



# Interim Report and Financial Statements

**First Nine Months of 2015**



## Contents

Highlights	2
Business Review	3
Shows and Events	4
Thinfilm Products	5
Financial Report	6
Principal Risks	7
Outlook	7
Consolidated Statements	8
Notes	12

## Contact

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

## Highlights

- Xerox® Printed Memory with Cryptographic Security launched to fight counterfeiting
- Thinfilm receives pilot order for NFC OpenSense™ from Diageo
- Ypsomed and Thinfilm use NFC OpenSense™ to make medical injection devices smart
- FlexTech awards \$350,000 to Thinfilm to extend sensor platform
- Thinfilm receives ISO 9001 certification

### 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

Thinfilm's go-to-market partner, Xerox, announced it will launch two new products featuring Thinfilm Memory™ – Xerox® Printed Memory and Xerox® Printed Memory with Cryptographic Security. Xerox began actively marketing both solutions in Q3 2015, and has received strong interest in smart consumable applications as well as in security labeling for government tax stamps. The technology transfer from Thinfilm to Xerox for ultra-high production of Thinfilm Memory™ is proceeding according to schedule, and it is anticipated that Xerox's production facility in Webster, NY, will be operational from the first quarter of 2016.

In September, apparel containing Thinfilm's EAS tags reached retail stores as part of the global rollout of source-tagging technology by Nedap's lead retail customer. Currently, use of Thinfilm's EAS tags are qualified for the invisible anti-theft tagging of shoes, and an extension to additional categories such as denim goods and women's apparel is under consideration. This gives a potential annual demand of well over 100 million labels following rollout. Currently, Thinfilm continues to deliver against its first 13 million unit order, and expects to negotiate 2016 orders during Q4 2015. Thinfilm delivered 8.9 million units to Nedap in the first nine months of 2015.

Thinfilm began volume manufacturing of its PDPS logic for use in NFC OpenSense™ labels, on schedule, in Q3 2015. Monthly yielded NFC-specific front-end production is scheduled to reach one million units per month during Q4 2015. In parallel, qualification of Thinfilm's back-end assembly partners in Singapore and China is nearing completion, allowing for expected first volume deliveries to customers in Q4 2015. These deliveries include shipments to the Ferngrove Wine Group and the first of two shipments to Diageo, based on their 5-figure unit order of NFC OpenSense tags announced in mid-October.

To date, Thinfilm has also delivered prototypes and engineering services related to product qualification and design to a dozen Forbes 2000 and equivalently-sized brands and packaging firms. These leading organizations span a range of verticals, including the drinks industry, cosmetics, pharma, tobacco, and other high-volume consumer packaged goods.

Thinfilm product revenues for Q3 2015 differ substantially from Q3 of the previous year in that only a small portion is related to technology access fees while the majority of it is related to preparatory activities geared toward high volume deliveries of product to customers.

The Company also announced a partnership with the Ypsomed Group, a leading medical technology firm, to create YpsoMate® Smart – a digitally connected version of their YpsoMate® autoinjector. The collaboration demonstrates the application of NFC OpenSense technology in improving patient adherence, and is part of Ypsomed's planned investment of more than 50 million Swiss francs over the coming years to develop a new generation of smart injection systems.

# xerox



### **Xerox Launches Thinfilm Memory products to fight counterfeiting**

Xerox, the global business services, digital printing, and document management company, announced that it will launch two new products that feature Thinfilm Memory™ – Xerox® Printed Memory and Xerox® Printed Memory with Cryptographic Security. The Xerox Printed Memory solutions are geared toward supply-chain security applications and provide anti-counterfeiting capabilities for pharmaceutical products, governmental tax stamps, and refill authentication. In December 2014, Xerox licensed the technology for Thinfilm Memory and communicated its plans to manufacture products in high-volume at its plant in Webster, New York.

## Thinfilm receives pilot order for NFC OpenSense™ from Diageo

On October 14, Thinfilm announced it had received a 5-figure unit order from Diageo, including pilot deployment of Thinfilm's NFC OpenSense™ technology. The order is scheduled for delivery during the fourth quarter of 2015 and continuing in the first half of 2016.



## Ypsomed and Thinfilm use NFC OpenSense to make medical injection devices smart

Thinfilm announced a partnership with the Ypsomed Group (SIX: YPSN), the leading developer and manufacturer of injection systems for self-medication. The two companies will collaborate to incorporate Thinfilm's patent-pending NFC OpenSense™ technology in its existing YpsoMate® autoinjector to create a digitally connected version called Ypsomate Smart®. The YpsoMate® Smart device will aim to improve adherence among patients who use self-medication delivery systems to treat rheumatoid arthritis, certain cardiovascular indications, and other chronic medical conditions.



## FlexTech awards \$350,000 to Thinfilm to extend sensor platform

Thinfilm announced it will receive \$350,000 in funding through the FlexTech Alliance to create smart labels featuring next-generation sensors and Near Field Communications (NFC) capabilities. Through the project, Thinfilm plans to extend the scope and versatility of its proprietary technology and smart label platform, while maintaining alignment with established processes for high-volume manufacturing of the labels. FlexTech Alliance is a leading industry association focused on growth, profitability, and success throughout the manufacturing and distribution chain of flexible, printed electronics. It's R&D program supports development of a manufacturing supply chain.



## Thinfilm receives ISO 9001 certification

In mid-September, Thinfilm received ISO 9001 certification. The accreditation is an industry standard that verifies the integrity of an organization's Quality Management Systems (QMS) and recognizes its ability to meet customers' quality requirements while continually improving operational processes. The recognition supports Thinfilm's shift from research and development to design and manufacturing, and is a testament to the Company's ability to deliver printed electronics products to customers across a wide spectrum of vertical markets. ISO is the International Organization for Standardization, an independent, non-governmental membership organization and the world's largest developer of voluntary International Standards. Thinfilm's certification came after Intertek, a global inspection, product testing and certification company, and one of the world's largest ISO 9001 registrars, completed a thorough audit of Thinfilm's Quality Management System.



## Shows and Events

### July 14-16, Semicon West, San Francisco, CA

Mao Takshima, Principal Scientist at Thinfilm, delivered a presentation during the Semiconductor Technology Symposium.

### July 15-17, GSMA Mobile World Congress Asia, Shanghai

Thinfilm participated as an exhibitor in the venue's Innovation City section, and Kai Leppanen, Thinfilm's Chief Commercial Officer, presented during the IoT Summit.

### July 21, Internet of Things Influencer's Summit, San Jose, CA

Patty Britton, Thinfilm's VP of Sales & Business Development for North America, delivered a presentation at this event.

### August 19, Wines & Vines Packaging Conference, Napa, CA

Thinfilm participated as an exhibitor at this event.

### Sept 1, 2015, International Printed Electronics Conference (IPEC) 2015, Seoul, South Korea

Claus Hansen, Thinfilm's VP of Sales & Business Development in Asia, delivered a keynote presentation at this event.

### September 10-11, 2015, Digital Strategy Innovation Summit, Los Angeles, California

Patty Britton, Thinfilm's VP of Sales & Business Development for North America, hosted a workshop 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 Barcode™:** The Thinfilm NFC Barcode is a wireless tag that combines the instant interactivity of Near Field Communication (NFC) with the advantages of printed electronics technology. The NFC Barcode 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](http://www.thinfilm.no).

## Condensed Consolidated Financial Report as of 30 September 2015

*During the first nine months of 2015, Thinfilm continued to evolve into a product company. The transition from project-based revenue to product sales progressed as delivery on the 13M EAS order, started in the first quarter, continued through the second and third quarter. In addition, product development revenue increases, partially replacing JDA revenue. Joint Development Agreements (JDA) activities were lower in the nine months of 2015, compared to the previous year, as resources were deployed to the launch of NFC products, in particular NFC OpenSense™, which was launched in the first quarter. Activity in San Jose, USA, increased as further hires and investments in equipment and tools were made there.*

### Profit and Loss

Thinfilm's revenue and other income in the first nine months of 2015 amounted to USD 2,814 thousand. Excluding the other income recognized in the period, total revenue was USD 2,531 thousand, a decrease of USD 258 thousand, or 9%, compared to total revenue in the first nine months of 2014 (9M 2014: USD 2,789 thousand). Sales revenue amounted to USD 1,225 thousand in the first nine months of 2015, compared to USD 1,335 thousand in the first nine months of 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 decrease in sales revenue year-on-year is mainly a consequence of fewer project milestones during the quarter and lower JDA activities not being fully compensated by increasing product revenue. Revenue related to government grants and other funded projects amounted to USD 1,306 thousand in the first nine months of 2015 (9M 2014: USD 1,454 thousand). The 10% decrease is largely explained by the high funded projects activity in the third quarter of 2014, and the significantly stronger USD compared to the NOK for the first three quarters of 2015 compared to the same period last year. The latter results in a lower USD value when translated to NOK as most of the funded projects are denominated in NOK. Other income amounted to USD 283 thousand in the first nine months of 2015 (9M 2014: 501 thousand) and was almost entirely related to sublease income from the San Jose site. In 9M 2014, USD 469 thousand of the USD 501 thousand other income related to income recognized in connection with the acquisition of certain assets from Kovio Inc., which was accounted for as a "Business Combination" as described in IFRS 3. Total revenue and other income in the third quarter was USD 1,039 thousand compared to USD 1,280 thousand in the same period the previous year. Sales revenue decreased by 15% and other revenue by 39% compared to the same period in 2014 to USD 494 thousand and USD 434 thousand respectively, primarily as lower JDA revenue was not entirely offset by increasing product- and product development related sales. Other income in the third quarter of 2015 amounted to USD 111 thousand.

Operating costs (excluding depreciation and amortization charges) amounted to USD 23,805 thousand in the first nine months of 2015, including the cost of share-based compensation of USD 588 thousand. The corresponding figures for the same period in 2014 were USD 20,337 thousand and a USD 308 thousand, respectively. The USD 588 thousand cost of share-based compensation in the first nine months of 2015 is mainly explained by two counteracting factors: (i) The negative cost effect caused by the reduction in the employer's tax provision on the back of a lower share price on 30 September compared to 1 January and the 27 February exercise. The effect of this was a negative cost of some USD 662 thousand. (ii) Outstanding Employee Subscription Rights and SRs granted during the quarter

added some USD 1,205 thousand to the share-based remuneration cost. The employer's tax paid in 2015 due to exercise of Employee Subscription Rights amounted to USD 888 thousand. Operating costs in the third quarter of 2015 increased some 27% compared to Q3 2014 to USD 8,925 thousand (Q3 2014: 7,031). 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. During the first nine months of 2015 some USD 6,317 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 9M 2015 was USD 3,188 thousand, or 16% higher than 9M 2014. This increase is caused mainly by: 1) USD 2,237 thousand higher payroll costs, as the number of full-time employees increased from 83 at the end of September 2014 to 112 one year later. This increase is a result of a strengthening of the organisation globally, but primarily in the US, as the focus is shifted from development to production. Employer's tax payable on exercise of Employee Subscription Rights in the period inflated payroll costs by USD 888 thousand (which was partially mitigated by a USD 790 thousand cash inflow from financing as a consequence of the exercises). 2) USD 1,217 thousand higher costs for Premises and supplies, mainly since the costs for manufacturing supplies were higher as production activities increased in the nine months of 2015. 3) In addition, the cost for sales and marketing and other expenses increased by USD 598 and 467 thousand respectively. 4) The above-mentioned increases were partially offset by USD 1,331 thousand lower costs for services, mainly since the activity level in external development projects was lower than in the same period in 2014.

Investments in fixed and intangible assets amounted to USD 5,674 thousand in the nine months of 2015, a 19% decrease compared to the same period in 2014 (9M 2014: USD 6,973 thousand), and were mainly related to equipment and tools for the Printed Dopant PolySilicon (PDPS) line as well as improvements to the San Jose site, and also the licencing of technology. The 9M 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 the first nine months of 2015 amounted to USD 1,079 thousand (9M 2014: USD 927 thousand). Net financial items in 9M 2015 amounted to a gain of USD 2,038 thousand (9M 2014: USD 568 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 the first nine months of 2015 was a loss of USD 20,032 thousand, corresponding to a basic loss per share of USD 0.04. In the first nine months of 2014, the loss amounted to USD 17,406 thousand, corresponding to a basic loss per share of USD 0.04. The net result in the third quarter of 2015 decreased by 7% to USD 6,388 thousand compared to the previous year (Q3 2014: 5,945).

## Cash Flow

The group's cash balance decreased by USD 6,232 thousand during the first nine months of 2015 (compared to a decrease of USD 23,888 thousand in 9M 2014). The decrease in cash balance is explained by three principal elements: 1) an outflow of USD 18,257 thousand from operating activities, 2) a USD 5,374 thousand outflow from investing activities and 3) a USD 21,108 thousand inflow from financing activities, as a consequence of the issuance of shares to US investors in June 2015 as well as exercises of employee subscription rights in February 2015. The cash balance on 30 September 2015 amounted to USD 24,622 thousand, while cash net of receivables and payables amounted to USD 22,224 thousand (including share-based liability of USD 614 thousand, i.e., provisions for employer's tax associated with future exercise of subscription rights). The cash balance on 30 September 2014 amounted to USD 19,915 thousand, while cash net of receivables and payables amounted to USD 18,720 thousand (including share-based liability of USD 1,428 thousand).

## Balance Sheet

The Company's balance sheet comprises essentially of fixed & intangible assets, cash, receivables, payables & accruals, and equity. Fixed assets amounted to USD 8,264 thousand and stem from machinery and equipment in Linköping, Sweden, and San Jose, California. In addition, USD 2,658 thousand in intangible assets are on the balance sheet, mainly as a result of the acquisition of assets from Kovio, Inc., and the 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, as of the date of approving the financial statements, the Company has adequate resources to fund operations well into 2016.

On 30 September 2015, the equity amounted to USD 33,973 thousand, representing 84% of the gross balance sheet and 325% of the share capital.

## Outlook

Thinfilm concentrates its efforts around commercializing and scaling printed memory and logic, in the form of 1) single function products such as printed memory and EAS, 2) integrated systems including RF communications, sensing and/or display, and 3) licensing its technology platform to scale-up partners.

The company continues to invest in the development and scaling of sheet based and roll-to-roll production of logic, displays and batteries as well as roll-to-roll assembly. The combination of a licensing-based business model, low CAPEX requirements for production relative to other electronics manufacturing techniques, and a focus on leveraging ecosystem partnerships reduces the Company's dependence on CAPEX for growth.

In December 2014, the Company entered into an agreement with Xerox regarding licensing of Thinfilm Memory™ IPR, furthering the Company's strategy to provide a licensable platform for the manufacture of printed electronic products. Thinfilm expects that the technology transfer to Xerox will be completed according to plan in 2015, and it is anticipated that Xerox's production facility in Webster, NY, will be operational from the first quarter of 2016.

Thinfilm has shipped 9.9 million EAS tags to date, and expects to deliver the balance of the 13 million unit order in the second half of 2015.

The commercialization of PDPS-based near field communication (NFC) tags offers significant growth opportunities. Applications for mass markets are expected to include brand authentication, supply chain track and trace, digital marketing and consumer engagement. In support of this position, Thinfilm's successful demonstration of prototypes and products has attracted significant interest from prospective customers and partners.

In addition, Thinfilm will work toward commercialization of integrated systems such as Thinfilm sensor labels for consumable goods, health care, packaging, and more. Thinfilm has established partnerships for display, sensor, and battery technology, as well as software and distribution.

Since the launch of NFC OpenSense in late February 2015, Thinfilm has experienced significant interest in the technology and has received orders for its products. Both the Board of Directors and management expect that Thinfilm will be able to continue entering commercial agreements for printed integrated systems during the remainder of 2015 and into 2016.

Oslo, Norway, 5 November 2015

The Board of Directors of Thin Film Electronics ASA

## Thin Film Electronics ASA Group

Condensed consolidated interim financial statements as of 30 September 2015 (Unaudited)

Consolidated statements of comprehensive income						
<i>Amounts in USD 1000</i>	Note	1 July - 30 Sept 2015	1 July - 30 Sept 2014	1 January - 30 Sept 2015	1 January - 30 Sept 2014	1 January - 31 December 2014
Sales revenue		494	578	1 225	1 335	1 849
Other operating revenue		434	709	1 306	1 454	2 140
Other income		111	(7)	283	501	490
Total revenue & other income		1 039	1 280	2 814	3 290	4 479
Operating costs	9,10	(8 925)	(7 031)	(23 805)	(20 337)	(28 970)
Depreciation and amortization	3, 4	(427)	(351)	(1 079)	(927)	(1 305)
Operating profit (loss)		(8 313)	(6 103)	(22 070)	(17 974)	(25 796)
Net financial items		1 925	158	2 038	568	701
Profit (loss) before income tax		(6 388)	(5 945)	(20 032)	(17 406)	(25 096)
Income tax expense		-	-	-	-	-
Profit (loss) for the period		(6 388)	(5 945)	(20 032)	(17 406)	(25 096)
Profit (loss) attributable to owners of the parent		(6 388)	(5 945)	(20 032)	(17 406)	(25 096)
Profit (loss) per share basic and diluted	6	(USD 0.01)	(USD 0.01)	(USD 0.04)	(USD 0.04)	(USD 0.05)
Profit (loss) for the period		(6 388)	(5 945)	(20 032)	(17 406)	(25 096)
Other Comprehensive Income						
Currency translation		(2 378)	1 601	(4 604)	(2 005)	(6 391)
Total comprehensive income for the period, net of tax		(8 766)	(4 343)	(24 636)	(19 411)	(31 487)



## Consolidated statements of financial position

<i>Amounts in USD 1000</i>	Note	30 September 2015	30 September 2014	31 December 2014
<b>ASSETS</b>	7			
<b>Non-current assets</b>				
Property, plant, and equipment	3	8 264	4 780	4 870
Intangible assets	4	2 658	2 711	2 319
Total non-current assets		10 922	7 491	7 189
<b>Current assets</b>				
Inventory		827	244	451
Trade and other receivables	8	4 002	2 566	2 565
Cash and cash equivalents		24 622	19 915	30 854
Total current assets		29 451	22 725	33 870
<b>TOTAL ASSETS</b>		<b>40 373</b>	<b>30 216</b>	<b>41 059</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Ordinary shares	5	10 464	9 279	9 898
Other paid-in equity		119 370	76 253	97 637
Currency translation		(14 203)	(5 214)	(9 599)
Retained earnings		(81 658)	(53 864)	(61 626)
Total equity		33 973	26 454	36 311
<b>Liabilities</b>	7			
Trade and other payables		6 400	3 763	4 748
Total liabilities		6 400	3 763	4 748
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>40 373</b>	<b>30 216</b>	<b>41 059</b>

## Consolidated statements of changes in equity

<i>Amounts in USD 1000</i>	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		566	20 542			21 108
Share based compensation			1 191			1 191
Comprehensive income				(4 604)	(20 032)	(24 636)
<b>Balance at 30 September 2015</b>		<b>10 464</b>	<b>119 370</b>	<b>(14 203)</b>	<b>(81 658)</b>	<b>33 973</b>
Balance at 1 January 2014		9 173	72 931	(3 208)	(36 531)	42 366
Share issues		106	1 994			2 100
Share based compensation			1 328			1 328
Comprehensive income				(2 005)	(17 333)	(19 338)
<b>Balance at 30 September 2014</b>		<b>9 279</b>	<b>76 253</b>	<b>(5 214)</b>	<b>(53 864)</b>	<b>26 454</b>
Balance at 1 January 2014		9 173	72 931	(3 208)	(36 531)	42 366
Share issues		85	819			905
Share based compensation			1 903			1 903
Comprehensive income				(6 391)	(25 096)	(31 487)
<b>Balance at 31 December 2014</b>		<b>9 898</b>	<b>97 637</b>	<b>(9 599)</b>	<b>(61 626)</b>	<b>36 311</b>

## Consolidated cash flow statements

<i>Amounts in USD 1000</i>	Note	1 July - 30 Sept 2015	1 July - 30 Sept 2014	1 January - 30 Sept 2015	1 January - 30 Sept 2014	1 January - 31 December 2014
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Operating profit (loss)		<b>(8 313)</b>	(6 103)	<b>(22 070)</b>	(17 974)	<b>(25 796)</b>
Share-based payment	5	<b>371</b>	460	<b>1 191</b>	1 328	<b>1 903</b>
Depreciation and amortization		<b>427</b>	351	<b>1 079</b>	927	<b>1 307</b>
Loss on sale of fixed assets	3, 4	<b>93</b>	-	<b>91</b>	-	-
Changes in working capital and non-cash items		<b>1 276</b>	(775)	<b>1 452</b>	(3 006)	<b>(1 492)</b>
Net cash from (used on) operating activities		<b>(6 146)</b>	(6 067)	<b>(18 257)</b>	(18 725)	<b>(24 079)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Purchase of property, plant, and equipment	3	<b>(3 350)</b>	-	<b>(4 846)</b>	(2 904)	<b>(3 191)</b>
Purchases of intangible assets		(63)	-	(737)	-	-
Acquisition of business activity		-	-	-	(2 700)	<b>(2 700)</b>
Capitalized development expenses	4	(23)	-	(91)	-	<b>(26)</b>
Proceeds from sale of fixed assets		30	-	155	-	-
Interest received		14	113	145	461	<b>570</b>
Net cash from (used on) operating activities		<b>(3 391)</b>	113	<b>(5 374)</b>	(5 143)	<b>(5 347)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Proceeds from issuance of shares	5	<b>(24)</b>	460	<b>21 108</b>	1 713	<b>21 987</b>
Net cash from (used) on financing activities		<b>(24)</b>	460	<b>21 108</b>	1 713	<b>21 987</b>
Currency translation effects on cash and bank deposits		<b>(2 108)</b>	(1 368)	<b>(3 710)</b>	(1 733)	<b>(5 509)</b>
Net increase (decrease) in cash and bank deposits		<b>(11 669)</b>	(6 862)	<b>(6 232)</b>	(23 888)	<b>(12 948)</b>
Cash and bank deposits at the beginning of the period		<b>36 291</b>	26 777	<b>30 854</b>	43 803	<b>43 803</b>
CASH AND BANK DEPOSITS AT THE END OF THE PERIOD		<b>24 622</b>	19 915	<b>24 622</b>	19 915	<b>30 854</b>

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" 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 first nine months 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, the Company has adequate resources to fund operations for the rest of 2015 and well into 2016.

This consolidated interim financial report has not been subject to audit. The report was resolved by the Board of Directors on 5 November 2015.

## Note 3 - Property, plant, and equipment

<i>Amounts in USD 1000</i>	<b>Tangible assets</b>
<b>Nine months ended 30 September 2015</b>	
Net value on 1 January 2015	4 870
Additions	4 846
Disposals	(246)
Exchange differences	(284)
Depreciation	(922)
Net book value on 30 September 2015	<b>8 264</b>
<b>Nine months ended 30 September 2014</b>	
Net value on 1 January 2014	3 111
Additions	4 004
Exchange differences	(1 555)
Depreciation	(784)
Net book value on 30 September 2014	4 776
<b>Year ended 31 December 2014</b>	
Net book 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

<i>Amounts in USD 1000</i>	<b>Intangible assets</b>
<b>Nine months ended 30 September 2015</b>	
Net value on 1 January 2015	2 319
Additions	828
Exchange differences	(332)
Amortization	(157)
Net book value on 30 September 2015	2 658
<b>Nine months ended 30 September 2014</b>	
Net value on 1 January 2014	-
Additions	2 969
Exchange differences	(114)
Amortization	(144)
Net book value on 30 September 2014	2 711
<b>Year ended 31 December 2014</b>	
Net book 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

<i>Number of shares</i>	<b>Number of shares</b>
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
Shares at 30 September 2015	555 249 857
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

<i>Number of warrants and subscription rights</i>	<b>1 January - 30 Sept 2015</b>	<b>1 January - 30 Sept 2014</b>	<b>1 January - 31 December 2014</b>
Warrants and subscription rights opening balance	62 727 500	25 325 000	25 325 000
Grant of incentive subscription rights	2 738 000	4 020 000	11 615 000
Terminated, forfeited, and expired subscription rights	(1 543 000)	(500 000)	(725 000)
Exercise of subscription rights	(5 787 500)	(4 387 500)	(4 737 500)
Allotment of warrants	17 017 326	-	31 250 000
Exercise and expiry of warrants	-	-	-
Warrants and subscription rights closing balance	75 152 326	24 457 500	62 727 500

## Note 6 - Profit (loss) per share

	<b>1 January - 30 Sept 2015</b>	<b>1 January - 30 Sept 2014</b>	<b>1 January - 31 December 2014</b>
Profit (loss) attributable to shareholders (USD 1000)	(20 032)	(17 406)	(25 096)
Weighted average basic number of shares in issue	532 227 230	475 837 572	481 465 574
Weighted average diluted number of shares	541 364 789	487 329 749	492 734 759
Profit (loss) per share, basic	(USD 0.04)	(USD 0.04)	(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., Thinfilm in January 2014 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 30 September 2015, trade and other receivables amounted to USD 4,002 thousand. The components of this balance are accounts receivables USD 688 thousand, receivables from grants USD 1,415 thousand, VAT-related receivables USD 323 thousand, and pre-payments to suppliers USD 1,576 thousand.

**Note 9 - Related party transactions**

In the period 1 January - 30 September 2015, Thinfilm has recorded USD 324 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 - 30 September 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 304 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 9 thousand (net of VAT).

**Note 10 - Operating costs**

<i>Amounts in USD 1000</i>	<b>1 January - 30 September 2015</b>	<b>1 January - 30 September 2014</b>	<b>1 January - 31 December 2014</b>
Payroll	<b>12 072</b>	9 835	<b>13 659</b>
Share based remuneration	<b>588</b>	308	<b>941</b>
Services	<b>3 482</b>	4 813	<b>6 601</b>
Premises, supplies	<b>4 875</b>	3 658	<b>5 091</b>
Sales and marketing	<b>2 055</b>	1 457	<b>2 196</b>
Other expenses	<b>733</b>	266	<b>482</b>
<b>Total operating costs</b>	<b>23 805</b>	20 337	<b>28 970</b>

**Note 11 - Events occurring after the balance sheet date**

Since 30 September 2015 and until the date of these financial statements, the Board has granted a total of 9,470,000 subscription rights at an exercise price of NOK 3.95 per share, to new and existing employees, under the Employee Subscription Rights-based incentive program resolved by the Annual General Meeting. Furthermore, it was resolved to issue 50,000 new shares to an employee as a consequence of an exercise of Employee Subscription Rights.