Interim Report and Financial Statements

First Quarter 2016

Contents

Contact

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

Highlights

- Thinfilm Receives NFC Product Order from Fortune 500 Customer in New Vertical Market, Announces Go-to-Market Partnership and Woodford $42M Investment
- Thinfilm Signs Term Sheet to Lease Expanded Fabrication Facility
- Transfer of Thinfilm Memory™ Technology to Xerox Completed
- Thinfilm Advances Roll-to-Roll Manufacturing Initiative for Scaled Production
- Thinfilm Delivers First Shipment of NFC OpenSense™ Tags to Jones Packaging

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

The first quarter of 2016 saw an increase of activity in sales and business development, including NFC product orders and the execution of several notable partnership and collaboration agreements. The Company also announced a USD 42 million investment in Thinfilm via private placement by Woodford Investment Management. The capital infusion enables Thinfilm to scale its NFC Solutions and EAS products, and also provides the funding required to bring temperature-sensor smart labels to market.

In addition, the Thinfilm sales team generated product-related wins during the first quarter. The first was an order for NFC SpeedTap™ tags from a leading global FMCG (fast moving consumer goods) provider. The Fortune 500 client has a total annual sales volume of several billion units. The second involved the leading Spanish winemaker, Barbadillo, who unveiled rare sherry protected by NFC OpenSense™ technology. The unique "smart bottle," which was introduced at Mobile World Congress in Barcelona and launched by Barbadillo at a private event, is now available in commercial markets. Business development activity also included entering into key partnerships with Leo Burnett / Arc Worldwide (digital activation/ shopper marketing), Constantia Flexibles (flexible packaging for beverages), Tata Consultancy Services (retail technology solutions), and SmartSign (authentication technology solutions in Southeast Asia).

From a manufacturing standpoint, Thinfilm completed the initial planning and development stages for a roll-to-roll line designed to scale the production of its core products. Equipment purchases are expected to begin in the third quarter. The Company also continues to build out an assembly pilot-line in its San Jose facility for prototype development and small-volume production for field trials. During the quarter, Thinfilm completed the transfer of its Thinfilm Memory™ technology to Xerox.

NFC Product Orders, New Partnerships, $42M Woodford Investment

Thinfilm began the new year with several key announcements related to products, partnerships, and external investment in the Company.

In February, Thinfilm announced that Spanish winemaker, Barbadillo, had unveiled an exclusive release of rare sherry in "smart bottles" protected by Thinfilm's NFC OpenSense technology. The Company also received a 5-figure unit order for NFC SpeedTap tags from a leading global FMCG (fast moving consumer goods) company with a total annual sales volume of several billion units.

During the quarter, the Company formalized partnerships with a number of firms across a range of vertical markets and disciplines. The firms include Leo Burnett / Arc Worldwide (digital activation and shopper marketing), Constantia Flexibles (flexible packaging for beverages), Tata Consultancy Services (retail technology solutions), and SmartSign (digital security solutions in Southeast Asia).

Thinfilm also received a USD 42 million investment from Woodford Investment Management after the UK firm acquired 120,000,000 shares in a private placement.

Thinfilm to Lease Expanded Fabrication Facility

Thinfilm has signed a term sheet - subject to completion of due diligence - to lease a new, enlarged production facility, and plans to relocate its San Jose, California-based NFC Innovation Center and current US headquarters in early 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 by year-end 2017 and for transistor-based products in 2018 – including NFC OpenSense and NFC SpeedTap. Equipment purchases are expected to commence in Q3, subject to vendor selection and volume demand. The lease is expected to be finalized by July 2016.

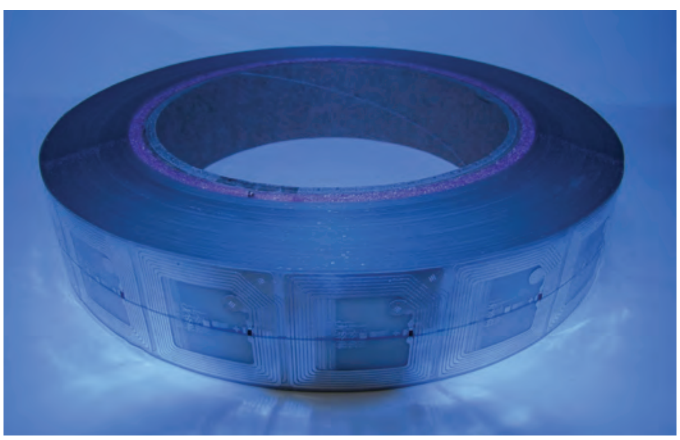
Transfer of Thinfilm Memory™ Technology to Xerox Completed

Thinfilm has completed the transfer of its Thinfilm Memory technology to Xerox. Over the past several months, a dedicated Thinfilm team has worked closely with Xerox on a number of critical components – including process transfer, system testing, and quality assurance – to ensure the successful completion of the initiative. Thinfilm continues to provide Xerox with FAE (field application engineer) support and assist with business development efforts.

Thinfilm licensed its Thinfilm Memory™ technology to Xerox in January 2015, and Xerox has modified a line in one of its plants in upstate New York to accommodate mass production of the labels.

Thinfilm Advances Roll-to-Roll Manufacturing Initiative for Scaled Production of Core Products

As part of its strategy to enhance production of its printed NFC chips, ramp up its overall manufacturing capabilities, and meet ongoing customer demands, Thinfilm is developing a custom roll-to-roll line for use with its core products. Following comprehensive vendor research, the list of potential candidates has been narrowed. The identification of process steps and equipment specifications has progressed substantially, and vendor selection is ongoing. Capacity data and other related metrics will be communicated after thorough engineering work on the roll-to-roll line has been completed, and after the final lease agreement is signed.



Thinfilm Delivers First Shipment of NFC OpenSense™ Tags to Jones Packaging

Thinfilm delivered an initial shipment of NFC OpenSense tags to Jones Packaging, a world-class provider of premier packaging solutions for healthcare and consumer brands, for testing purposes. Jones is working closely with Thinfilm to integrate NFC OpenSense technology into paperboard pharma packaging that houses prescription and over-the-counter medications, and establish key manufacturing processes for production on its high-speed lines. The partners are engaging leading global pharmaceutical companies to integrate the smart technology into product packaging and deliver the solution to market.

Shows and Events

Feb 2-4, InformEx, New Orleans, LA
Patty Britton, Thinfilm's VP of Sales & Business Development for the Americas, participated in a panel discussion and a product showcase at this event.

Feb 22-25, Mobile World Congress, Barcelona, Spain
Thinfilm participated as an exhibitor in the Innovation Norway Pavilion, and Davor Sutija, Thinfilm's CEO, joined an industry panel discussion titled "Retail: Convergence of Digital and Physical".

Mar 13-15, ProWein, Düsseldorf, Germany
Thinfilm participated as an exhibitor.

Mar 17, Whiskies & Spirits Summit, London, UK
Thinfilm participated as an exhibitor and Osmo Korri, Director of Sales, EMEA, moderated a panel discussion titled "Premiumization in Spirits".

Thinfilm Product Families

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

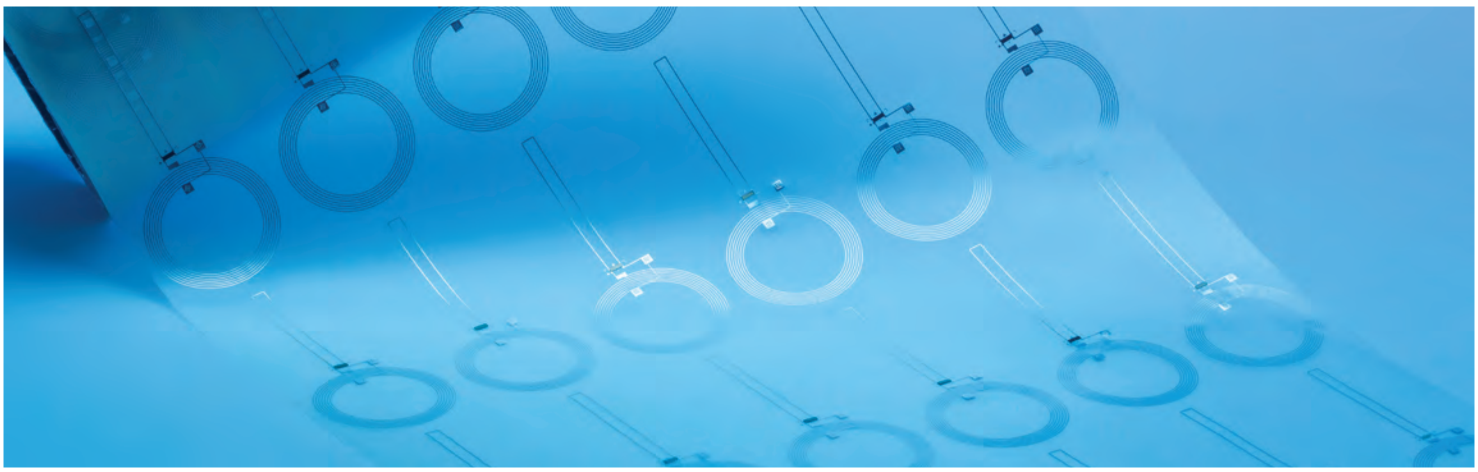
Thinfilm Memory for Brand Protection Solution: Thinfilm Memory labels for Brand Protection is a two-part system that can help manufacturers protect their brands from counterfeiting and grey-market activity. It consists of adhesive labels that generate a distinct forensic electrical signature. A Thinfilm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

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

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



About Thinfilm

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

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

Condensed Consolidated Financial Report as of 31 March 2016

During the first three months of 2016, Thinfilm continued to ramp PDPS production and invest in machinery. Activity at the two main sites remained high, particularly at the site in San Jose, USA. A private placement to Woodford Investment Management of USD 42 million in gross proceeds significantly strengthened the balance sheet.

Profit and Loss

Thinfilm's revenue and other income in the first quarter of 2016 amounted to USD 811 thousand, a 16 per cent increase compared to the same quarter in 2015 (Q1 2015: USD 698 thousand). Excluding the other income recognized in the period, total revenue was USD 707 thousand, an increase of USD 74 thousand, or 12%, compared to the preceding year (Q1 2015: USD 633 thousand). Sales revenue amounted to USD 150 thousand in Q1 2016, compared to USD 253 thousand in Q1 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 decrease in sales revenue year-on-year is primarily a result of lower product revenue as no EAS deliveries were made during the quarter. Revenue related to government grants and other funded projects amounted to USD 557 thousand in the first quarter of 2016 (Q1 2015: USD 380 thousand). The 47% increase is largely explained by new funded projects and higher activity in existing projects in early 2016 as compared to Q1 2015. Other income amounted to USD 104 thousand in the first quarter of 2016 (Q1 2015: 65 thousand) and was almost entirely related to sublease income from the San Jose site.

Operating costs (excluding depreciation and amortization charges) amounted to USD 9,229 thousand in the first three months of 2016, including the cost of share-based compensation of USD 186 thousand. The corresponding figure in Q1 2015 was USD 7,142 thousand. The increase in operating costs in the first quarter of 2016, compared to the same period in 2015 was USD 1,947 thousand, primarily attributable to:

1) USD 1,091 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 in the fourth quarter of 2015, and quarter-on-quarter the costs for premises and supplies were some 8% lower in Q1 2016.

2) USD 424 thousand higher payroll costs, as the number of full-time employees increased from 94 at the end of March 2015 to 104 one year later. This increase is a result of a strengthening of the organisation, primarily in the US, as the focus has shifted from development to production. The number of employees in Linköping was reduced due to the scale back of organic transistors development as well as Xerox assuming responsibility for volume production of Thinfilm Memory™.

3) In addition, the cost for sales and marketing expenses increased by USD 234 thousand. The increase was driven mainly by the increased activity level of the sales team globally.

The USD 186 thousand cost of share-based compensation in the first three months of 2016 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 31 March compared to 1 January and the 25 February exercise. The effect of this was a negative cost of some USD 96 thousand. (ii) Outstanding Employee Subscription Rights and SRs granted during the quarter added some USD 282 thousand to the share-based remuneration cost.

While resources allocated to production related activities are increasing markedly, Thinfilm still uses a significant share of its resources on R&D activities. In Q1 2016 some USD 2,650 thousand were spent developing e.g. printed batteries, displays and roll-to-roll printing processes. The corresponding amount for Q1 2015 was USD 1,438 thousand.

Investments in fixed and intangible assets amounted to USD 1,774 thousand in Q1 2016, compared to USD 480 thousand in Q1 2015. The investments in the first quarter 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 three months of 2016 amounted to USD 552 thousand (Q1 2015: USD 344 thousand). Net financial items in Q1 2016 amounted to a loss of USD 967 thousand (Q1 2015: USD 60 thousand gain), and were mainly related to currency variations, in particular since the USD weakened 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 2016 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 quarter of 2016 was a loss of USD 10,236 thousand, corresponding to a basic loss per share of USD 0.02. In Q1 2015, the loss amounted to USD 6,728 thousand, corresponding to a basic loss per share of USD 0.01.

Cash Flow

The group's cash balance increased by USD 33,182 thousand in the first three months of 2016 (compared to a decrease of USD 7,314 thousand in Q1 2015). The increase in cash balance is explained by three principal elements: 1) an outflow of USD 6,253 thousand from operating activities, 2) a USD 1,771 thousand outflow from investing activities and 3) a USD 40,950 thousand inflow from financing activities, primarily as a result of the issuance of shares to Woodford Investment Management. The cash balance on 31 March 2016 amounted to USD 49,122 thousand, while cash net of receivables and payables amounted to USD 44,621 thousand. The cash balance on 31 March 2015 amounted to USD 23,542 thousand, while cash net of receivables and payables amounted to USD 21,047 thousand.

Balance Sheet

The Company's balance sheet is comprised of fixed & intangible assets, cash, receivables, payables & accruals, and equity. Fixed assets on 31 March 2016 amounted to USD 9,089 thousand and stem from machinery and equipment in San Jose, California, and Linköping, Sweden. In addition, USD 2,594 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 into 2017.

On 31 March 2016, the equity amounted to USD 56,713 thousand, representing 89% of the gross balance sheet and 470% 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-across-industries-with-handsets-inthe-market-reaching-1-billion/).

In the first quarter of 2016, Thinfilm completed the technology transfer to Xerox of its printed memory IP. This transfer enables Xerox to start manufacturing which, in turn, is expected to lead to royalty payments to Thinfilm. In 2015, Thinfilm began mass-production of wireless tags for electronic article surveillance, shipping over 10M units during 2015. The Company also launched 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 by partnering with global consultancies such as TCS and Arc Worldwide, a division of Leo Burnett. During the remainder of 2016, we expect these new partnerships to provide new market opportunities for Thinfilm's products. In addition, Thinfilm plans to build on the traction with Ypsomed, and pursue further opportunities in the pharmaceutical sector.

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. Initial engineering design for manufacturing equipment is now completed, and site selection for investment in production expansion is pending completion of factory site due diligence. 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 31 March 2016 (Unaudited)

Consolidated statements of comprehensive income				
Amounts in USD 1000	**Note**	**1 January - 31 March 2016**	**1 January - 31 March 2015**	**1 January - 31 December 2015**
Sales revenue		150	**253**	2 214
Other operating revenue		557	**380**	1 791
Other income		104	**65**	408
Total revenue & other income		811	**698**	4 413
Operating costs	9,10	(9 229)	**(7 142)**	(34 664)
Depreciation and amortization	3, 4	(552)	**(344)**	(1 537)
Operating profit (loss)		(8 970)	**(6 788)**	(31 788)
Net financial items		(967)	**60**	2 406
Profit (loss) before income tax		(9 937)	**(6 728)**	(29 382)
Income tax expense		299	**-**	-
Profit (loss) for the period		(10 236)	**(6 728)**	(29 382)
Profit (loss) attributable to owners of the parent		(10 236)	**(6 728)**	(29 382)
Profit (loss) per share basic and diluted	6	(USD 0.02)	**(USD 0.01)**	(USD 0.05)
Profit (loss) for the period		(10 236)	**(6 728)**	(29 382)
Other Comprehensive Income				
Currency translation		1 073	**(2 477)**	(5 162)
Total comprehensive income for the period, net of tax		(9 163)	**(9 205)**	(34 544)

Consolidated statements of financial position				
Amounts in USD 1000	**Note**	**31 March 2016**	**31 March 2015**	**31 December 2015**
ASSETS	7			
Non-current assets				
Property, plant, and equipment	3	**9 089**	4 644	**7 788**
Intangible assets	4	**2 594**	2 123	**2 602**
Total non-current assets		**11 683**	6 767	**10 390**
Current assets				
Inventory		**410**	507	**367**
Trade and other receivables	8	**2 571**	2 472	**3 118**
Cash and cash equivalents		**49 122**	23 542	**15 940**
Total current assets		**52 103**	26 521	**19 425**
TOTAL ASSETS		**63 786**	33 288	**29 815**
EQUITY AND LIABILITIES				
Equity				
Ordinary shares	5	**12 069**	9 980	**10 466**
Other paid-in equity		**159 578**	98 771	**119 949**
Currency translation		**(13 688)**	(12 076)	**(14 761)**
Retained earnings		**(101 244)**	(68 354)	**(91 008)**
Total equity		**56 713**	28 321	**24 645**
Liabilities	7			
Trade and other payables		**7 072**	4 967	**5 170**
Total liabilities		**7 072**	4 967	**5 170**
TOTAL EQUITY AND LIABILITIES		**63 786**	33 288	**29 815**

Consolidated statements of changes in equity						
Amounts in USD 1000	**Note**	**Share capital**	**Other paid-in equity**	**Currency translation**	**Retained earnings**	**Total**
Balance at 1 January 2016		10 466	119 950	(14 761)	(91 008)	24 645
Share issues		1 603	39 346			40 950
Share based compensation			282			282
Comprehensive income				1 073	(10 236)	(9 163)
Balance at 31 March 2016		**12 069**	**159 578**	**(13 688)**	**(101 244)**	**56 713**
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

Amounts in USD 1000	Note	1 January - 31 March 2016	1 January - 31 March 2015	1 January - 31 December 2015
CASH FLOW FROM OPERATING ACTIVITIES				
Operating profit (loss)		**(8 970)**	(6 788)	**(31 788)**
Share-based payment	5	**282**	425	**1 707**
Depreciation and amortization		**552**	344	**1 537**
Write down inventory		**-**	-	**319**
Loss on sale and disposals of fixed assets	3, 4	**(1)**	-	**130**
Changes in working capital and non-cash items		**1 885**	725	**2 060**
Net cash from (used on) operating activities		**(6 253)**	(5 294)	**(26 036)**
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant, and equipment	3	**(1 700)**	(442)	**(4 809)**
Purchases of intangible assets	4	**(63)**	-	**(799)**
Capitalized development expenses	4	**(12)**	(38)	**(112)**
Proceeds from sale of fixed assets		**1**	-	**170**
Interest received		**3**	86	**146**
Net cash from (used on) operating activities		**(1 771)**	(394)	**(5 404)**
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	5	**40 950**	790	**21 130**
Net cash from (used) on financing activities		**40 950**	790	**21 130**
Currency translation effects on cash and bank deposits		**255**	(2 415)	**(4 603)**
Net increase (decrease) in cash and bank deposits		**33 182**	(7 312)	**(14 913)**
Cash and bank deposits at the beginning of the period		**15 940**	30 854	**30 854**
CASH AND BANK DEPOSITS AT THE END OF THE PERIOD		**49 122**	23 542	**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 quarter 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.

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 9 May 2016.

Note 3 - Property, plant, and equipment

Amounts in USD 1000	**Tangible assets**
Three months ended 31 March 2016	
Net value on 1 January 2016	7 788
Additions	1 700
Disposals	-
Exchange differences	103
Depreciation	(502)
Net book value on 31 March 2016	9 089
Year ended 31 December 2015	
Net value on 1 January 2015	4 870
Additions	4 809
Disposals	(246)
Exchange differences	(317)
Depreciation	(1 328)
Net book value on 31 December 2015	7 788

Note 4 - Intangible Assets

Amounts in USD 1000	**Intangible assets**
Three months ended 31 March 2016	
Net value on 1 January 2016	2 602
Additions	75
Exchange differences	(32)
Amortization	(50)
Net book value on 31 March 2016	2 594
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

Number of shares	**Number of shares**
Shares at 1 January 2016	555 374 857
Share issure to employees, 25 February	837 500
Private Placement Woodford Investment Management, February 19	120 000 000
Shares at 31 March 2016	676 212 357
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

Number of warrants and subscription rights	**1 January - 31 March 2016**	**1 January - 31 March 2015**	**1 January - 31 December 2016**
Warrants and subscription rights opening balance	**83 977 326**	62 727 500	**62 727 500**
Grant of incentive subscription rights	**735 000**	1 118 000	**12 208 000**
Terminated, forfeited, and expired subscription rights	**(1 907 500)**	(315 000)	**(2 063 000)**
Exercise of subscription rights	**(837 500)**	(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	**121 967 326**	57 743 000	**83 977 326**

Note 6 - Profit (loss) per share

	1 January - 31 March 2016	**1 January - 31 March 2015**	**1 January - 31 December 2015**
Profit (loss) attributable to shareholders (USD 1000)	**(10 236)**	(6 728)	**(29 382)**
Weighted average basic number of shares in issue	**575 477 192**	517 224 713	**538 043 824**
Weighted average diluted number of shares	**578 889 625**	532 880 198	**544 894 567**
Profit (loss) per share, basic	**(USD 0.02)**	(USD 0.01)	**(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 31 March 2016, trade and other receivables amounted to USD 2,571 thousand. The components of this balance are accounts receivables USD 746 thousand, receivables from grants USD 940 thousand, VAT-related receivables USD 125 thousand, and pre-payments to suppliers USD 760 thousand.

Note 9 - Related party transactions

In the period 1 January - 31 March 2016, Thinfilm has recorded USD 153 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

Amounts in USD 1000	**1 January - 31 March 2016**	**1 January - 31 March 2015**	**1 January - 31 December 2015**
Payroll	**4 648**	4 224	**16 663**
Share based remuneration	**186**	41	**1 064**
Services	**945**	751	**5 135**
Premises, supplies	**2 479**	1 388	**7 562**
Sales and marketing	**866**	632	**2 774**
Other expenses	**106**	106	**1 466**
Total operating costs	**9 229**	7 142	**34 664**