



Interim Report and Financial Statements

First Half 2016



Contents

Highlights	2
Business Review	3
Shows and Events	5
Thinfilm Products	6
Financial Report	7
Principal Risks	8
Outlook	8
Consolidated Statements	9
Notes	13

Contact

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

Highlights

- Thinfilm Partners with Leading Global Pharmaceutical Firm
- Thinfilm and Hopsy Deliver “Smart Beer” to the Craft Brew Market
- Thinfilm and Maria&Donato Make Luxury Handbags Smart with NFC Technology
- Progress on Lease of new North American Roll-Based-Printing Facility
- Thinfilm Strengthens Leadership with Key Hires in Sales, Finance, and Software
- Xerox Demonstrates Printed Memory Product Featuring Thinfilm Technology at Drupa

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

Business Review

From a product perspective, Thinfilm achieved two key milestones during the second quarter of 2016. On June 3, the Company officially launched SpeedTap™, a single-ID smartphone-readable NFC tag used in product authentication and consumer engagement applications. As a result, along with OpenSense™, Thinfilm now has two qualified NFC products in production and a powerful NFC-centric platform that enables us to develop and evolve additional solutions moving forward. SpeedTap – which is largely manufactured using a printing process – has a read speed that is 20-times faster than its closest competitor, making it ideal for use within high-speed production lines. The Company has plans to produce a thinner version of the tag in ultra-high volumes when its roll-to-roll production line is completed, expected early 2018. The second milestone involved the delivery of SpeedTap tags with coated ferrite shields to a leading global FMCG (fast-moving consumer goods) firm. Ferrite enables the functionality of NFC when tags are incorporated into foil/metal packaging.

The Company also announced three commercial partnerships during the second quarter – each within a distinct vertical – that are driving the integration of Thinfilm’s NFC solutions with consumer products. The first is with a Fortune 500 pharmaceutical firm to develop an NFC-centric platform for medical devices featuring OpenSense™. The remaining two are with Hopsy, an online craft-beer marketplace and delivery service, and Maria&Donato, a craftsman leather-goods manufacturer and provider of premium handbags.

Thinfilm strengthened its management ranks by making three key hires – Tauseef Bashir as EVP Global Sales, Ole Ronny Thorsnes as CFO, and Christian Delay as SVP Strategic Marketing & GM Software Platforms. The Company also created a new Business Development function, led by Erwan Le Roy, EVP Business Development & GM NFC Solutions and Smart Sensor Products. The new group will focus on identifying new markets and generating use cases for new solutions and products, and will work to enable the global sales team to increase revenues by focusing on current products and established vertical markets.

Thinfilm Partners with Leading Global Pharmaceutical Firm

Thinfilm entered into an agreement with a Fortune 500 pharmaceutical firm to create an NFC OpenSense™ platform for medical devices. The partners will leverage Thinfilm’s proprietary NFC technology as a means to improve patient adherence and enhance communication between patients and their caregivers.

Thinfilm and Hopsy Deliver “Smart Beer” to the Craft Brew Market

Thinfilm announced a partnership with Hopsy, the USA’s first local craft beer marketplace and beer delivery service. The two companies are integrating Thinfilm’s NFC OpenSense™ technology into a variety of locally produced craft beers across the United States. The wireless NFC tags will enable microbreweries to engage with consumers, educate customers, and differentiate their respective brands. Hopsy is an alternative distribution system through which customers can order fresh draft beer directly from local breweries and have it delivered right to their door. The beer is packaged in 32-ounce bottles that feature an OpenSense tag as part of the label.





Thinfilm and Maria&Donato Make Luxury Handbags Smart with NFC Technology

Thinfilm launched a partnership with Maria&Donato, a craftsman leather-goods manufacturer and provider of premium handbags. The two companies are incorporating Thinfilm's NFC SpeedTap™ tags into Maria&Donato's exclusive handbag collections to battle counterfeiting and address growing concerns of fraud within the broader luxury goods market. The OpenSense tags will also enable consumers to learn more about the brand and the product, and purchase limited-edition handbags online.

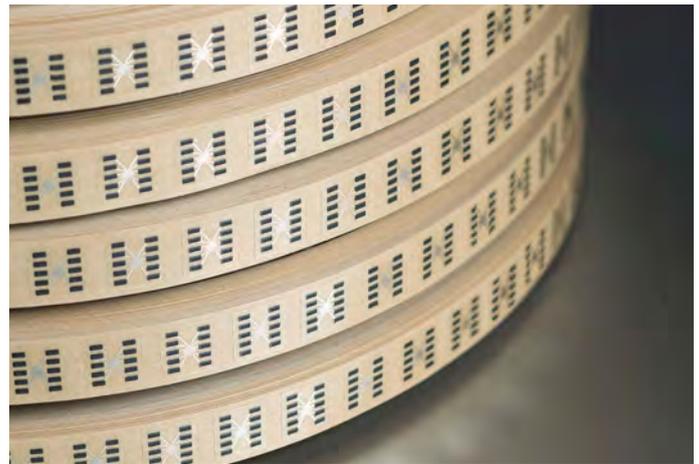
Progress on Lease of new North American Roll-Based-Printing Facility

Thinfilm plans to relocate its San Jose, California-based NFC Innovation Center and current US headquarters in H1 2017. The planned upgrade, which features a significantly larger manufacturing clean room, enables Thinfilm to support the Company's plans to scale current production and implement a high-volume roll-to-roll manufacturing line for Electronic Article Surveillance (EAS) by year-end 2017 and for transistor-based products in 2018 – including NFC OpenSense and NFC SpeedTap. Due diligence on the planned new facility is progressing, and completion of the transaction – including Thinfilm's long-term lease of the facility – is expected to conclude by the end of Q3.

Thinfilm is developing a custom roll-to-roll line for front-end production of its core products which, when fully built out, would enable the front-end manufacture of up to five billion NFC and 1.5 billion EAS labels annually. Vendor selection for all nine process modules is nearly complete, and detailed specifications necessary for placing equipment orders are in process. Equipment purchases are expected to begin in the third quarter, pending definitive agreement on the proposed new facility and completion of negotiations with selected vendors, subject to capital availability and customer traction.

Thinfilm Strengthens Leadership with Key Hires in Sales, Finance, and Software

Thinfilm added experience and leadership to its senior management team with the hiring of three executives – Tauseef Bashir as EVP Global Sales, Ole Ronny Thorsnes as CFO, and Christian Delay as SVP Strategic Marketing & GM Software Platforms. Mr. Bashir was most recently Chief Sales Officer with Amazon.com, and has held senior positions with a number of leading firms, including FAST (Microsoft), Autonomy, Inc. (HP), and Ramp, Inc. (Cxense). He replaces Kai Leppänen, who left Thinfilm to pursue other interests. Mr. Thorsnes was Vice President, Mergers & Acquisitions, Orkla ASA, before joining Thinfilm and previously served as a senior associate at McKinsey & Company. He will join the Company later this year and replaces John Afzelius-Jenevall, who left the Company for personal reasons. Mr. Delay joined Thinfilm from the Ask Partner Network (an IAC company) where he was responsible for the strategy and growth of APN's Mobile business. Prior to APN, Mr. Delay held senior positions at Opera Software, Obopay, Yahoo and Infospace. In related news, Erwan Le Roy was promoted to EVP Business Development & GM NFC Solutions and Smart Sensor Products, while Bill Cummings was promoted to SVP Corporate Communications and added to the management team.



Xerox Demonstrates Printed Memory Product Featuring Thinfilm Technology at Drupa

Xerox demonstrated its Xerox® Printed Memory product at Drupa, the world's largest printing equipment exhibition. The event ran from May 31 through June 10 and took place in Düsseldorf, Germany. Xerox® Printed Memory addresses brand protection needs across a range of industries, particularly pharmaceuticals, government, and other verticals concerned with gray market sales, counterfeiting and supply-chain integrity. The labels are also an effective solution for the "smart consumable" space and provide the ability to protect and increase the revenue of product refills. In January of 2015, Xerox licensed Thinfilm's proprietary technology to manufacture Xerox® Printed Memory – the only printed, rewritable memory commercially available today. Thinfilm completed the technology transfer to Xerox in the first quarter of 2016.



Shows and Events

April 13-14 / Luxe Pack Shanghai / Shanghai, China

Luxe Pack is dedicated to creative packaging and targets high quality content and contacts. At this event, Thinfilm shared exhibition space with CymMetrik and demonstrated NFC use cases in pharmaceuticals, cosmetics, and wine & spirits.

April 21-23 / Shanghai International Anti-Counterfeiting Technology Exhibition & Summit / Shanghai, China

Thinfilm shared exhibition space with An Xun Ben (AXB) and i-Sprint Innovations and demonstrated our NFC product authentication technology.

April 27-28 / Printed Electronics Europe / Berlin, Germany

The international exhibition, with more than 170 exhibitors, covers all technologies throughout the printed electronics supply chain and across all major component types. Thinfilm exhibited and Torbjorn Eriksson presented “Shaping the Future of Smart Packaging.”

May 10-11 / MMA Mobile Marketing Leadership Forum / New York City, New York, USA

This event is for marketers who want to build their own mobile capabilities and the capabilities of their brand. Patty Britton presented “Bringing the Power of Digital Marketing to the Physical World.”

May 11-12 / Luxe Pack New York / New York City, New York, USA

LuxePack provides an opportunity to access the Beauty, Fashion & Accessories, Personal Care, Wine & Spirits, Gourmet Food, and Consumer Goods markets. Thinfilm exhibited at this show and Patty Britton presented “Dynamic Consumer Engagement and Mobile Marketing for Premium Brands: How Your Packaging Can Be Smart, Chic, and Successful with Consumers.”

May 18-20 / Craft Beverage Expo / Oakland, California, USA

The exhibition was an opportunity to engage with decision makers from boutique wineries, craft beer firms, and craft spirits companies. Thinfilm exhibited at this event and was a sponsor. Thinfilm’s partnership with Hopsy was announced and our integrated NFC solution for Hopsy was demonstrated.

June 9 / FutureShop 2016 Chicago / Chicago, Illinois, USA

This was an invitation-only event hosted by Leo Burnett / Arc Worldwide. Thinfilm, one of 20 companies that exhibited, demonstrated its NFC solutions to existing Leo Burnett / Arc clients.

June 14-16 / Medical Design & Manufacturing / New York City, New York, USA

MD&M East is a comprehensive advanced manufacturing show covering every aspect of the end-to-end product development process. Patty Britton presented “Case Study: Field Notes from Expeditions in Printed Electronics & Wireless Tagging for Packaging” and participated in a panel discussion titled “Macro Trends in Digital Technology + Human Factors: Combining Sensors, Apps & Behavioral Science to Design for Emerging Markets.”

June 29-July 1 / Mobile World Congress Shanghai / Shanghai, China

The theme of this show was “Mobile is Me.” Thinfilm was a bronze sponsor in the Innovation City Pavilion, and showcased NFC solutions to demonstrate how mobile connectivity improves the lives of people at home and work.

June 30 / FutureShop 2016 London / London, England

This was an invitation only event hosted by Leo Burnett / Arc Worldwide. Leading retail experts met with innovative suppliers to discuss emerging and disruptive technologies for the consumer shopping market. Thinfilm exhibited and Bill Cummings presented “The Convergence of Digital and Physical.”

Thinfilm Product Families

NFC SpeedTap™: NFC SpeedTap is a wireless tag that combines the instant interactivity of Near Field Communication (NFC) with the advantages of printed electronics technology. NFC SpeedTap enables smartphones to communicate with 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 with intelligent labels that feature memory, displays, logic, sensing capabilities, and wireless communication. The labels can sense distinct phenomena (e.g., temperature excursion) and store data for 80% to 90% less than the cost of conventional electronics.

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 that can be incorporated into products at the point of manufacture. These next-generation labels are compatible with the global base of installed 8.2MHz RF EAS infrastructure.

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. This product is also sold by Xerox as Xerox® Printed Memory.

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. This product is also sold by Xerox as Xerox® Printed Memory.



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 30 June 2016

In the first half of 2016, Thinfilm booked initial revenue resulting from the partnership with the announced global pharmaceutical company, after the project had been kicked-off. The activities relating to the ramp of PDPS production and investments in machinery at the San Jose as well as in the back-end in Asia site remained high during the period.

Profit and Loss

Thinfilm's revenue and other income in the first six months of 2016 amounted to USD 1,997 thousand, a 13 per cent increase compared to the same period in 2015 (H1 2015: USD 1,775 thousand). Excluding the other income recognized in the period, total revenue was USD 1,787 thousand, an increase of USD 184 thousand, or 11%, compared to the preceding year (H1 2015: USD 1,603 thousand). Sales revenue amounted to USD 747 thousand in H1 2016, compared to USD 731 thousand in H1 2015, and was largely related to product development projects, delivery of prototypes and products to strategic customers and partners, technology transfer revenue as well as product deliveries. The increase in sales revenue, year on year, is primarily due to the kick off of a Joint Development Agreement (JDA) with the announced global pharmaceutical company. The increase in JDA revenue was offset by decreased EAS product sales during the same period. Revenue related to government grants and other funded projects amounted to USD 1,040 thousand in the first half of 2016 (H1 2015: USD 872 thousand). The 19% increase is largely explained by new funded projects and higher activity in existing projects in the first six months of 2016 as compared to the first half of 2015. Other income amounted to USD 210 thousand in the first half of 2016 (H1 2015: 172 thousand) and was entirely related to sublease income from the San Jose site. Sales revenue in the second quarter of 2016 amounted to USD 597 thousand, a 25% increase compared to the same period in 2015 (Q2 2015: 478 thousand). Other operating revenue in Q2 2016 amounted to USD 483 thousand, slightly lower than in the corresponding period last year (Q2 2015: USD 492 thousand). Other income in the second quarter of 2016 was USD 105 thousand (Q2 2015: USD 107 thousand).

Operating costs (excluding depreciation and amortization charges) amounted to USD 19,787 thousand in the first six months of 2016, including the cost of share-based compensation of USD 599 thousand. The corresponding figure in H1 2015 was USD 14,880 thousand and USD 393 thousand respectively. The increase in operating costs in the first half of 2016, compared to the same period in 2015 was USD 5,061 thousand, primarily attributable to:

1) USD 2,041 thousand higher costs for premises and supplies, mainly since the costs for manufacturing supplies and equipment maintenance were higher than a year ago. Production activities increased significantly towards the end of 2015, particularly at The NFC Innovation Centre, in San Jose, which is a front-end production facility, 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. The activity level was similarly high as in the previous two quarters.

2) USD 1,773 thousand higher payroll costs, mainly due to i) a shift in number of employees located in US versus Sweden. US employees generally command higher compensation compared with Swedish employees thus creating an increase in labor costs and ii) an overall increase in number of global employees to 114 as of June 30, 2016 compared 106 one year earlier. 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 scale back of organic transistor development as well as Xerox assuming responsibility for volume production of Thinfilm Memory™.

While resources allocated to production related activities are increasing markedly, Thinfilm still uses a significant share of its resources on R&D activities. In the first six months of 2016 some USD 7,916 thousand were spent developing e.g. printed batteries, displays and roll-to-roll printing processes. The corresponding amount for the first six months of 2015 was USD 4,084 thousand.

Investments in fixed and intangible assets amounted to USD 3,086 thousand in H1 2016, compared to USD 2,238 thousand in H1 2015. The investments in the first half were mainly related to equipment and tools for the Printed Dopant Poly Silicon (PDPS) line as well as improvements to the San Jose site. Depreciation and amortization in the first six months of 2016 amounted to USD 1,236 thousand (H1 2015: USD 652 thousand). Net financial items in H1 2016 amounted to a loss of USD 1,421 thousand (H1 2015: USD 113 thousand gain), and were mainly related to currency variations. The company operates at a loss and there is a tax loss carry forward position in the parent company and in the Swedish subsidiary. While local taxes are incurred in some of the subsidiaries, the parent company in Norway has not incurred any tax costs in 2016 or the prior year. The company has not recognized any deferred tax assets in its balance sheet relating to these tax loss carry forward positions, because this potential asset does not yet qualify for inclusion. The net result in the first half of 2016 was a loss of USD 20,747 thousand, corresponding to a basic loss per share of USD 0.03. In H1 2015, the loss amounted to USD 13,643 thousand, corresponding to a basic loss per share of USD 0.03.

Cash Flow

The group's cash balance increased by USD 20,869 thousand in the first six months of 2016 (compared to an increase of USD 5,437 thousand in H1 2015). The increase in cash balance is explained by three principal elements: 1) an outflow of USD 17,770 thousand from operating activities, 2) a USD 3,082 thousand outflow from investing activities and 3) a USD 41,546 thousand inflow from financing activities, primarily as a result of the issuance of shares to Woodford Investment Management. The cash balance on 30 June 2016 amounted to USD 36,809 thousand, while cash net of receivables and payables amounted to USD 34,845 thousand. The cash balance on 30 June 2015 amounted to USD 36,291 thousand, while cash net of receivables and payables amounted to USD 33,684 thousand.

Balance Sheet

The Company's balance sheet is comprised of fixed & intangible assets, cash, receivables, payables & accruals, and equity. Fixed assets on 30 June 2016 amounted to USD 9,003 thousand and stem from machinery and equipment in San Jose, California, and Linköping, Sweden. In addition, USD 2,907 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

ThinFilm is exposed to various risks of a financial and operational nature. 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:

- (i) Many of the emerging markets that ThinFilm targets, as well as the markets it intends to pursue are still immature, and there is a potential risk of delays in the timing of sales.
- (ii) To some extent, ThinFilm is dependent on continued collaboration with technology, material, and manufacturing partners.
- (iii) Product-development risks related to cost-functionality competitiveness of the products ThinFilm is developing.
- (iv) Long-term funding risk, as the Company is not yet cash generative and there is uncertainty tied to the generation of future cash flow.

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 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, depends on the Company's ability to attract and retain competent staff and the adequacy of ThinFilm's patenting and other IP-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 for the rest of 2016 and well into 2017.

On 30 June 2016, the equity amounted to USD 47,176 thousand, representing 91% of the gross balance sheet and 389% 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 one 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 working group. (<http://www.smartcardalliance.org/nfc-expands-beyond-paymentsmakes-big-impacts-acrossindustries-with-handsets-in-the-market-reaching-1-billion/>).

In Q1 2016, ThinFilm completed technology transfer of its printed memory IP to Xerox, including process knowledge and testing

technology. This transfer enabled Xerox to start manufacturing which, in turn, is expected to lead to royalty payments to ThinFilm. ThinFilm began mass-production of wireless tags for electronic article surveillance (EAS), shipping over 10M units during 2015, and completing the original 13 million order in H1 2016. The Company has submitted quotations for higher-volume orders to Nedap, our system integration partner. ThinFilm announced the launch of NFC wireless products in Q1 2015, with pilot deliveries of NFC OpenSense™ labels to lead customers in several verticals, including wines, spirits, and medical products starting in Q4 2015. In early 2016, ThinFilm strengthened its go-to-market channels by creating a preferred converter program. In the first half of 2016, building on the traction with Ypsomed, ThinFilm also partnered with a global pharmaceutical firm and announced customers in additional verticals. During the remainder of 2016, we expect these new partnerships to provide new market opportunities for ThinFilm's products.

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 products. 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 2016. 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, and ThinFilm plans to relocate its San Jose, California-based NFC Innovation Center and current US headquarters in H1 2017. The planned upgrade, which features a significantly larger manufacturing clean room, enables ThinFilm to support the Company's plans to scale current production and implement a high-volume roll-to-roll manufacturing line for EAS (electronic article surveillance) by year-end 2017 and for transistor-based products in 2018 – including NFC OpenSense and NFC SpeedTap. Due diligence on the planned new facility is progressing, and completion of the transaction – including ThinFilm's long-term lease of the facility – is expected to conclude by end-Q3. By accelerating the transition to roll-to-roll printed electronics manufacturing through capex investment, ThinFilm expects to be prepared to support up to a billion-unit annual production volume in 2018. In parallel, the Company 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 30 June 2016 (Unaudited)

Consolidated statements of comprehensive income

<i>Amounts in USD 1000</i>	Note	1 April - 30 June 2016	1 April - 30 June 2015	1 January - 30 June 2016	1 January - 30 June 2015	1 January - 31 December 2015
Sales revenue		597	478	747	731	2 214
Other operating revenue		483	492	1 040	872	1 791
Other income		105	107	210	172	408
Total revenue & other income		1 186	1 077	1 997	1 775	4 413
Operating costs	9,10	(10 558)	(7 738)	(19 787)	(14 880)	(34 664)
Depreciation and amortization	3, 4	(684)	(308)	(1 236)	(652)	(1 537)
Operating profit (loss)		(10 057)	(6 969)	(19 026)	(13 757)	(31 788)
Net financial items		(454)	53	(1 421)	113	2 406
Profit (loss) before income tax		(10 510)	(6 916)	(20 447)	(13 643)	(29 382)
Income tax expense		(1)	-	(300)	-	-
Profit (loss) for the period		(10 511)	(6 916)	(20 747)	(13 643)	(29 382)
Profit (loss) attributable to owners of the parent		(10 511)	(6 916)	(20 747)	(13 643)	(29 382)
Profit (loss) per share basic and diluted	6	(USD 0.02)	(USD 0.01)	(USD 0.03)	(USD 0.03)	(USD 0.05)
Profit (loss) for the period		(10 511)	(6 916)	(20 747)	(13 643)	(29 382)
Other Comprehensive Income						
Currency translation		94	251	1 167	(2 226)	(5 162)
Total comprehensive income for the period, net of tax		(10 417)	(6 665)	(19 580)	(15 869)	(34 544)

Consolidated statements of financial position

<i>Amounts in USD 1000</i>	Note	30 June 2016	30 June 2015	31 December 2015
ASSETS	7			
Non-current assets				
Property, plant, and equipment	3	9 003	5 426	7 788
Intangible assets	4	2 907	2 584	2 602
Total non-current assets		11 910	8 010	10 390
Current assets				
Inventory		421	699	367
Trade and other receivables	8	2 776	3 071	3 118
Cash and cash equivalents		36 809	36 291	15 940
Total current assets		40 006	40 061	19 425
TOTAL ASSETS		51 916	48 071	29 815
EQUITY AND LIABILITIES				
Equity				
Ordinary shares	5	12 119	10 464	10 466
Other paid-in equity		160 560	119 023	119 949
Currency translation		(13 748)	(11 825)	(14 761)
Retained earnings		(111 755)	(75 269)	(91 008)
Total equity		47 176	42 393	24 645
Liabilities	7			
Trade and other payables		4 740	5 678	5 170
Total liabilities		4 740	5 678	5 170
TOTAL EQUITY AND LIABILITIES		51 916	48 071	29 815

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		10 466	119 950	(14 761)	(91 008)	24 645
Share issues		1 653	39 892			41 546
Share based compensation			718			718
Comprehensive income				1 013	(20 747)	(19 734)
Balance at 30 June 2016		12 119	160 560	(13 748)	(111 755)	47 176
Balance at 1 January 2015		9 898	97 637	(9 599)	(61 626)	36 310
Share issues		566	20 566			21 132
Share based compensation			820			820
Comprehensive income				(2 226)	(13 643)	(15 869)
Balance at 30 June 2015		10 464	119 023	(11 825)	(75 269)	42 393
Balance at 1 January 2015		9 898	97 637	(9 599)	(61 626)	36 311
Share issues		568	20 563			21 131
Share based compensation			1 750			1 750
Comprehensive income				(5 162)	(29 382)	(34 544)
Balance at 31 December 2015		10 466	119 949	(14 761)	(91 008)	24 645

Consolidated cash flow statements

<i>Amounts in USD 1000</i>	Note	1 April - 30 June 2016	1 April - 30 June 2015	1 January - 30 June 2016	1 January - 30 June 2015	1 January - 31 December 2015
CASH FLOW FROM OPERATING ACTIVITIES						
Operating profit (loss)		(10 057)	(6 969)	(19 026)	(13 757)	(31 788)
Share-based payment	5	436	395	718	820	1 707
Depreciation and amortization		684	308	1 236	652	1 537
Write down inventory and machinery		278	-	278	-	319
Loss on sale of fixed assets	3, 4	-	(2)	(1)	(2)	130
Taxes paid for the period		(110)	-	(110)	-	-
Changes in working capital and non-cash items		(2 749)	(549)	(865)	176	2 060
Net cash from operating activities		(11 517)	(6 817)	(17 770)	(12 111)	(26 036)
CASH FLOW FROM INVESTING ACTIVITIES						
Purchase of property, plant, and equipment	3	(945)	(1 055)	(2 645)	(1 497)	(4 809)
Purchases of intangible assets		(363)	(674)	(425)	(674)	(799)
Capitalized development expenses	4	(4)	(30)	(16)	(68)	(112)
Proceeds from sale of fixed assets		-	125	1	125	170
Interest received		-	45	3	131	146
Net cash from investing activities		(1 311)	(1 589)	(3 082)	(1 983)	(5 404)
CASH FLOW FROM FINANCING ACTIVITIES						
Proceeds from issuance of shares	5	596	20 342	41 546	21 132	21 130
Net cash from financing activities		596	20 342	41 546	21 132	21 130
Currency translation effects on cash and bank deposits		(80)	813	175	(1 602)	(4 603)
Net increase (decrease) in cash and bank deposits		(12 312)	12 749	20 869	5 437	(14 913)
Cash and bank deposits at the beginning of the period		49 122	23 542	15 940	30 854	30 854
CASH AND BANK DEPOSITS AT THE END OF THE PERIOD		36 809	36 291	36 809	36 291	15 940

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 HK was incorporated in Hong Kong during July 2015 and similarly Thinfilm KK was incorporated in Japan during January 2013. 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 HK is held 100% and has been consolidated since 1 August 2015. Thinfilm KK is held 100% and was consolidated from 1 February 2013 until 31 December 2015, at which point all activity in the legal entity had ceased. The accounting year corresponds to the calendar year.

The objectives of the Company shall be the commercialization, research, development and production of technology and products related to printed electronics components and smart systems. These objectives may be carried out in full internally, or in whole or in part externally through collaborative efforts with one or more of the Company’s ecosystem partners.

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 half of 2016 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 2015. The IFRS accounting policies applied in this condensed consolidated interim financial report are in all materiality consistent with those applied and described in the consolidated annual financial statements for 2015.

Following the continued scaling up of activities at our US site, the company performed an assessment of the requirements in IAS 21 regarding functional currency and concluded that the functional currency of the parent company has changed from NOK to USD with effect from 1 April 2016. This change is a consequence of the fact that revenue and cost for the parent company is increasingly USD denominated, a trend that is expected to continue going forward. The effect of the change in functional currency is that all non-monetary items are translated to USD at the rate as of 1 April 2016, which was NOK/USD 8,27, establishing a new historical cost base. Monetary items are revalued at the rate on each balance sheet date.

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

This consolidated interim financial report has not been subject to audit. The report was resolved by the Board of Directors on 11 August 2016.

Note 3 - Property, plant, and equipment

<i>Amounts in USD 1000</i>	Tangible assets
Six months ended 30 June 2016	
Net value on 1 January 2016	7 788
Additions	2 645
Disposals	(277)
Exchange differences	(20)
Depreciation	(1 132)
Net book value on 30 June 2016	9 003
Six months ended 30 June 2015	
Net value on 1 January 2015	4 870
Additions	1 497
Disposals	(123)
Exchange differences	(222)
Depreciation	(595)
Net book value on 30 June 2015	5 426
Year ended 31 December 2015	
Net book 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

Note 4 - Intangible Assets

<i>Amounts in USD 1000</i>	Intangible assets
Six months ended 30 June 2016	
Net value on 1 January 2016	2 602
Additions	441
Exchange differences	(33)
Amortization	(103)
Net book value on 30 June 2016	2 907
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

Note 5 - Shares, warrants and subscription rights

<i>Number of shares</i>	Number of shares
Shares at 1 January 2016	555 374 857
Share issue to employees, 25 February	837 500
Private Placement Woodford Investment Management, February 19	120 000 000
Share issue board remuneration, 11 May	59 260
Share issue to employees, 11 May	3 675 000
Shares at 30 June 2016	679 946 617
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

<i>Number of warrants and subscription rights</i>	1 January - 30 June 2016	1 January - 30 June 2015	1 January - 31 December 2015
Warrants and subscription rights opening balance	83 977 326	62 727 500	62 727 500
Grant of incentive subscription rights	1 845 000	1 828 000	12 208 000
Terminated, forfeited, and expired subscription rights	(2 355 000)	(868 000)	(2 063 000)
Exercise of subscription rights	(4 512 500)	(5 787 500)	(5 912 500)
Allotment of warrants	40 000 000	-	17 017 326
Exercise and expiry of warrants	-	-	-
Warrants and subscription rights closing balance	118 954 826	57 900 000	83 977 326

Note 6 - Profit (loss) per share

	1 January - 30 June 2016	1 January - 30 June 2015	1 January - 31 December 2015
Profit (loss) attributable to shareholders (USD 1000)	(20 747)	(13 643)	(29 382)
Weighted average basic number of shares in issue	626 870 670	520 525 122	538 043 824
Weighted average diluted number of shares	630 362 138	533 614 059	544 894 567
Profit (loss) per share, basic	(USD 0.03)	(USD 0.03)	(USD 0.05)

When the period result is a loss, the loss per share shall not be calculated using the higher diluted number of shares, but rather calculated using the 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 30 June 2016, trade and other receivables amounted to USD 2,776 thousand. The components of this balance are accounts receivables USD 918 thousand, receivables from grants USD 1,140 thousand, VAT-related receivables USD 132 thousand, and pre-payments to suppliers USD 586 thousand.

Note 9 - Related party transactions

In the period 1 January - 30 June 2016, Thinfilm has recorded USD 122 thousand (net of VAT) for legal services provided by law firm Ræder, in which Thinfilm's Chairman is a partner.

In the same period, the Company has recorded USD 869 thousand (net of VAT) for services provided by Charles Street International Ltd., a shareholder of Thinfilm, who assisted Thinfilm with the implementation of the private placement to Woodford Investment Management on February 19, 2016.

Also, in the same period, PARC, a shareholder of Thinfilm, supplied the Company with services, licenses, and materials for a value of USD 40 thousand (net of VAT).

Note 10 - Operating costs

<i>Amounts in USD 1000</i>	1 January - 30 June 2016	1 January - 30 June 2015	1 January - 31 December 2015
Payroll	9 794	8 021	16 663
Share based remuneration	599	393	1 064
Services	2 197	1 689	5 135
Premises, supplies	4 986	2 945	7 562
Sales and marketing	1 592	1 382	2 774
Other expenses	619	450	1 466
Total operating costs	19 787	14 880	34 664

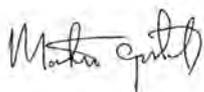
Note 11 - Events occurring after the balance sheet date

In the Board meeting on 11 August 2016, the Board resolved to grant a total of 2,020,000 Employee Subscription Rights to new employees of the Company, each with an exercise price of NOK 5.05.

Responsibility Statement

We confirm that, to the best of our knowledge, the enclosed condensed set of financial statements for the first half year of 2016, which has been prepared in accordance with IAS 34 Interim Financial Statements, gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

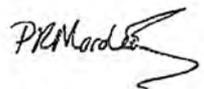
The Board of Directors of Thin Film Electronics ASA. Linköping, Sweden 11 August 2016.



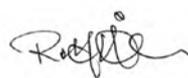
Morten Opstad
Chairman



Tor Mesøy
Board Member



Preeti Mardia
Board Member



Rolf Åberg
Board Member



Rita Glenne
Board Member



Davor Sutija
CEO