THINFILM

Interim Report and Financial Statements

First Nine Months of **2016**

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Highlights

- Italian Olive Oil Brands Choose SpeedTap™ Tags to Authenticate Extra-Virgin Products
- Thinfilm and Sarine Use SpeedTap to Create Digital Identities for for Gem-quality Diamonds
- Thinfilm Secures State-of-the-Art Fabrication Facility in Silicon Valley to House New High-Volume, Roll-to-Roll Manufacturing Line
- Thinfilm Progresses with Expansion Plans in US and China, Doubling Sales Force During Q3
- Thinfilm and Jones Deliver Automated Application of NFC OpenSense™ Tags to Pharma Packaging on High-Speed Production Line
- Thinfilm Receives 2016 IoT Evolution Asset Tracking Award for NFC OpenSense

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Business Review

Since the Q2 2016 report published in August, Thinfilm has added two new vertical markets to the solutions it supports – gem-quality diamonds and premium extra-virgin olive oil. Thinfilm's partners are Sarine Technologies Ltd., a leading technology firm focused on the manufacture and marketing of diamonds and other precious gemstones, and iOlive, an award-winning app serving the needs of olive oil brands and consumers in Italy. Both customers are leveraging NFC SpeedTap™ tags to authenticate products, educate consumers, and increase sales.

Thinfilm laid the groundwork for scaling its future production of NFC products from millions of units monthly to potentially billions annually, effectively transitioning Thinfilm into a focused commercialization phase and positioning the Company to meet the high-volume demands of global consumer brands. The Company signed a 12-year lease on a modern and spacious fabrication facility in Silicon Valley. The new property, formerly owned by Qualcomm, has a state-of-the-art cleanroom and will house Thinfilm's new high-volume roll-to-roll manufacturing line. Roll-based processes will increase Thinfilm's front-end production capacity to five billion NFC OpenSense™ tags and NFC SpeedTap tags per year – the equivalent of over $600 million in potential annual revenue when the fab line is completed, qualified and filled.

As a result of growing interest among Asia-based brands in Thinfilm's NFC technology, particularly its SpeedTap and OpenSense tags, the Company has taken steps to expand its sales and business development operations. The expansion gives Thinfilm a valuable sales and business development presence in China, enables the Company to leverage local manufacturing support, and improves its overall ability to successfully conduct business in the APAC region.

Thinfilm is also working with RocketSpace to secure office space in downtown San Francisco that will serve as its software hub. The buildout of the Company's software solutions platform is steadily progressing, and the location will serve Thinfilm well as it looks to attract top-tier software talent and work with leading third-party services and integration partners.





Italian Olive Oil Brands Choose SpeedTap™ to Authenticate Products and Educate Consumers

Thinfilm is integrating its NFC SpeedTap tags in the packaging of premium Italian olive oil brands to enable product authentication, enhance consumer engagement, and fuel online sales. The growers include Buonamici, La Ranocchiaia, SPO, and Il Cavallino. Each produces its oil on farms in Italy's Tuscany region and will use Thinfilm's NFC technology in combination with an award-winning app called iOlive. Launched in 2014, iOlive has effectively created an electronic guide and tracking system that currently catalogues vital data on more than 150 of Tuscany's extra virgin olive oils.

Thinfilm and Sarine Use SpeedTap to Create Digital Identities for Diamonds

Thinfilm announced a collaboration with Sarine Technologies Ltd., a global leader in the advancement of technology for the manufacture and marketing of diamonds and other precious gemstones, to integrate Thinfilm's NFC SpeedTap tags in the Sarine Profile™ sales and consumer support system. Sarine Profile features a collection of modules that combine to deliver compelling tools and information to retailers and consumers alike.



These include images and comprehensive details on the diamond's measurements and grading. For jewelers, Sarine Profile is a powerful, interactive digital sales tool that helps eliminate stumbling blocks in the sales process and improve conversion rates. For consumers, it tells each diamond's story in real-time, supports buying decisions with scientific accuracy, and provides digital proof of lineage and ownership. Discussions are underway to expand the deployment and affix SpeedTap tags to finished rings as a replacement for traditional ring tags. Plans for an initial pilot are also being discussed.

Thinfilm Secures State-of-the-Art Fabrication Facility in Silicon Valley to House New High-Volume, Roll-to-Roll Manufacturing Line

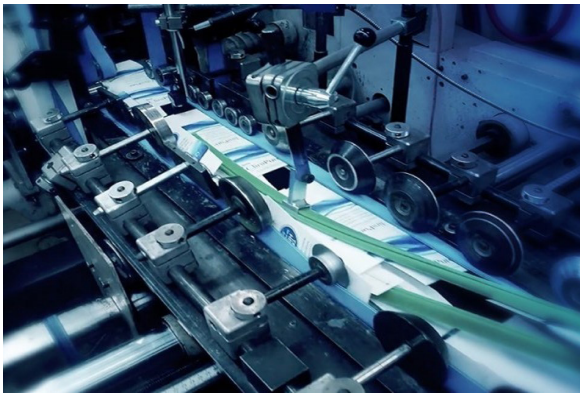
Thinfilm announced that it has leased a former Qualcomm-owned manufacturing facility in Silicon Valley and will relocate its current US headquarters and NFC Innovation Center in the first quarter of 2017.

The new location will house Thinfilm's new high-volume roll-to-roll manufacturing line. Roll-based processes will increase Thinfilm's front-end production capacity to five billion NFC OpenSense™ tags and NFC SpeedTap tags per year – potentially exceeding $600 million in annual revenue when fully operational and filled.

Thinfilm intends to begin ordering line-related equipment immediately. In the near term, the facility upgrade enables Thinfilm to scale existing sheet-based manufacturing of its NFC (Near Field Communication), EAS (Electronic Article Surveillance), and Sensor Label products. Roll-to-roll production is expected to be operational for EAS by year-end 2017 and for transistor-based products in 2018. The building, located at 2581 Junction Avenue in San Jose, California, was formerly an operational display fab run by Qualcomm MEMS Technologies, Inc., and was in production until the Spring of 2016. More than $80 million has been invested previously in the 93,000 square-foot facility, which sits on 5.4 acres and features a 22,000+ square foot, Class 10-10,000 cleanroom.

Thinfilm Progresses with Expansion Plans in US and China

Thinfilm continued with global expansion plans, doubling the firm's sales force in Q3 and growing its sales and business development operations in China. The China expansion is in response to growing interest among Asia-based businesses in Thinfilm's NFC (Near Field Communication) technology, particularly its SpeedTap™ tags and OpenSense™ tags. The initiative gives Thinfilm a valuable sales and business development presence in China, enables the Company to leverage local manufacturing support, and improves its overall ability to successfully conduct business in the APAC region.



Thinfilm and Jones Deliver Automated Application of NFC OpenSense Tags to Pharma Packaging on High-Speed Production Line

The partnership between Thinfilm and Jones Packaging Inc. has enabled the automated application of Thinfilm's NFC OpenSense tags to paperboard pharma packaging on a Jones high-speed production line at its primary converting facility in London, Ontario, Canada. The customized Jones production line can apply and read up to 15,000 tags per hour. The partners published a video that visually shows the automated process and key steps, including setup of the carton, application of the tag, read of the NFC chip, recording of key information, and ejection of compromised packages. Jones and Thinfilm are engaging leading global pharmaceutical companies to integrate the smart technology into product packaging and deliver the solution to market. To view the video, visit: http://thinfilm.no/jones-video.

Thinfilm Receives 2016 IoT Evolution Asset Tracking Award for NFC OpenSense

Thinfilm was named the recipient of a 2016 IoT Evolution Asset Tracking Award for its NFC OpenSense technology. The award was given by IoT Evolution World and IoT Evolution Magazine, leading print and online publications covering the broader "Internet of Things" marketplace. It honors "excellence in innovation utilizing IoT technologies to automate the asset tracking functions to increase efficiencies, reduce theft, or optimize utilization of the asset." Other companies receiving the award for 2016 include AT&T, Impinj, BioLife Solutions, and Sprint.



Shows and Events

July 12, 2016 / Molsen Coors DSI Event
Thinfilm demonstrated its NFC technology with use cases for beverage coasters and point-of-sale displays at this invitation only on-site event.

July 24-28, 2016, Adelaide, Australia / Australian Wine Industry Technical Conference and Trade Exhibition
Thinfilm showcased its NFC Solutions for Wines & Spirits at this premier technical event for the Australian wine industry. Over 1,200 people attended the Conference with an additional 1,071 attending the Trade Exhibition.

August 31, 2016, San Jose, California / NextFlex Innovation Opening Day
Thinfilm was invited to exhibit at opening day ceremonies for this flexible and hybrid electronics trade association. The main exhibit session was attended by local industry and government leaders.

September 7-8, 2016, Singapore / Millennial 2020
Thinfilm exhibited in the Accenture World of ME pavilion and was chosen to participate in the Unilever Foundry Start-up Street, a showcase for next-generation commerce technology.

September 21-23, 2016, Monaco / Luxe Pack Monaco
Thinfilm participated as an exhibitor in the Connect to Luxury Pavilion, and Erwan Le Roy, EVP of Business Development and GM, NFC Solutions and Smart Sensor Products, spoke on a panel discussion: “5 Innovations to Watch”.

September 21-22, 2016, Chicago, IL / Path to Purchase Expo
Thinfilm participated as an exhibitor in one of the world’s largest gatherings of shopper and retail marketing professionals. At this event, Thinfilm was among the few exhibitors to be selected “Editor’s Choice” by Shopper Marketing Magazine.

September 22-24, 2016, Baltimore, MD. / Natural Products Expo East
The 31st annual exposition hosted more than 1,450 brands. Thinfilm SVP of Corporate Communications, Bill Cummings, participated in a panel discussion: “High Tech Organics”.

September 26-27, 2016, New York, NY / SM2 MMA Innovation Summit
The SM2 Innovation Summit was hosted by the Mobile Marketing Association. Thinfilm was invited to exhibit at this event, as an IoT and Shopper Marketing Committee member.





Thinfilm Product Families

NFC SpeedTap™ Tags: NFC SpeedTap tags are wireless tags that combine the instant interactivity of Near Field Communication (NFC) with the advantages of printed electronics technology. NFC SpeedTap tags enable smartphones to communicate with everyday objects in support of B2B and B2C use cases.

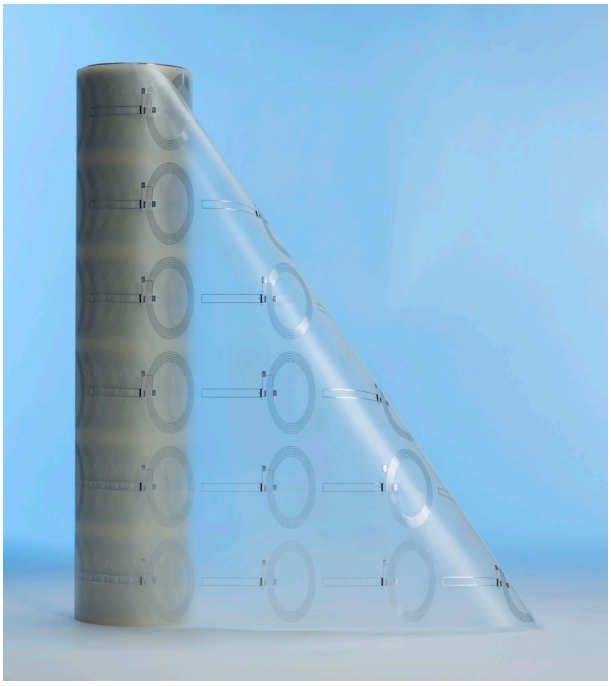
NFC OpenSense™ Tags: Thinfilm's proprietary and patent-pending NFC OpenSense technology provides smartphone-centric NFC readability before and after product opening. Unique identifiers within each OpenSense tag support applications for fighting product diversion, counterfeiting, unauthorized refills,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

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.

Smart Sensor 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.

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 and Xerox® Printed Memory with Cryptographic Security. Xerox as Xerox® Printed Memory.



About Thinfilm

Thinfilm is a leader in printed electronics and NFC smart packaging solutions. The first to commercialize printed, rewritable memory, the Company today creates printed tags, labels and systems that include memory, sensing, display, and wireless communication – all at a cost-per-function unmatched by conventional electronic technologies. Thinfilm's roadmap integrates technology from a strong and growing ecosystem of partners to bring intelligence to everyday items and effectively extend the traditional boundaries of the Internet of Things.

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. For more information, visit www.thinfilm.no.

Condensed Consolidated Financial Report as of 30 September 2016

Thinfilm has maintained a high activity level through the first nine months of 2016, as the Company has taken further steps to becoming a complete NFC solutions provider. Cooperation and JDA revenues from the partnership with the announced global pharmaceutical company continued in the third quarter, and total revenue was broadly in line with the first nine months of 2015. The activities and costs relating to the ramp-up of Printed Dopant Poly Silicon (PDPS) production and design and specification of the roll-to-roll production line to be installed in 2017 at the newly secured fabrication facility in Silicon Valley, remained high during the period.

Profit and Loss

Thinfilm's revenue and other income in the first nine months of 2016 amounted to USD 2,826 thousand, slightly ahead of the same period in 2015 (9M 2015: USD 2,814 thousand). Excluding the other income recognized in the period, total revenue was USD 2,511 thousand, a decrease of USD 20 thousand, or 1%, compared to the preceding year (9M 2015: USD 2,531 thousand). Sales revenue amounted to USD 995 thousand in 9M 2016, compared to USD 1,225 thousand in 9M 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 due to the lower product sales in the period, particularly within EAS. This effect was, however, partly offset by continued increased Joint Development Agreement (JDA) revenues from the announced partnership with a global pharmaceutical company. Revenue related to government grants and other funded projects amounted to USD 1,516 thousand in the period (9M 2015: USD 1,306 thousand). The 16% increase is largely explained by new funded projects and higher activity in existing projects in the first nine months of 2016 as compared to the first nine months of 2015. Other income amounted to USD 315 thousand in the first nine months of 2016 (9M 2015: 283 thousand) and was entirely related to sublease income from the San Jose site. Sales revenue in the third quarter of 2016 amounted to USD 248 thousand, a 50% reduction compared to the same period in 2015 (Q3 2015: 494 thousand). Other operating revenue in Q3 2016 amounted to USD 476 thousand, 10% higher than in the corresponding period last year (Q3 2015: USD 434 thousand). Other income in the third quarter of 2016 was USD 105 thousand (Q3 2015: USD 111 thousand).

Operating costs (excluding depreciation and amortization charges) amounted to USD 29,590 thousand in the first nine months of 2016, including the cost of share-based compensation of USD 872 thousand. The corresponding figure for 2015 was USD 23,805 thousand and USD 588 thousand respectively. The increase in operating costs in the first nine months of 2016, compared to the same period in 2015, was USD 5,785 thousand, primarily attributable to:

1) USD 3,192 thousand higher payroll costs, mainly related to an overall increase in the number of global employees to 128 as of 30 September 2016, compared to 110 one year earlier. The increase in FTEs has been most significant in the US subsidiary as a result of a shift in number of employees located in US versus Sweden and a general higher activity level in the US. This development is a result of a strengthening of the organisation, primarily in the US, as the focus has shifted from development to production and providing solutions to partners and customers. Developing the new roll-to-roll production line also requires additional FTEs. The number of employees in Linköping was reduced because of a scale back in organic transistor development as well as Xerox assuming responsibility for volume production of Thinfilm Memory™.

2) USD 2,832 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 from 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.

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 nine months of 2016 some USD 11,865 thousand were spent developing printed batteries, displays and roll-to-roll printing processes. The corresponding amount for the first nine months of 2015 was USD 6,317 thousand.

Investments in fixed and intangible assets amounted to USD 3,621 thousand in the first nine months of 2016, compared to USD 5,674 thousand in 9M 2015. The investments were mainly related to equipment and tools for the PDPS line as well as improvements to the San Jose site. Depreciation and amortization in the first nine months of 2016 amounted to USD 2,050 thousand (9M 2015: USD 1,079 thousand). Net financial items through Q3 2016 amounted to a loss of USD 1,310 thousand (9M 2015: USD 2,038 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 nine months of 2016 was a loss of USD 30,424 thousand, corresponding to a basic loss per share of USD 0.05. In 9M 2015, the loss amounted to USD 20,032 thousand, corresponding to a basic loss per share of USD 0.04.

Cash Flow

The group's cash balance increased by USD 11,182 thousand in the first nine months of 2016 (compared to a decrease of USD 6,232 thousand in 9M 2015). The increase in cash balance is explained by three principal elements: 1) an outflow of USD 27,095 thousand from operating activities, 2) a USD 3,614 thousand outflow from investing activities and 3) a USD 41,649 thousand inflow from financing activities, primarily as a result of the issuance of shares to Woodford Investment Management. The cash balance on 30 September 2016 amounted to USD 27,122 thousand, while cash net of receivables and payables amounted to USD 25,664 thousand. The cash balance on 30 September 2015 amounted to USD 24,662 thousand, while cash net of receivables and payables amounted to USD 22,224 thousand

Balance Sheet

The Company's balance sheet is comprised of fixed & intangible assets, cash, receivables, payables & accruals, and equity. Fixed assets on 30 September 2016 amounted to USD 8,474 thousand and stem from machinery and equipment in San Jose, California, and Linköping, Sweden. In addition, USD 3,113 thousand in intangible assets are on the balance sheet, mainly as a result of the acquisition of assets from Kovio, Inc., licencing of technology and capitalization of certain development costs.

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) There may be product-development risks that arise related to cost-functionality competitiveness of the products Thinfilm is developing.

(iv) Long-term funding risk is a possibility, 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, 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 September 2016, the equity amounted to USD 37,878 thousand, representing 90% of the gross balance sheet and 312% of the share capital.

Outlook

Thin Film Electronics ASA ("Thinfilm") 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 over the past several years. According to NFC Forum, there are now one billion smart phones with NFC, and the number is expected to increase to up to 2 billion by the end of 2016. Annual shipments of NFC devices are expected to exceed 2 billion by 2018. In addition, applications 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 Q1 2016, Thinfilm completed the technology transfer of its printed memory IP to Xerox, including process knowledge and testing technology. This transfer enabled Xerox to begin 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-unit order in H1 2016. The Company has submitted quotations for higher-volume orders to Nedap, its 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's packaging is factory sealed or 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, specializing in pharma packaging, and Constantia Flexibles, a Spear Europe Ltd. Company and 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, corresponding to an overall 40-million annual unit production capacity, based on NFC label equivalents. This volume is expected to support further market introduction of NFC label products during 2017 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 will relocate its San Jose, California-based NFC Innovation Center and current US headquarters. Thinfilm has taken over a new facility, which is leased for 12 years, and is currently undertaking tenant improvements within the office-space portions of the property. Occupancy of the new facility will take place in H1 2017, and buffer stock build up of front-end die has commenced to allow for uninterrupted backend integration and assembly and sufficient supply to meet customer demand during the 10-week relocation of sheet-based production equipment to the new facility, located approximately one mile from the current Zanker Road site. The new facility features a significantly larger manufacturing clean room, and 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. 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 by end of 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.

Oslo, Norway, 3 November 2016
The Board of Directors of Thin Film Electronics ASA

Thin Film Electronics ASA Group

Condensed consolidated interim financial statements as of 30 September 2016 (Unaudited)

Consolidated statements of comprehensive income

Amounts in USD 1000	Note	1 July - 30 Sept 2016	1 July - 30 Sept 2015	1 Jan - 30 Sept 2016	1 Jan - 30 Sept 2015	1 Jan - 31 Dec 2015
Sales revenue		**248**	494	**995**	1 225	**2 214**
Other operating revenue		**476**	434	**1 516**	1 306	**1 791**
Other income		**105**	111	**315**	283	**408**
Total revenue & other income		**829**	1 039	**2 826**	2 814	**4 413**
Operating costs	9,10	**(9 802)**	(8 925)	**(29 590)**	(23 805)	**(34 664)**
Depreciation and amortization	3, 4	**(814)**	(427)	**(2 050)**	(1 079)	**(1 537)**
Operating profit (loss)		**(9 787)**	(8 313)	**(28 813)**	(22 070)	**(31 788)**
Net financial items		**111**	1 925	**(1 310)**	2 038	**2 406**
Profit (loss) before income tax		**(9 676)**	(6 388)	**(30 123)**	(20 032)	**(29 382)**
Income tax expense		**(1)**	-	**(301)**	-	**-**
Profit (loss) for the period		**(9 677)**	(6 388)	**(30 424)**	(20 032)	**(29 382)**
Profit (loss) attributable to owners of the parent		**(9 677)**	(6 388)	**(30 424)**	(20 032)	**(29 382)**
Profit (loss) per share basic and diluted	6	**(USD 0.02)**	(USD 0.01)	**(USD 0.05)**	(USD 0.04)	**(USD 0.05)**
Profit (loss) for the period		**(9 677)**	(6 388)	**(30 424)**	(20 032)	**(29 382)**
Other Comprehensive Income						
Currency translation		**(227)**	(2 378)	**940**	(4 604)	**(5 162)**
Total comprehensive income for the period, net of tax		**(9 904)**	(8 766)	**(29 485)**	(24 636)	**(34 544)**

Consolidated statements of financial position

Amounts in USD 1000	Note	30 September 2016	30 September 2015	31 December 2015
ASSETS	7			
Non-current assets				
Property, plant, and equipment	3	**8 474**	8 264	**7 788**
Intangible assets	4	**3 113**	2 658	**2 602**
Total non-current assets		**11 587**	10 922	**10 390**
Current assets				
Inventory		**628**	827	**367**
Trade and other receivables	8	**2 750**	4 002	**3 118**
Cash and cash equivalents		**27 122**	24 622	**15 940**
Total current assets		**30 500**	29 451	**19 425**
TOTAL ASSETS		**42 087**	40 373	**29 815**
EQUITY AND LIABILITIES				
Equity				
Ordinary shares	5	**12 125**	10 464	**10 466**
Other paid-in equity		**161 007**	119 370	**119 949**
Currency translation		**(13 821)**	(14 203)	**(14 761)**
Retained earnings		**(121 432)**	(81 658)	**(91 008)**
Total equity		**37 878**	33 973	**24 645**
Liabilities	7			
Trade and other payables		**4 209**	6 400	**5 170**
Total liabilities		**4 209**	6 400	**5 170**
TOTAL EQUITY AND LIABILITIES		**42 087**	40 373	**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	119 949	(14 761)	(91 008)	24 645
Share issues		1 659	39 990			41 649
Share based compensation			1 068			1 068
Comprehensive income				940	(30 424)	(29 485)
Balance at 30 September 2016		**12 125**	**161 007**	**(13 821)**	**(121 432)**	**37 878**
Balance at 1 January 2015		9 898	97 637	(9 599)	(61 626)	36 310
Share issues		566	20 542			21 108
Share based compensation			1 191			1 191
Comprehensive income				(4 604)	(20 032)	(24 636)
Balance at 30 September 2015		**10 464**	**119 370**	**(14 203)**	**(81 658)**	**33 973**
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 July - 30 Sept 2016	1 July - 30 Sept 2015	1 Jan - 30 Sept 2016	1 Jan - 30 Sept 2015	1 Jan - 31 Dec 2015
CASH FLOW FROM OPERATING ACTIVITIES						
Profit (loss) before tax		**(9 676)**	(6 388)	**(30 123)**	(20 032)	**(29 383)**
Share-based payment	5	**350**	371	**1 068**	1 191	**1 707**
Depreciation and amortization		**814**	427	**2 050**	1 079	**1 537**
Write down inventory and machinery		**-**	-	**278**	-	**319**
Loss on sale of fixed assets	3, 4	**-**	93	**(1)**	91	**130**
Taxes paid for the period		**-**	-	**(110)**	-	**-**
Changes in working capital and non-cash items		**(812)**	(647)	**(256)**	(585)	**(345)**
Net cash from operating activities		**(9 325)**	(6 146)	**(27 095)**	(18 257)	**(26 036)**
CASH FLOW FROM INVESTING ACTIVITIES						
Purchase of property, plant, and equipment		**(275)**	(3 350)	**(2 920)**	(4 846)	**(4 809)**
Purchases of intangible assets		**(63)**	(63)	**(488)**	(737)	**(799)**
Capitalized development expenses	4	**(198)**	(23)	**(214)**	(91)	**(112)**
Proceeds from sale of fixed assets		**-**	30	**1**	155	**170**
Interest received		**3**	14	**6**	145	**146**
Net cash from investing activities		**(532)**	(3 391)	**(3 614)**	(5 374)	**(5 404)**
CASH FLOW FROM FINANCING ACTIVITIES						
Proceeds from issuance of shares	5	**103**	(24)	**41 649**	21 108	**21 130**
Net cash from financing activities		**103**	(24)	**41 649**	21 108	**21 130**
Currency translation effects on cash and bank deposits		**68**	(2 108)	**242**	(3 710)	**(4 603)**
Net increase (decrease) in cash and bank deposits		**(9 687)**	(11 669)	**11 182**	(6 232)	**(14 913)**
Cash and bank deposits at the beginning of the period		**36 809**	36 291	**15 940**	30 854	**30 854**
CASH AND BANK DEPOSITS AT THE END OF THE PERIOD		**27 122**	24 622	**27 122**	24 622	**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 three quarters 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 03 November 2016.

Note 3 - Property, plant, and equipment

Amounts in USD 1000	**Tangible assets**
Nine months ended 30 September 2016	
Net value on 1 January 2016	7 788
Additions	2 920
Disposals	(277)
Exchange differences	(66)
Depreciation	(1 891)
Net book value on 30 September 2016	8 474
Nine months ended 30 September 2015	
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	8 264
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

Amounts in USD 1000	**Intangible assets**
Nine months ended 30 September 2016	
Net value on 1 January 2016	2 602
Additions	701
Exchange differences	(32)
Amortization	(159)
Net book value on 30 September 2016	3 113
Nine months ended 30 September 2015	
Net value on 1 January 2015	2 319
Additions	828
Exchange differences	(332)
Amortization	(157)
Net book value on 30 September 2015	2 658
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 issue to employees, 25 February	837 500
Private Placement Woodford Investment Management, February 19	120 000 000
Share issue to employees, 11 May	3 675 000
Share issue board remuneration, 11 May	59 260
Share issue to employees, August 15	452 500
Shares at 30 September 2016	680 399 117
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 - 30 September 2016**	**1 January - 30 September 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	**3 865 000**	2 738 000	**12 208 000**
Terminated, forfeited, and expired subscription rights	**(3 372 500)**	(1 543 000)	**(2 063 000)**
Exercise of subscription rights	**(4 965 000)**	(5 787 500)	**(5 912 500)**
Allotment of warrants	**40 000 000**	17 017 326	**17 017 326**
Exercise and expiry of warrants	**-**	-	**-**
Warrants and subscription rights closing balance	**119 504 826**	75 152 326	**83 977 326**

Note 6 - Profit (loss) per share

	1 January - 30 September 2016	**1 January - 30 September 2015**	**1 January - 31 December 2015**
Profit (loss) attributable to shareholders (USD 1000)	**(30 424)**	(20 032)	**(29 382)**
Weighted average basic number of shares in issue	**644 767 758**	532 227 230	**538 043 824**
Weighted average diluted number of shares	**650 045 523**	541 364 789	**544 894 567**
Profit (loss) per share, basic	**(USD 0.05)**	(USD 0.04)	**(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

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. Also, as a part of the coming relocation of Thinfilm's US headquarters in the first quarter of 2017 a USD 1,600 thousand Letter of Credit has been issued to the new landlord. The Company has in addition entered into a Tenancy Guarantee with the new landlord. The guarantee is given to secure payment of the lease rent. The guarantee liability amounts to USD 5,000 thousand and shall reduce on an annual basis commencing with the second lease year until the liability reaches zero dollars.

Note 8 - Trade and other receivables

On 30 September 2016, trade and other receivables amounted to USD 2,750 thousand. The components of this balance are accounts receivables USD 482 thousand, receivables from grants USD 1,338 thousand, VAT-related receivables USD 128 thousand, and pre-payments to suppliers USD 801 thousand.

Note 9 - Related party transactions

In the period 1 January - 30 September 2016, Thinfilm has recorded USD 227 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 - 30 September 2016**	**1 January - 30 September 2015**	**1 January - 31 December 2015**
Payroll	**15 264**	12 072	**16 663**
Share based remuneration	**872**	588	**1 064**
Services	**3 475**	3 482	**5 135**
Premises, supplies	**7 707**	4 875	**7 562**
Sales and marketing	**2 158**	2 055	**2 774**
Other expenses	**113**	733	**1 466**
Total operating costs	**29 590**	23 805	**34 664**

Note 11 - Events occurring after the balance sheet date

In the Board meeting on 3 November 2016, the Board resolved to grant a total of 12,565,000 Employee Subscription Rights to new and existing employees of the Company, each with an exercise price of NOK 4.34.