

Thin Film Electronics ASA

Interim report and financial statements
for the third quarter 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 third quarter, Thinfilm further strengthened commercial momentum for printed integrated systems and smart tags by signing a strategic commercial partnership and by initial recognition of significant sales revenue. Cross-industry awards from the World Technology Network (“WTN”) and The Wall Street Journal demonstrate innovation leadership beyond the printed electronics industry.

Highlights:

- ▶ **Increased momentum for system products:** Entered into commercial agreement with Bemis Company Inc (“Bemis”) to deliver sensor tags for the packaging market. The third quarter marked the initial recognition of considerable sales revenue.
- ▶ **Established Thinfilm-led FlexTech Alliance funded consortium:** Opening up new market, medical devices, for Thinfilm Addressable Memory (TM).
- ▶ **Received first cross-industry awards from the World Technology Network and The Wall Street Journal:** Thinfilm’s technology innovation leadership recognized outside the printed electronics industry.
- ▶ **Thinfilm’s patent-pending printable protection deployed in high volume manufacturing of Thinfilm Memory (TM) at Inktec:** Protection layer improves robustness to better meet customer requirements.
- ▶ **Raised NOK 23 million in new capital through Warrants B exercise round in mid-October:** 100% of the outstanding Warrants B were exercised (23,064,000 Warrants B).
- ▶ **Received NOK 10 million funding from Eurostars Programme:** Accelerates the delivery of display logic for integrated printed systems.

During the third quarter of 2012, Thinfilm launched a commercial partnership with Bemis Company Inc. (“Bemis”), a world leader in flexible packaging. The companies are working together to deliver a printed sensor platform for the packaging market. In August 2012, launch of a FlexTech Alliance program for disposable blood oxygen sensors demonstrated the breadth of market potential for Thinfilm Addressable Memory™. “This is only the beginning of a wave of ultra low-cost printed devices in a wide range of industries,” says Davor Sutija, CEO of Thinfilm.

Thinfilm continued progress on its time-temperature sensor prototype, in collaboration with PARC. Development remains on-track and a demonstration of the world’s first integrated printed

system device is expected by the end of 2012, or the beginning of 2013.

In October 2012, Thinfilm received cross-industry recognition for development of printed smart tags for the Internet of Things. First, Thinfilm, together with PARC, a Xerox company, was awarded runner-up for the esteemed Wall Street Journal Technology Innovation Award, which recognizes disruptive breakthroughs in the field of technology. Second, Thinfilm won the World Technology Award for the company’s visionary contribution to material science and technology. The award was given by the World Technology Network, a global association of over 1,000 innovation leaders, and it recognizes companies “achieving significant innovation and lasting impact”, in association with Time, Fortune, CNN, Science and The MIT Technology Review. The awards are important validation of Thinfilm’s roadmap and vision.

During the third quarter of 2012, Thinfilm’s production partner, Inktec, successfully incorporated Thinfilm’s patent-pending printable protection layer into mass production of the 20-bit Thinfilm Memory, increasing the durability of Thinfilm printed memory in applications such as toys, games and info-kiosks.

During the week of the date of the report, Thinfilm and Swedish partners Acreeo and Santa Anna IT Research Institute were awarded NOK 10 million funding by the Eurostars Programme to accelerate the commercialization of display logic for integrated printed systems. The Thinfilm consortium received a Top 10% rating among all submitted proposals in Europe, reflecting strong technology innovation and market competitiveness.

Notable events in 2012:

News and announcements:

- ▶ Thinfilm Consortium Receives €1.4M in Eurostars Funding to Commercialize Display Logic for Integrated Printed Systems, 6 November 2012
- ▶ Thinfilm Wins World Technology Award, 24 October 2012

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Contact

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



Thinfilm CEO Davor Sutija accepting the World Technology Award 2012 at the World Technology Summit in New York, 23 October 2012

- ▶ Thinfilm Named Runner-up for Wall Street Journal Technology Innovation Award, 16 October 2012
- ▶ Thinfilm Named Finalist for 2012 World Technology Award, 8 October 2012
- ▶ PARC increases its shareholding in Thinfilm, 21 September 2012
- ▶ Thinfilm Printed Memory Selected for FlexTech Program on Sensors for Medical Devices, 22 August 2012
- ▶ 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 Semicon Europa conference 9-11 October 2012 in Dresden, Germany
- ▶ 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 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 leader in the development of printed electronics. The first to commercialize printed rewritable memory, Thinfilm is creating printed system products that will include memory, sensing, display and wireless communication — at a cost-per-functionality unmatched by any other electronic technology.

Thinfilm's roadmap of system products integrates technology from a strong and growing ecosystem of partners to enable the Internet of Things by bringing intelligence to disposable goods. Company headquarters are in Oslo, Norway, with product development in Linköping, Sweden, sales offices in San Francisco, USA, and Tokyo, Japan, and manufacturing in Pyongtaek, South Korea.

Thinfilm's technology and know-how bring low cost electronics to the trillions of disposable products and items that we use every day. These are applications for which printed electronics have unique and sustainable cost-functionality advantages.

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. Logic and memory is expected to be one of the largest segments in this market.

Printed RFID tags are predicted to gain market share. According to IDTechEx, the number 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 smart tags that can both store information and communicate with external data sources, smart phones, and other devices in their surroundings.

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 SEPTEMBER 2012

Thinfilm's revenue amounted to NOK 1.6 million in the first nine months of 2012, out of which sales revenue amounted to approximately NOK 0.8 million. The third quarter of 2012 marked the initial recognition of considerable sales revenue (NOK 0.7 million), mainly related to technology access fees and delivery of prototypes and product development projects to strategic customers and partners. Revenue related to government grants amounted to NOK 0.8 million in the first nine months of 2012. In the first nine months of 2011, revenue amounted to approximately NOK 1.5 million (out of which sales revenue amounted to approximately NOK 0.1 million).

Operating costs (excluding depreciation and impairment charge) amounted to NOK

37.0 million in the first nine months of 2012, including the notional cost of share based compensation of approximately NOK 4.2 million. The corresponding figures for the first nine months of 2011 were NOK 28.9 million and NOK 2.4 million, respectively. Excluding share based compensation and other non-cash costs, the underlying operating cash cost increase was NOK 7.3 million compared to the first nine months of 2011. This increase is largely explained by higher payroll costs (NOK 4.4 million higher than the same period last year), as Thinfilm has strengthened its technical staff significantly over the last year. At the end of the third quarter 2012, there were nineteen full-time employees in the group

(compared to eleven full-time employees at the end of the third quarter 2011). In order to meet an expanding scope of customer related work and deliverables, the manning level and related payroll costs are expected to increase going forward.

Investments amounted to approximately NOK 2.4 million in the first nine months of 2012 (compared to NOK 0.8 million in the same period of 2011), mainly related to provisioning of a high-definition gravure printing machine and small-scale manufacturing equipment. Depreciation amounted to approximately NOK 0.3 million year to date (2011: NOK 0.2 million). Thinfilm is in the process of establishing an in-house printing facility to

accelerate its development roadmap and plan for early customer deliveries, and thus, the investment level is expected to increase substantially going forward.

Net financial items in the first nine months of 2012 amounted to NOK 219 thousand, mainly related to interest income on cash deposit, partly offset by net exchange losses related to variations in SEK and USD. In the same period of 2011, net financial items amounted to a loss of NOK 9 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 nine months of 2012 was a loss of NOK 35.5 million, corresponding to a loss of NOK 0.11 per basic share. In the same period of 2011, the loss amounted to NOK 27.6 million corresponding to a similar loss of NOK 0.10 per basic share.

The group's cash balance increased by NOK 11.1 million in the first nine months of 2012, largely explained by two principal elements: (i) Operating and development activities resulted in a cash outflow of NOK 30.2 million, (ii) Proceeds of NOK 43.1 million from the private placement completed 12 March 2012. In the first nine months of 2011, the group's cash balance decreased by NOK 16.9 million.

The cash balance on 30 September 2012 amounted to NOK 18.4 million, while net of receivables and payables amounted to NOK 13.5 million.

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 warrants 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. Thus, the potential gross proceeds from this warrant round are NOK 27.5 million.

During the period 1-12 October 2012, Thinfilm received notice of exercise of 23,064,000 Warrants B (100% of the outstanding exercisable Warrants B), thereby raising approximately NOK 23.1 million in new capital. Following this, the board has formed a judgment that the Company has adequate resources to fund operations into 2014 if the outstanding warrants from the March 2012 placement are exercised.

At 30 September 2012, the equity amounted to NOK 16.9 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, sensor, 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.

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 tags (e.g., strategic, financial, technology, manufacturing, licensing, distribution, and market access partnerships).

Oslo, 8 November 2012

*The board of directors of
Thin Film Electronics ASA*

Thin Film Electronics ASA Group

Condensed consolidated interim financial statements 30 September 2012 (Unaudited)

Consolidated statements of comprehensive income

<i>Amounts in NOK 1000</i>	Note	1 July - 30 September, 2012	1 July - 30 September, 2011	1 January - 30 September, 2012	1 January - 30 September, 2011	1 January - 31 December, 2011
Sales revenue		673	9	758	92	102
Other operating revenue		268	271	805	1 392	1 661
Total revenue		942	280	1 564	1 484	1 762
Operating costs	7	(13 667)	(7 957)	(37 018)	(28 896)	(40 016)
Depreciation and impairment charge	3	(113)	(85)	(292)	(207)	(313)
Operating profit (loss)		(12 839)	(7 762)	(35 747)	(27 619)	(38 566)
Net financial items		89	(85)	219	(9)	(125)
Profit (loss) before income tax		(12 750)	(7 848)	(35 528)	(27 629)	(38 691)
Income tax expense		0	0	0	0	0
Profit (loss) for the period		(12 750)	(7 848)	(35 528)	(27 629)	(38 691)
Profit (loss) per share basic and diluted	5	(NOK 0.04)	(NOK 0.03)	(NOK 0.11)	(NOK 0.10)	(NOK 0.14)
Profit (loss) for the period		(12 750)	(7 848)	(35 528)	(27 629)	(38 691)
Currency translation		42	5	31	(64)	(9)
Total comprehensive income for the period, net of tax		(12 708)	(7 843)	(35 497)	(27 629)	(38 700)

Consolidated statements of financial position

<i>Amounts in NOK 1000</i>	Note	30 September, 2012	30 September, 2011	31 December, 2011
ASSETS	6			
<u>Non-current assets</u>				
Property, plant and equipment	3	3 395	1 376	1 338
<u>Current assets</u>				
Trade and other receivables		3 821	2 060	3 027
Cash and cash equivalents		18 405	1 187	7 339
Total current assets		22 226	3 247	10 366
TOTAL ASSETS		25 621	4 623	11 704
EQUITY AND LIABILITIES				
<u>Equity</u>				
Ordinary shares	4	36 373	30 921	33 500
Share premium		83 323	23 091	41 405
Other paid-in equity		12 517	8 337	9 258
Currency translation		135	49	104
Retained earnings		(115 462)	(68 872)	(79 934)
Total equity		16 886	(6 474)	4 332
<u>Liabilities</u>	6			
Trade and other payables		8 735	5 047	7 372
Short term loan (credit facility)		-	6 050	-
Total liabilities		8 735	11 097	7 372
TOTAL EQUITY AND LIABILITIES		25 621	4 623	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	40 336				43 086
Share issue 10 May, board remuneration		9					9
Share issue 20 September, PARC		84	1 378				1 462
Share based compensation	4			3 259			3 259
Comprehensive income					31	(35 528)	(35 497)
Balance at 30 September 2012		36 373	83 323	12 517	135	(115 462)	16 886
Balance at 1 January 2011		30 649	19 233	6 247	113	(41 243)	14 999
Share issue 23 March, PARC		183	2 528				2 711
Share based compensation	4			2 090			2 090
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					(64)	(27 629)	(27 693)
Balance at 30 September 2011		30 921	23 091	8 337	49	(68 872)	(6 474)
Balance at 1 January 2011		30 649	19 233	6 247	113	(41 243)	14 999
Share issue 23 March, PARC		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 July - 30 Sep, 2012	1 July - 30 Sep, 2011	1 January - 30 Sep, 2012	1 January - 30 Sep, 2011	1 January - 31 December, 2011
CASH FLOW FROM OPERATING ACTIVITIES						
Operating profit (loss)		(12 839)	(7 762)	(35 747)	(27 619)	(38 566)
Share based payment	4	1 270	1 108	3 259	2 090	3 012
Depreciation and impairment	3	113	85	292	207	313
Changes in working capital and non-cash items		2 360	(1 386)	1 959	2 400	3 739
Interest paid		-	-	-	-	(79)
Net cash from (used) on operating activities		(9 096)	(7 956)	(30 237)	(22 922)	(31 581)
CASH FLOW FROM INVESTING ACTIVITIES						
Purchase of property, plant and equipment	3	(2 052)	(284)	(2 350)	(823)	(879)
Interest received		104	5	323	23	37
Net cash from (used) on investing activities		(1 948)	(279)	(2 027)	(800)	(842)
CASH FLOW FROM FINANCING ACTIVITIES						
Proceeds from issuance of shares	4	(21)	-	43 329	817	21 709
Proceeds from short term loan (repayment)		-	6 050	-	6 050	-
Net cash from (used) on financing activities		(21)	6 050	43 329	6 867	21 709
Currency translation effects on cash and bank deposits		7	2	1	(11)	(0)
Net increase (decrease) in cash and bank deposits		(11 058)	(2 183)	11 066	(16 867)	(10 715)
Cash and bank deposits at the beginning of the period		29 463	3 370	7 339	18 054	18 054
CASH AND BANK DEPOSITS AT THE END OF THE PERIOD		18 405	1 187	18 405	1 187	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 the third quarter 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. 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 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. Thus, the potential gross proceeds from this warrant round are NOK 27.5 million.

During the period 1-12 October 2012, Thinfilm received notice of exercise of 23,064,000 Warrants B (100% of the outstanding exercisable Warrants B), thereby raising approximately NOK 23.1 million in new capital.

This consolidated interim financial report has not been subject to audit. The report was resolved by the board of directors on 8 November 2012.

Note 3 Property, plant and equipment

<i>Amounts in NOK 1000</i>	Tangible assets
<u>Nine months ended 30 September 2012</u>	
Net book value on 1 January 2012	1 338
Additions	2 350
Disposals	0
Depreciation, impairment and other movements	(292)
Net book value on 30 September 2012	3 395
 <u>Nine months ended 30 September 2011</u>	
Net book value on 1 January 2011	759
Additions	823
Disposals	0
Depreciation, impairment and other movements	(206)
Net book value on 30 September 2011	1 376
 <u>Year ended 31 December 2011</u>	
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
Share issue 20 September, PARC	765 306
Shares on 30 September 2012	330 662 392
Shares on 1 January 2011	278 626 406
Share issue 23 March , PARC	1 663 680
Share issue 11 May, board remuneration	60 000
Share issue to employees 23 May	750 000
Shares on 30 September 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

765,306 shares were issued on 20 September 2012 in a private placement to PARC, a Xerox company. The subscription price was NOK 1.911 per share, and the amount paid was a set-off of receivables related to the extended collaboration agreement between PARC and Thinfilm.

<i>Number of warrants and subscription rights</i>	1 January - 30 September, 2012	1 January - 30 September, 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	3 250 000	7 700 000
Terminated, forfeited and expired subscription rights	(939 306)	(1 951 111)	(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	59 717 306	40 603 306

Note 5 Profit (loss) per share

	1 January - 30 September, 2012	1 January - 30 September, 2011	1 January - 31 December, 2011
Profit (loss) attributable to shareholders (NOK 1000)	(35 528)	(27 629)	(38 691)
Weighted average basic number of shares in issue	323 327 720	280 165 130	284 578 310
Weighted average diluted number of shares	329 379 138	291 001 126	296 445 637
Profit (loss) per share, basic and diluted	(NOK 0.11)	(NOK 0.10)	(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 September 2012, Thinfilm has recorded NOK 1213 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 875 thousand plus expenses for services provided 1 January - 30 September 2012.

Note 8 Events occurring after the balance sheet date

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

On 15 October 2012, Thinfilm announced successful completion of the Warrant B exercise period (1-12 October 2012). Thinfilm received notice of exercise of 23,064,000 Warrants B (100% of the outstanding exercisable Warrants B).