thinfilm HK was incorporated in Hong Kong during July 2015. Thinfilm AB is held 100% and has been consolidated since 15 February 2006. Thinfilm Inc. is held 100% and has been consolidated since 1 May 2011. Thinfilm KK is held 100% and has been consolidated since 1 February 2013. Thinfilm HK is held 100% and has been consolidated since 1 August 2015. The accounting year corresponds to the calendar year.

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 and to the Oslo Børs on 27 February 2015. On 24 March 2015 Thinfilm's American Depository Receipts (ADRs) commenced trading in the United States on OTQX International.

Note 2 - Basis of preparation, accounting policies, and resolutions

This condensed interim financial report for the four quarters of 2015 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 2014. The IFRS accounting policies applied in this condensed consolidated interim financial report are, except for the below descriptions, in all materiality consistent with those applied and described in the consolidated annual financial statements for 2014.

From January 1, 2015 the group changed the presentation currency from NOK to USD. The change in presentation currency has been treated as a change in accounting principles which in accordance with IAS 8 has been done retrospectively by translating comparative figures to USD as if this had always been the presentation currency. Translation to the presentation currency for all transactions prior to the change in presentation currency is done by using the following procedure;

1) Assets and liabilities for each balance sheet presented are translated on the rate of exchange at the respective balance sheet date.

2) Revenues and expenses for each Income statement presented are translated at average exchange rate for the period. However, if this average is not a reasonable approximation of the cumulative effect on the rates prevailing on the actual transaction dates, revenues and expenses are translated using the foreign exchange rates on the specific transaction dates.

As a result of the above, a foreign currency translation reserve in equity arises, representing the change in equity calculated at period end-rates versus average rates.

The reason for the change of presentation currency is to provide financial information about Thinfilm that is more useful to investors and other users of the financial statements. The functional currency of the Thin Film Electronics ASA is assessed to be Norwegian kroner by applying the requirements in IAS 21.

The going concern assumption has been applied when preparing this interim financial report. The Board has formed a judgment that, as of the date of approving the financial statements, after having taken the recently announced investment from Woodford Investment Management into consideration, the Company has adequate resources to fund operations for the rest of 2016 and into 2017.

This consolidated interim financial report has not been subject to audit. The report was resolved by the Board of Directors on 25 February 2016.

Note 3 - Property, plant, and equipment

Amounts in USD 1000	**Tangible assets**
Year ended 31 December 2015	
Net value on 1 January 2015	4 870
Additions	4 809
Disposals	(246)
Exchange differences	(317)
Depreciation	(1 328)
Net book value on 31 December 2015	7 788
Year ended 31 December 2014	
Net value on 1 January 2014	3 111
Additions	4 317
Exchange differences	(1 459)
Depreciation	(1 099)
Net book value on 31 December 2014	4 870

Note 4 - Intangible Assets

Amounts in USD 1000	**Intangible assets**
Year ended 31 December 2015	
Net value on 1 January 2015	2 319
Additions	911
Exchange differences	(419)
Amortization	(209)
Net book value on 31 December 2015	2 602
Year ended 31 December 2014	
Net value on 1 January 2014	-
Additions	2 995
Exchange differences	(468)
Amortization	(208)
Net book value on 31 December 2014	2 319

Note 5 - Shares, warrants and subscription rights

Number of shares	**Number of shares**
Shares at 1 January 2015	515 359 852
Share issue to employees, 27 February	5 787 500
Share issue board remuneration, May 29	67 852
Private placement US funds, June 18	34 034 653
Share issue to employees, 5 November	50 000
Share issue to employees, 12 December	75 000
Shares at 31 December 2015	555 374 857
Shares at 1 January 2014	471 625 812
Share issue as part of Kovio transaction	1 041 584
Share issue to employees 27 February	4 200 000
Share issue 8 May board remuneration	120 254
Share issue to employees 26 August	187 500
Share issue 26 September, PARC	334 702
Share issue to employees 11 November	350 000
Share issue 18 November, Ferd	37 500 000
Shares at 31 December 2014	515 359 852

Number of warrants and subscription rights	**1 January - 31 December 2015**	**1 January - 31 December 2014**
Warrants and subscription rights opening balance	**62 727 500**	25 325 000
Grant of incentive subscription rights	**12 208 000**	11 615 000
Terminated, forfeited, and expired subscription rights	**(2 078 000)**	(725 000)
Exercise of subscription rights	**(5 912 500)**	(4 737 500)
Allotment of warrants	**17 017 326**	31 250 000
Exercise and expiry of warrants	**-**	-
Warrants and subscription rights closing balance	**83 962 326**	62 727 500

Note 6 - Profit (loss) per share

	1 January - 31 December 2015	**1 January - 31 December 2014**
Profit (loss) attributable to shareholders (USD 1000)	**(29 382)**	(25 096)
Weighted average basic number of shares in issue	**538 043 824**	481 465 574
Weighted average diluted number of shares	**544 894 567**	492 734 759
Profit (loss) per share, basic	**(USD 0.05)**	(USD 0.05)

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

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

Note 7 - Contingent assets and liabilities

Thinfilm does not have any contingent assets or liabilities. Thinfilm has not issued any guarantees. As a part of assuming manufacturing assets of Kovio, Inc., in January 2014, Thinfilm issued a USD 600 thousand Letter of Credit to the landlord of the Thinfilm NFC Innovation Center in San Jose, California, USA.

Note 8 - Trade and other receivables

On 31 December 2015, trade and other receivables amounted to USD 3,118 thousand. The components of this balance are accounts receivables USD 754 thousand, receivables from grants USD 990 thousand, VAT-related receivables USD 246 thousand, and pre-payments to suppliers USD 1,128 thousand.

Note 9 - Related party transactions

In the period 1 January - 31 December 2015, Thinfilm has recorded USD 419 thousand (net of VAT) for legal services provided by law firm Ræder, in which Thinfilm's Chairman is a partner.

In the period 1 January - 31 December 2015, Thinfilm has recorded USD 2 thousand for consulting services relating to government grants provided by Glenne Invest AS, a company controlled by Thinfilm's Board Member Rita Glenne.

In the same period, the Company has recorded USD 238 thousand (net of VAT) for services provided by Robert N. Keith, a shareholder of Thinfilm, related to a service agreement under which he assists Thinfilm in strategic analysis and in dealing with larger, international, prospective partners.

Also, in the same period, PARC, a shareholder of Thinfilm, supplied the Company with services, licenses, and materials for a value of USD 218 thousand (net of VAT).

Note 10 - Operating costs

Amounts in USD 1000	**1 January -31 December 2015**	**1 January - 31 December 2014**
Payroll	**16 663**	13 659
Share based remuneration	**1 064**	941
Services	**5 135**	6 601
Premises, supplies	**7 562**	5 091
Sales and marketing	**2 774**	2 196
Other expenses	**1 466**	482
Total operating costs	**34 664**	28 970

Note 11 - Events occurring after the balance sheet date

In the Board meeting on 25 February 2016, the Board resolved to grant a total of 735,000 Employee Subscription Rights to new employees and consultants of the Company, each with an exercise price of NOK 3.56.