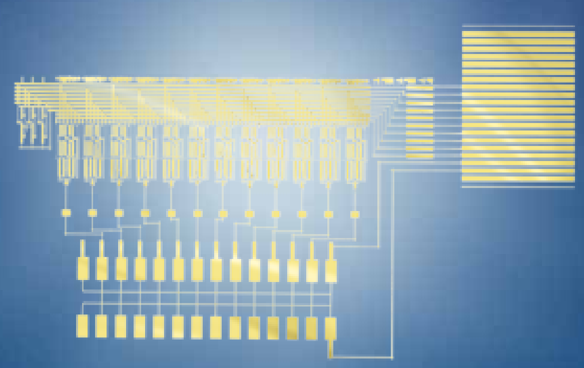
THINFILM

Annual report 2011



Thinfilm Adressable Memory™
(Prototype, scale 1:1)

Contents

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Enabling Integrated Systems and Smart Tags for the "Internet of Things" (IoT)

2011 marked an important year for Thinfilm: Groundbreaking technical achievements received international recognition; key material and component technology partnerships were announced; development kits and prototypes were delivered to leading toys companies; and significant interest was expressed in Thinfilm from strategic and commercial parties.

Thinfilm continued its commercialization of high-volume, fully-printed rewritable memory, as a step towards our vision of Memory Everywhere™, and saw strong interest for its stand-alone memory products. In February 2011, Thinfilm launched Oba, a reference design interactive card game using Thinfilm Memory™, which also included a prototype hand-held reader. In the following months, Toy Development kits and a series of custom memory samples and prototypes were delivered to leading toy companies in North America and Asia. Thinfilm's manufacturing partner, Inktec, opened a dedicated factory for production of Thinfilm Memory in August, at its facilities in Pyongtaek, South Korea, and in November 2011, Thinfilm made its 20-bit memory technology more broadly accessible by offering Arduino-powered development kits through Inventables – "the innovator's hardware online store." Numerous kits were purchased, both by toy and game companies and by major strategic accounts outside the toys and games industry.

In parallel, Thinfilm extended its addressable markets by launching the world's first printed passive array memory (Thinfilm Passive Array Memory™), a non-volatile rewriteable memory with higher storage capacity. Thinfilm's passive array architecture will allow more compact tag design and scalable bit-count, suitable for a range of additional applications, including use in secure documents, ticketing, and stored-value cards. This marked an important milestone, as an array-type memory is also an enabling component in printed integrated systems and smart tags for the "Internet of Things" (IoT), identified by Gartner as one of the Top 10 Strategic Trends of this decade. Furthermore, in March 2012, Thinfilm announced receipt of its first engineering order for passive array memories, demonstrating customer interest and commercial market opportunities.

In March 2011, a joint development program on organic transistor-based logic was initiated with PARC, a Xerox company, which included PARC's acquisition of shares in Thinfilm. As a leader in the development of printed logic, PARC sees Thinfilm as its commercialization and innovation partner for printed systems containing printed memory, and has granted Thinfilm a limited exclusive license for use of PARC background IP in such products. Further, Thinfilm CEO, Dr. Davor Sutija, was asked to join the PARC Innovation Council.

This development program led to the announcement of a successful prototype of scalable printed CMOS memory in October 2011, demonstrating that Thinfilm memory can be combined with printed organic logic circuits to form Thinfilm Addressable Memory™. Importantly, the Thinfilm Addressable Memory is an open platform that can be combined with other printed components such as sensors, batteries, displays, and antennas, enabling the creation of fully printed smart tags.

In February 2012, Thinfilm and PARC received international recognition for their work on printed addressable memory by winning the prestigious FlexTech Alliance Innovation Award. In April 2012, Thinfilm received further industry recognition by winning IDTechEx's Product Development Award. These two awards underpin the significance of the Company's achievements during 2011, as well as Thinfilm's leadership position in the Printed Electronics industry. Thinfilm's progress into smart tags attracted attention from such media outlets as Forbes, Wall Street Journal, and The New York Times.

Thinfilm also announced a range of key new technology agreements with component and material suppliers, extending the Thinfilm's ecosystem. In November 2011, Thinfilm and Polyera announced an agreement to develop gravure inks based on Polyera's materials, including n-type semiconductors. Shortly thereafter, agreements with PST, Acreo, and Imprint Energy were announced, which secure Thinfilm's access to component technology for sensors, displays, and printed low-power batteries.

These agreements allow Thinfilm to develop low-cost, low-power, ubiquitous smart tags for the seamless integration of physical objects into the information network (i.e., the "Internet of Things"). At the end of 2011, Thinfilm initiated the development of the first integrated system prototype, a printed temperature sensor tag, which will be developed jointly with technology partners during 2012. The addressable market for temperature sensors is estimated to be in the range of USD 1-2 billion, with certain segments of the temperature monitoring market for pharmaceuticals and perishable goods representing perfect entry points to demonstrate Thinfilm's unique cost-functionality position.

Thinfilm also strengthened its internal capabilities. It recruited top technical staff, strengthened its sales and marketing efforts by opening offices in North America and Japan, and extended its facilities, now being able to design and prototype logic components in-house, accelerating Thinfilm's development roadmap. A high-definition prototype printing facility, to be housed in the existing Thinfilm cleanroom, is scheduled for deployment before the end of 2012.

In parallel to its technical achievements, 2011 marked a year when Thinfilm received significant interest in the Company and its technology from various strategic and commercial parties to either participate in development of the Company's technology and products, or invest in the Company. Thinfilm is in discussions with several parties that may lead to commercial Joint Development Agreements (JDAs) and to the launch of Thinfilm Memory products, and both the Board and the management are optimistic that Thinfilm will be able to enter into such relationships. Thinfilm completed a successful substantially over-subscribed funding round in March 2012, which raised a total of NOK 72.5 million (approximately USD 13 million), including shares and proposed warrants, providing funding into 2014.

Report from the board of directors

About Thinfilm

Thin Film Electronics ASA ("Thinfilm") is a publicly listed Norwegian technology company with its head office in Oslo, product development in Linköping, Sweden, and sales offices in San Francisco, USA, and Tokyo, Japan. Thinfilm is a pioneer in the field of Printed Electronics and provides fully printed, non-volatile, rewritable memory for applications in toys and games, logistics, sensors, and ID systems. Thinfilm's technology and know-how are essentially about bringing low cost electronics to the trillions of disposable products and items that surround us every day, applications for which Printed Electronics have a unique and sustainable cost vs. functionality advantage. The addressable market size for these applications is massive, and low-cost smart tags will ultimately transform how we live our lives, and the way we interact with the physical world.

Thinfilm Memory™ products:

- Thinfilm Memory: 20-bit single-line memories are commercially available. Suitable for consumer applications such as toys and games, and info-kiosks. First public application occurred at the Exploratorium in San Francisco in March 2012. Additional applications will be launched later in 2012.
- Thinfilm Passive Array Memory™: 40-bit memories are in test production, and higher-density memories are under development (up to 121 bits per memory array). Meets the needs of secure archiving, ticketing, and other applications that demand encryption or user-programmed stored IDs. Delivery of engineering samples will begin in Q2 2012 to customers seeking compact memory designs and higher bit count.
- Thinfilm Addressable Memory™: Demonstrated in October 2011. Recognized in February 2012 with the FlexTech 2012 Innovation Award in Printed Electronics, given for the most significant commercial innovation in the industry. Thinfilm Addressable Memory combines Thinfilm Passive Array Memory with printed CMOS-equivalent logic, and is a technology platform that enables printed systems such as temperature sensors, disposable price labels, and non-contact ID tags. An integrated system prototype for temperature tags is expected by the end of 2012.

Organization, personnel, and the environment

The Board of Directors wishes to thank Thinfilm's employees, contractors, and partners for their contribution towards the Company's achievements in 2011.

Thinfilm made several organizational changes during 2011. The number of employees doubled, and by the end of 2011, there were 14 full-time employees (85% men and 15% women). Seven nationalities are represented in the workforce, a sign of Thinfilm's international recruitment and expanded global footprint. During 2011, Thinfilm experienced a significant increase in the number of job applications received, which the Board sees as recognition of the Company's leading position in the Printed Electronics industry and as a sign that Thinfilm will be able to maintain its growth in the future.

During the year, Thinfilm strengthened its geographical presence in North America and Japan by establishing a U.S. subsidiary in California (Thin Film Electronics, Inc.) and by opening an office in Tokyo. Thinfilm appointed Jennifer Ernst as Vice President, North America, and Prof. Jiro Kasahara as Vice President, Japan. Before joining Thinfilm, Ms. Ernst was Director of Business Development at PARC, a Xerox Company, and Dr. Kasahara was a former executive technical director at Sony.

Thinfilm also strengthened its Board of Directors and Technology Advisory Council in 2011. Dr. Rita Glenne, formerly Vice President, Technology at REC ASA, was elected as a new Board member at the general meeting in May 2011. Prof. Ana Arias of University of California, Berkeley joined the Thinfilm Technology Advisory Council in April 2012 as Chair. At the same time, Prof. Jiro Kasahara joined the Technology Advisory Council as Co-Chair. Prof. Magnus Berggren, University of Linköping, joined Thinfilm's Technology Advisory Council in November 2011.

Thinfilm continued to professionalize and streamline its activities in 2011. Among other measures, the Company formalized a new management organization, institutionalized new principles for measuring its performance culture and implemented a more effective reporting structure at Thinfilm AB (Sweden).

The board believes that the working environment at Thinfilm is pleasant, stimulating, safe, and beneficial to all employees, and complies fully with relevant laws and regulations. There were no workplace injuries to the Company's employees causing absence from work, and no significant incidents involving the Company's assets have occurred. Sick leave was less than 1 per cent in 2011 and has consistently been low in previous years.

Thinfilm employees are covered by benefit programs in line with practices in their respective countries. In addition to employees of the parent company and its subsidiaries, Thinfilm has contracted specialists in business development, technology, design, accounting, and other services. Patenting and other intellectual property rights (IPR) services are procured from AWA Patent.

Thinfilm practices equal opportunities in all aspects. The Board considers the equality as good as possible, and has not found reason to initiate any particular measures. The Company has reviewed and updated its ethical guidelines, which include an emphasis on the Company's personnel policies.

Thinfilm's Board of Directors consists of three women and three men, the composition of which satisfies the gender requirements of the Norwegian public limited companies act. The Board includes Mr. Morten Opstad (chairman), Dr. Rita Glenne, Ms. Catarina Göthe, Ms. Margareta Josefsson, Dr. William R. Salaneck, and Mr. Rolf Åberg. The current Board (with the exception of Ms. Josefsson) was elected for two years at the annual general meeting on 10 May 2011. Ms. Josefsson was elected at the annual general meeting 7 May 2010 for two years, and her term expires at the ordinary annual general meeting in 2012.

Thinfilm's activities do not pollute the environment.

Group financial statements

Revenue amounted to NOK 1.8 million in 2011, where approximately NOK 1.7 million was related to government grants being recognized as revenue over the period. Sales revenue in 2011 amounted to NOK 0.1 million, and was related to sales of technology demonstration kits, engineering work and product development projects provided to strategic customers and partners. In 2010, revenue amounted to less than NOK 0.1 million, and was related to administrative services (not sales revenue).

Payroll costs amounted to NOK 16.6 million, including the notional (non-cash) cost of share-based compensation of NOK 4.0 million. Corresponding numbers for 2010 were NOK 11.5 million and NOK 4.0 million. The increase in payroll costs is caused by higher manning levels to accelerate technical development work and to meet the increasing interest from potential customers and partners. At the end of 2011, there were 14 full-time employees, compared to 7 full-time employees at the end of 2010.

Report from the board of directors

Costs of external services amounted to NOK 16.1 million in 2011 (2010: NOK 6.6 million). Thinfilm expanded the scope of its strategic development projects with external partners, incurring project costs of NOK 9.9 million in 2011 (of which NOK 4.8 million was related to the collaboration and licensing agreement between Thinfilm and PARC, a Xerox company). The expected results from these strategic development projects will have a substantial future value for Thinfilm since they include development of printed logic and other system components, exclusive ink formulations, and large-scale printing techniques. These development projects also include activities related to the SkatteFUNN (tax credit) scheme, and the net contribution of NOK 1.1 million was credited against cost in 4Q 2011. The costs of other external services in 2011 were largely in line with the preceding year, and were related to the use of contracted specialists in various professions (business development, legal, accounting, marketing, and design). Patent costs were somewhat lower in 2011 compared to 2010, resulting from a more streamlined patent portfolio and reduced maintenance fees.

Costs of premises and supplies were NOK 3.6 million in 2011, down from NOK 4.0 million the preceding year. Higher office costs, as a result of more employees and the establishment of new offices in the U.S. and Japan were more than offset by lower costs of supplies and materials.

Sales and marketing costs and other expenses amounted to NOK 3.9 million in 2011, up from NOK 2.7 million in 2010. Primarily, the increase is caused by the expanded geographical scope of sales and marketing activities. In addition, travel-related expenses increased compared to 2010, largely explained by a significantly higher business development activity level.

Depreciation charges on tangible fixed assets amounted to NOK 0.3 million in 2011 (2010: NOK 0.1 million). The Company invested NOK 0.9 million in 2011 (2010: NOK 0.7 million), mainly related to test equipment and bench-top printing machines. These investments are expected to continue and increase in 2012.

Net financial items in 2011 amounted to a loss of NOK 0.1 million, as interest income was more than offset by net exchange losses and interest expenses (out of which NOK 70 thousand was related to interest on accumulated draw-down from the unsecured credit facility that was entered in July 2011. This credit facility was repaid and terminated during 4Q 2011). In 2010, net financial items amounted to a loss of approximately NOK 0.2 million.

The Company operates at a loss and there is a tax loss carry-forward position also in the Swedish subsidiary; therefore, the Company has not incurred any tax costs in 2011 or 2010. Thinfilm has not recognized these deferred tax assets in its balance sheet because this potential asset does not yet qualify for inclusion.

The net result for 2011 was a loss of NOK 38.7 million, representing a loss of NOK 0.14 per basic share. In 2010, the loss amounted to NOK 24.9 million, corresponding to a similar loss of NOK 0.12 per basic share (as the number of shares has increased over the period).

Cash and bank deposits amounted to NOK 7.3 million, which represents approximately 60 per cent of the total assets of NOK 11.7 million. At the end of 2010, the cash position amounted to NOK 18.1 million and nearly 90 per cent of the balance sheet. Accounts payable amounted to NOK 7.3 million at the end of 2011 (2010: NOK 5.6 million), including NOK 1.4 million in provisions for social costs related to share-based remuneration. The Company does not have any financial debt and the equity ratio was 37 per cent, versus 73 per cent at the end of 2010.

The Thinfilm's cash flow consists of two principal elements. First, operating and development activities resulted in a cash outflow of NOK 31.6 million in 2011 (2010: NOK 21.0 million). This corresponds to the operating loss, excluding the change in net working capital, share-based remuneration (NOK 3.0 million), and set-off of receivables related to the collaboration and licensing agreement between Thinfilm and PARC, a Xerox company (NOK 2.7 million). This was partly balanced with the injection of net NOK 21.7 million in equity by warrant exercises and share issues to employees. Funds available at year-end, cash position plus receivables less payables, amounted to NOK 3.0 million.

Second, on 12 March 2012, Thinfilm accomplished a private placement of 25,000,000 new shares in the Company, raising gross NOK 45 million in new capital. One warrant is proposed attached to and issued for every two shares subscribed for and allocated in the placement. The warrants will have an exercise price of NOK 2.20 per share and a term of one year, which would raise gross NOK 27.5 million. In addition, 23,064,000 warrants remain outstanding from the private placement in October 2010 (exercisable in the period 1 to 12 October 2012), which would raise gross NOK 23.1. Thus, the potential combined gross proceeds from these two warrant rounds are NOK 50.6 million.

Following this, the Company's cash position is adequate to cover all incurred and accrued expenses at the date of this report, as well as all projected expenses for the rest of 2012 and 2013.

Parent company financial statements

Revenue in the parent company amounted to approximately NOK 1.8 million in 2011 (2010: less than NOK 0.1 million), where NOK 0.1 million was recorded as sales revenue and approximately NOK 1.7 million was related to government grants being recognized as revenue over the period. Revenue in 2010 related to administrative services.

Personnel costs were NOK 7.3 million in 2011, up from NOK 6.2 million in the preceding year. The increase is largely explained by higher manning levels and related salary costs (increased from NOK 2.2 million in 2010 to NOK 5.1 million in 2011). Such costs were partly offset by lower notional cost of share-based remuneration (reduced from NOK 4.0 million in 2010 to NOK 2.1 million in 2011). The reduction in notional cost of share-based remuneration is caused by changed accounting policy (NOK 1.9 million, which relates to share-based remuneration to employees outside the parent company, has been booked as impairment charge/reversal on investment in subsidiaries in 2011).

External purchases of services increased from NOK 6.2 million in 2010 to NOK 12.9 million in 2011. The increase is largely explained by the expanded scope of strategic development projects with external partners and the higher activity level in external marketing in support of sales activities. Of the total amount, NOK 7.2 million was related to strategic development projects (2010: NOK 1.7 million), NOK 2.0 million related to legal/financial and accounting services (2010: NOK 1.1 million) and NOK 3.7 million related to marketing, business development, technology, intellectual property rights (IPR), and design services (2010: NOK 3.4 million). Activities and materials consumption in the subsidiaries increased significantly from 2010, and the purchases amounted to NOK 15.4 million in 2011, compared to NOK 9.3 million in 2010. The average exchange rate for SEK was about 3 per cent higher in 2011 than 2010.

Because the Company had a project qualified for the SkatteFUNN (tax credit) scheme in 2011, the net contribution of NOK 1.1 million has been credited to costs (2010: NOK 1.1 million).

Report from the board of directors

Costs related to sales and marketing activities amounted to NOK 2.6 million in 2011, up from NOK 1.7 million in 2010. The increase is primarily caused by expanded geographical scope of sales and marketing activities, which successfully resulted in international press coverage from well-known publishers like Forbes and The New York Times and expanded customer interest in Thinfilm products.

Financial items amounted to a net cost of NOK 1.9 million in 2011, compared to a net income of NOK 0.2 million in 2010. An impairment charge amounting to NOK 1.8 million was made on the shares in the subsidiaries in 2011, while NOK 0.4 million could be reversed in 2010. Interest income on cash deposits is insignificant. Other financial items, mainly gain/loss on currency of debt denominated in SEK and USD, amounted to a net cost of less than NOK 0.1 million in 2011, as compared to net cost of NOK 0.2 million in 2010.

The net result for 2011 for Thinfilm ASA was a loss of NOK 39,049,823. The Board of Directors proposes that the loss is carried forward as uncovered loss. Thinfilm ASA does not have any unrestricted equity. The Board does not propose a dividend for 2011.

Share capital

Thinfilm shares have been listed on Oslo Axess at the Oslo Stock Exchange since 2008. 23.4 million warrants issued in connection with the 2010 private placement were exercised in 2011, and added net NOK 20.9 million equity and liquidity. 23.1 million warrants remain outstanding from this funding round (exercisable in the period 1 to 12 October 2012 at an exercise price per share of NOK 1.00). On 12 March 2012, Thinfilm accomplished a private placement of 25 million new shares in the Company at a price of NOK 1.80 per share, thereby raising NOK 45 million in new capital. One warrant is proposed attached to and issued for every two shares subscribed for and allocated in the placement. The warrants will have an exercise price of NOK 2.20 per share and a term of one year. The issuance of warrants remains subject to approval by the general meeting of the Company on 10 May 2012. At the end of 2011, there were 304,544,086 shares in the Company, which were held by about 2,280 shareholders. Par value is NOK 0.11 per share.

The closing price of a Thinfilm share was NOK 1.60 on the last trading day in 2011, an increase of 57%, compared to the closing price at the end of 2010 (NOK 1.02). The Oslo Axess All-share index decreased by approximately 9 per cent in the same period. Share turnover amounted to NOK 403 million in 2011, versus NOK 278 million in 2010.

The annual general meeting in 2011 authorized the Board to complete one or more placements by issuing up to 33,634,810 shares, corresponding to approximately 12 per cent of the Company's registered shares at the time. The remaining authorization amounted to 32,884,810 shares at the end of 2011, where 25,000,000 shares were used for the private placement on 12 March 2012. The authorization expires at the annual general meeting 2012.

The annual general meeting in 2011 resolved an authorization to the Board to grant up to 28,029,009 subscription rights, but with a limit that the total number of outstanding subscription rights under all subscription rights programs shall not exceed 10 per cent of the share capital. The subscription rights may be granted to employees and individual consultants performing similar work in Thinfilm. By the end of 2011, the Board had granted 5,700,000 subscription rights under this authorization and the total number of outstanding subscription rights was 17,539,306. To date in 2012, 600,000 additional subscription rights have been granted. The authorization expires at the annual general meeting 2012.

There are no authorizations to the Board for the Company to acquire its own shares.

Risk and risk management

Thinfilm is exposed to various risks of a financial and operational nature. In the Board's view, the Company's strategic positioning in the industry, and the establishment of a framework for risk management that is adapted to the scope and nature of the business, contribute to limiting the risk.

Thinfilm is subject to certain financial risks related to currency and interest rates. These risks are, however, insignificant because the Company does not have any financial debt or other financial instruments. Thinfilm does not have any significant trade receivables or other receivables with any credit risk. Reference is made to Note 3 to the consolidated financial statements.

The Company's predominant risk is mainly related to market and business risks, which may be summarized in the following points: (i) Many of Thinfilm's intended markets are still immature, (ii) to some extent, Thinfilm is dependent on continued collaboration with existing technology, material, and manufacturing partners, and (iii) product development risks related to eventual cost vs. functionality competitiveness of the products Thinfilm is currently developing.

Going forward, Thinfilm foresees two important revenue sources: (i) Sales of its own manufactured products and (ii) licensing/royalty revenue, where partners and customers pay for using the Company's intellectual property rights (IPR). Thinfilm's ability to earn revenue partly depends on continued successful technology and product development as well as the Company's ability to legally protect its IPR. This is, in turn, dependent on the Company's ability to attract and retain competent staff and the adequacy of Thinfilm's patenting and other IPR-protection activities. Thinfilm is not aware of directly competing technologies to its printed memory.

Thinfilm operates at a loss and does not have assets suitable for secured borrowing. At the date of this report, the Company's cash position is adequate to cover all projected expenses for the rest of 2012 and into 2013. Furthermore, with the additional liquidity expected from the outstanding and proposed warrants, the Company expects to be funded into 2014.

Going concern, events in 2012

The Board confirms that the financial statements of the Company as well as its parent company have been prepared under the going concern assumption. Moreover, the Board has formed a judgment that, as of the date of approving the financial statements, the Company has adequate resources to fund operations into 2013 or, alternatively, into 2014 if the outstanding and proposed warrants are exercised.

On 12 March 2012, Thinfilm accomplished a private placement of 25,000,000 new shares in the Company at a price of NOK 1.80 per share, thereby raising NOK 45 million in new capital. The Board points out that it has proposed to the annual general meeting in 2012 an issue of one warrant for every two shares subscribed for and allocated in the placement. The warrants will have an exercise price of NOK 2.20 per share, exercisable in March 2013. The Board has reasonable expectation that the warrants will be issued and exercised.

Since 31 December 2011, and until the date of these financial statements, the Board has granted a total of 600,000 subscription rights under the subscription rights-based incentive program resolved by the annual

Report from the board of directors

general meeting 2011. The exercise price of the subscription rights is NOK 1.71 per share.

275,000 shares were issued on 28 February 2012 to existing and former employees of the Company. The subscription prices per share were NOK 1.09 (50,000 shares) and NOK 0.80 (225,000 shares).

Between 31 December 2011 and the presentation of this report, no events with any substantial impact on the result for 2011 or the value of Thinfilm's assets and liabilities at the end of 2011 have occurred.

Corporate governance

In 2007, the Board adopted policies for corporate governance to safeguard the interests of the Company's owners, employees, and other stakeholders. These principles and associated rules and practices are intended to create increased predictability and transparency, and thus reduce uncertainties connected with the business. These principles and rules are reviewed annually by the Board.

The Board has ensured that Thinfilm's guidelines for corporate governance have been followed carefully. The Company's internal rules of governance accord with guidelines in the Norwegian Code of Practice for Corporate Governance dated 21 October 2010 ("the Code"). The Board's updated review of corporate governance at the end of 2011 is included in the annual report. Pursuant to the Norwegian Accounting Act §3–3b, the Company has updated corporate governance principles related to internal control and risk management of financial reporting, which is described in Section 10 of the Board's updated review of corporate governance.

In addition to the Company's guidelines for corporate governance, specific instructions have been prepared with regard to policies for: Ethical guidelines; reporting and investor relations; contact with shareholders; assignments to auditor; information management in an unusual situation; and CEO's remuneration of other executives.

The general meeting in 2011 resolved guiding and binding executive remuneration policies. The statement, including the policies and the actual remuneration to the management in 2011, has been included in the notes to the financial statements. The managing director of the parent company is also CEO for the Company and serves as managing director in the subsidiaries (Thinfilm AB and Thinfilm, Inc.) without additional remuneration.

Outlook

Thinfilm's technology and know-how are essentially about bringing low cost electronics to the trillions of disposable products and items that surround us every day, applications for which printed electronics have unique and sustainable cost-functionality advantages. According to industry analyst group IDTechEx, the Printed Electronics market is expected to grow to more than USD 50 billion in market value over the next ten years of which logic, including addressable memory, will be one of the largest segments in this market. Printed RFID tags are predicted to rapidly gain market share over the coming years. As one component in this market, according to IDTechEx, the numbers of printed and chipless RFID tags sold globally will rise from 12 million currently to over 200 billion in 2021.

Thinfilm foresees a gradual shift beyond RFID towards ubiquitous memory tags that can store information and communicate with both external data sources, smart phones, and other devices in their surroundings. Often denoted as "smart tags," these devices differentiate from RFID by containing local storage and processing. Thinfilm's proprietary rewritable memory technology, paired with the Company's strategic development program with PARC, a Xerox Company for logic, give the Company a unique position in the development of printed smart tags. Eventually, the physical and virtual world will intersect by enabling all objects to communicate with the online web, known as the "Internet of Things" (IoT). This is our Memory Everywhere™ vision.

In contrast to traditional semiconductor processes, using printing reduces the number of process steps, manufacturing costs and environmental impact of manufacturing electronic memory and logic. Commercial applications of printed electronics include e-paper, electronic readers, and organic light-emitting diode (OLED) displays. Sensors, batteries, and photovoltaic energy sources are also in development, and together with Thinfilm's memory technology they will open the door to new products and applications.

Thinfilm concentrates its effort around three main areas: (i) Commercializing stand-alone memory, (ii) enabling integrated systems and smart tags, and (iii) building an ecosystem of partners and alliances to complete the Company's technology offerings and extend market potential.

Thinfilm has a unique and cost-competitive stand-alone memory product, and will continue to work towards large-scale commercialization of single-line and passive array memories for both toys and games and other applications.

Addressable Thinfilm Memory products will allow integration to create fully printed systems, such as ID tags, sensor tags, and disposable price labels. With the recent established partnerships for display, sensor, and battery technology, Thinfilm expects to have a first prototype of a printed temperature sensor tag ready by the end of 2012, followed by the development of other integrated systems and smart tags in subsequent years.

Demand for RF tags is expected from adoption of standard EPC RFID (Electronic Product Code™ radio-frequency identification) in open supply chains. The use of RFID in the transit ticketing, and people identification is also forecasted to grow significantly. In parallel to the embracement of item-level ID tagging, near field communication (NFC)-enabled phones will put an RFID-compatible reader in people's pockets, purses, and backpacks. Applications for consumer mass markets will likely include location tags, advertising, and smart packaging.

Successful demonstrations of such prototypes and products are expected to gain significant interest from prospective customers and partners, as well as from established companies offering competing products based on conventional technologies. Consequently, Thinfilm has recently received significant interest in the Company and its technology from various parties, and will continue to pursue commercial and strategic relationships for the development and commercialization of printed integrated systems and smart tags (e.g., strategic, financial, technology, manufacturing, licensing, distribution, and market access partnerships).

The board of directors of Thin Film Electronics ASA, Linköping, Sweden, 13 April 2012

Morten Opstad	Catarina Göthe	Margareta Josefsson	William R. Salaneck	Rolf Åberg	Rita Glenne	Davor Sutija
Chairman	Board member	Board member	Board member	Board member	Board member	Managing Director

Consolidated financial statements 2011

Consolidated statements of comprehensive income

Amounts in NOK 1,000	Note	2011	2010
Sales revenue	11	102	0
Other revenue	12, 13	1 661	63
Total revenue		1 762	63
Salaries and other payroll costs	14	(16 623)	(11 467)
Services		(16 109)	(6 575)
Depreciation and impairment charge	5, 6	(313)	(71)
Premises, supplies	15	(3 609)	(4 007)
Contribution from Skattefunn scheme	13	1 100	1 100
Sales and marketing		(3 859)	(2 715)
Other expenses		(916)	(1 014)
Operating profit (loss)	19	(38 566)	(24 686)
Interest income		37	12
Other financial income		416	375
Interest expense		(79)	(2)
Other financial costs		(499)	(592)
Net financial items		(125)	(207)
Profit (loss) before income tax		(38 691)	(24 893)
Income tax expense	16	0	0
Profit (loss) for the year		(38 691)	(24 893)
Profit (loss) per share for profit attributable to the equity holders of the Company during the year			
– basic and diluted, NOK per share	18	(0.14)	(0.12)
Profit (loss) for the year		(38 691)	(24 893)
Currency translation		(9)	160
Total comprehensive income for the year		(38 700)	(24 733)

Consolidated statements of financial position

Amounts in NOK 1,000	Note	31 December 2011	31 December 2010
ASSETS			
Non-current assets	6, 17		
Property, plant and equipment	5	1 338	759
Total non-current assets		1 338	759
Current assets			
Trade and other receivables	7	3 027	1 829
Cash and bank deposits	8	7 339	18 054
Total current assets		10 366	19 883
Total assets	20	11 704	20 642
EQUITY	9		
Ordinary shares		33 500	30 649
Share premium fund		41 405	19 233
Other paid-in capital		9 258	6 247
Currency translation		104	113
Retained earnings		(79 934)	(41 243)
Total equity	21	4 332	14 999
LIABILITIES			
Current liabilities			
Trade and other payables	10	7 372	5 643
Total liabilities	20	7 372	5 643
Total equity and liabilities		11 704	20 642

The notes on pages 10 to 22 are an integral part of these consolidated financial statements.

The board of directors of Thin Film Electronics ASA, Linköping, 13 April 2012

Morten Opstad Chairman	Catarina Göthe Board member	Margareta Josefsson Board member	William R. Salaneck Board member	Rolf Åberg Board member	Rita Glenne Board member	Davor Sutija Managing Director

Consolidated financial statements 2011

Consolidated statements of changes in equity

Amounts in NOK 1,000	Note	Share capital	Share premium fund	Other paid-in equity	Currency translation	Retained earnings	Total
Balance at 1 January 2011		**30 649**	**19 233**	**6 247**	**113**	**(41 243)**	**14 999**
Share issue 23 March		183	2 528				**2 711**
Share issue 11 May, board remuneration		7					**7**
Share issue to employees 23 May		83	728				**810**
Warrants exercise 3-14 October		2 579	18 313				**20 892**
Share based compensation				3 012			**3 012**
Reversal of charges in a prior period			602				**602**
Comprehensive income					(9)	(38 691)	**(38 700)**
Balance at 31 December 2011	9	**33 500**	**41 405**	**9 258**	**104**	**(79 934)**	**4 332**
Balance at 1 January 2010		**16 018**	**4 064**	**2 464**	**(47)**	**(16 350)**	**6 149**
Share issue 7 May, board remuneration		32					**32**
Warrant exercises 31 May and 6 November		12 034	(277)				**11 757**
Private placement 1 October		2 565	15 446				**18 011**
Share based compensation				3 783			**3 783**
Comprehensive income					160	(24 893)	**(24 733)**
Balance at 31 December 2010	9	**30 649**	**19 233**	**6 247**	**113**	**(41 243)**	**14 999**

Consolidated cash flow statements

Amounts in NOK 1,000	Note	2011	2010
Cash flows from operating activities			
Operating profit (loss)		**(38 566)**	(24 686)
Adjusted for:			
- Share-based remuneration (equity part)	21	**3 012**	3 783
- Depreciation and impairment charge	5	**313**	71
- Changes in working capital and non-cash items		**3 739**	(186)
Interest paid		**(79)**	(2)
Net cash from (used on) operating activities		**(31 581)**	**(21 020)**
Cash flows from investing activities			
Purchases of property, plant and equipment	5	**(879)**	(650)
Interest received		**37**	12
Net cash from (used on) investing activities		**(842)**	**(638)**
Cash flows from financing activities			
Proceeds from issuance of shares		**21 709**	29 800
Net cash from financing activities	9	**21 709**	**29 800**
Currency revaluation/devaluation on cash balances		**(0)**	69
Net change in cash and bank deposits		**(10 715)**	**8 210**
Cash and bank deposits at the beginning of the year		**18 054**	9 844
Cash and bank deposits at the end of the year	8	**7 339**	**18 054**

The group had no bank draft facilities at the end of 2011 or 2010.

The notes on pages 10 to 22 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Information about the group

Thin Film Electronics ASA ("Thinfilm ASA" or "the company") was founded on 22 December 2005. Thin Film Electronics ASA group ("Thinfilm") consists of the parent company Thinfilm ASA and the subsidiaries Thin Film Electronics AB ("Thinfilm AB") and Thin Film Electronics Inc. ("Thinfilm Inc."). The group was formed on 15 February 2006 when Thinfilm ASA purchased the business and assets, including the subsidiary Thinfilm AB, from Thin Film OldCo AS ("OldCo"). Thinfilm Inc. was incorporated in US during April 2011. The accounting year corresponds to the calendar year. Thinfilm AB is held 100 per cent and has been consolidated from 15 February 2006. Thinfilm Inc. is held 100 per cent and has been consolidated from 1 May 2011.

The purpose of Thinfilm ASA is research, development, production and commercialization of technology and products of physical storage of information, as well as related activities including participation in other companies.

The Company is a public limited liability company incorporated and domiciled in Norway. The address of its registered office is Henrik Ibsens gate 100, Oslo, Norway. The company's shares were admitted to listing at the Oslo Axess on 30 January 2008.

These group consolidated financial statements were resolved by the Board of directors on 13 April 2012.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied. For the purpose of ease of reading, the terms "balance sheet" and "accounting" and variations of these have been used interchangeably with the IFRS terms "statement of financial position" and "recognition".

2.1 Basis of preparation

The annual financial statements have been prepared on a historical cost basis. The financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies adopted are consistent with those of the previous financial year. IFRS is continuously developed and recently published standards, amendments and interpretations have been reviewed and considered. None of the new standards, amendments and interpretations that apply as of 1 January 2011 had any impact on the result or equity of Thinfilm in 2011. The standard IFRS 8 Operating segments applies from 1 January 2009 but has not been implemented, because Thinfilm does yet have any distinguishable business segments or geographical segments. Thinfilm will apply IFRS 8 in due course.

2.2 Consolidation

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred.

2.3 Foreign currency translation

a) Functional and presentation currency

The consolidated financial statements are presented in Norwegian kroner (NOK), which is also the functional currency for the parent company.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

c) Group companies

On consolidation, exchange differences arising from the translation of the net investment in foreign operations including hedging instruments, are included in comprehensive income. When a foreign operation is partially disposed of or sold, such exchange differences are reversed and recognized in the income statement as part of the gain or loss on the sale.

2.4 Property, plant and equipment

These are mainly laboratory test equipment, bench-top printing machines and office equipment. Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method as follows:

- Installations 7 years
- Laboratory equipment 5 years
- Office equipment 3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the income statement.

Notes to the consolidated financial statements

2.5 Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

b) Patents and licenses

Acquired patents and licenses are shown at historical cost. Patents and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

c) Research and development

Research costs are taken as cost as they are incurred. An intangible asset arising from development expenditure on an individual project is capitalized only when the group reliably can measure the expenditure and can demonstrate;

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- how the asset will generate future economic benefits
- the group's ability to obtain resources to complete the project

Development costs are amortized over the period of expected use of the asset.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.6 Impairment of operating assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill are reviewed for possible reversal of any previous impairment at each reporting date.

2.7 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

2.8 Cash and bank deposits

Cash and bank deposits include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and any bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to raising new equity are shown as a deduction to the equity, net of tax.

2.10 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.11 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.12 Employee remuneration

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

The company has only defined contribution pension plans. Contributions are expensed and paid when earned.

2.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the group's activities, as described below.

(a) Sales of goods

The group manufactures and sells fully printed rewritable memories in the form of technology demonstration kits, engineering samples and prototype development projects to strategic customers and partners. Sales of goods are recognized when the group has delivered and shipped products to the customer at the specified location. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(b) Rendering of services
The group provides engineering and support services to strategic customers and partners. Revenue from services is recognized when, or in the same period as, the group has provided the services.

(c) Interest income
Interest income is recognized using the effective interest method.

2.14 Government grants
Grants from the government are recognized at their fair value in profit or loss where there is a reasonable assurance that the grant will be received and the group has complied with all attached conditions. Grants received where the group has yet to comply with all attached conditions are recognized as a liability (and included in deferred income within trade and other payables) and released to profit or loss when all attached conditions have been complied with. Similarly, awarded grants yet not received, but where the group has complied with all attached conditions, are recognized in profit or loss with its offset in trade and other receivables. Government grants are recognized in profit or loss by two different principles: (i) Grants which are related to specific development programs with commercial end-objectives are recognized as other operating revenue over the periods in which the related costs are accrued (for which the contributions are intended to compensate) and (ii) Grants or other contributions in the form of tax credit are credited against costs.

2.15 Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases and the leasing fee is charged to the profit and loss statement.

2.16 Share based remuneration
The group may issue independent subscription rights to employees and individual consultants performing similar work and accounts for these transactions under the provisions of IFRS 2. The group recognizes two types of expenses related to grant of subscription rights: (i) Notional cost of subscription rights is recognized at time of grant and calculated based on the Black-Scholes model (share price at time of grant, exercise price, expected volatility, duration and risk-free interest rate). The subscription rights vest in four tranches of 25 per cent on each anniversary of the grant, i.e., each tranche has different duration. The notional cost of subscription rights as share based remuneration is expensed but the equity effect is nil because the contra item is a notional equity injection of equal amount. (ii) Employer's tax expense is accrued based on the net present value of the subscription right as an option on the balance sheet date. The value varies with the share price and may entail a net reversal of costs.

3. Financial risk

3.1 Financial risk factors
The accounting financial risk is limited because Thinfilm does not have financial instruments. Thinfilm has not entered into any hedging transactions.

a. Market risk factors
(i) Currency risk
The group has the major part of its operations in Sweden (in addition to certain operations in US) and there is thus a currency risk related to costs between SEK and NOK (and between USD and NOK) as the functional currency of the group is NOK (Norwegian kroner, NOK). The management monitors this risk but has not initiated particular actions to reduce it. The company's revenue is expected to be denominated in EUR or USD. There is minimal sense in managing the currency risk related to revenue before the revenue stream can be reliably forecasted.

The currency risk related to the balance sheet is only related to the net investment in the Swedish subsidiary. The management monitors this risk but has not initiated particular actions to reduce it.

(ii) Interest risk
Thinfilm does not have any financial debt. The group has cash in bank in NOK, SEK and USD at floating rates, meaning that there is no gain or loss when market rates change. Interest rates may vary over time. The company's cash pool does not justify an advanced cash management system to obtain additional yield from the cash pool.

b. Credit risk
The company has no substantial credit risk as there are no significant receivables. Thinfilm has not issued guarantees or mortgages.

c. Liquidity risk
Thinfilm does not have financial debt and has hitherto been able to raise adequate equity. On 12 March 2012, Thinfilm accomplished a private placement of 25,000,000 new shares in the company at a price of NOK 1.80 per share, thereby raising NOK 45 million in new capital. One warrant is proposed attached to and issued for every two shares subscribed for and allocated in the placement. The warrants will have an exercise price of NOK 2.20 per share and a term of one year. Thus, the potential combined gross proceeds are NOK 72.5 million. Thinfilm believes that the amounts from these two funding rounds, as well as proceed from the presently outstanding warrants B, will be sufficient to fund the operations of the Company into 2014.

3.2 Fair value estimation
The carrying value less impairment provision of trade receivables and payables are assumed to approximate the fair values of such items. Accounts payable and accrued liabilities with due date within 12 months have been recognized at carrying value. The fair value of financial liabilities has been estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

3.3 Financial instruments
Thinfilm is not party to any transactions or financial instruments which are not recorded in the balance sheet or otherwise disclosed.

4. Critical accounting estimates and judgments

The financial statements of the group have been prepared based on the going concern assumption. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions mainly relate to share based compensation, deferred tax assets, capitalization of research and development and, if any, contingent liabilities.

5. Property, plant and equipment

Amounts in NOK 1,000	Installations	Laboratory equipment	Office equipment	Total
Useful life, years	7	5	3	
2011				
Accumulated cost on 1 January	58	2 482	547	**3 087**
Additions		879		**879**
Disposals (at cost)				**0**
Exchange differences	(0)	14	(0)	**13**
Cost at 31 December	**58**	**3 375**	**547**	**3 980**
Accumulated depreciation and impairment on 1 January	(58)	(1 771)	(499)	**(2 328)**
Depreciation		(255)	(38)	**(293)**
Impairment		(10)	(10)	**(19)**
Disposals (at accumulated depreciation)				**0**
Exchange differences	0	(1)	(0)	**(1)**
Depreciation and impairment at 31 December	**(58)**	**(2 037)**	**(547)**	**(2 641)**
2010				
Accumulated cost on 1 January	55	1 723	514	**2 292**
Additions		650		**650**
Disposals (at cost)				**0**
Exchange differences	3	108	33	**144**
Cost at 31 December	**58**	**2 482**	**547**	**3 087**
Accumulated depreciation and impairment on 1 January	(55)	(1 620)	(449)	**(2 124)**
Depreciation		(50)	(21)	**(71)**
Disposals (at accumulated depreciation)				**0**
Exchange differences	(3)	(102)	(29)	**(133)**
Depreciation and impairment at 31 December	**(58)**	**(1 771)**	**(499)**	**(2 328)**
At 31 December 2011				
Accumulated cost	58	3 375	547	**3 980**
Accumulated depreciation and impairment	(58)	(2 037)	(547)	**(2 641)**
Net book value	**0**	**1 338**	**0**	**1 338**
At 31 December 2010				
Accumulated cost	58	2 482	547	**3 087**
Accumulated depreciation and impairment	(58)	(1 771)	(499)	**(2 328)**
Net book value	**0**	**711**	**49**	**759**

Notes to the consolidated financial statements

6. Intangible assets

There were no transactions regarding intangible assets in 2011 or 2010.

Amounts in NOK 1,000	Goodwill
At 31 December 2011	
Cost	34 749
Accumulated amortisation and impairment	**(34 749)**
Net book value	**0**
At 31 December 2010	
Cost	34 749
Accumulated amortisation and impairment	**(34 749)**
Net book value	**0**

The group is defined as one single cash generating unit (CGU) for the purpose of impairment testing. The future income of the company cannot be predicted with the necessary degree of certainty and all intangible assets were accordingly impaired in 2006.

7. Trade and other receivables

There were no transactions regarding intangible assets in 2011 or 2010.

Amounts in NOK 1,000	31 December 2011	31 December 2010
Customer receivables	**30**	102
Accrued revenue not yet invoiced	**8**	0
Other receivables, prepayments	**2 989**	1 727
Less: provision for impairment of receivables	**0**	0
Receivables – net	**3 027**	**1 829**
Of this, receivables from related parties (note 19)	**0**	0

All receivables are due within one year and book value approximates fair value. Of the total amount, NOK 2,527 thousand were denominated in NOK (2010: NOK 1,460 thousand), and NOK 500 thousand denominated in SEK (2010: NOK 369 thousand).

8. Cash and bank deposits

Amounts in NOK 1,000	31 December 2011	31 December 2010
Cash in bank excluding restricted cash	**7 083**	17 911
Deposit for withheld tax	**256**	143
Total	**7 339**	**18 054**

Payable withheld tax amounts in Norway at 31 December 2011 were 256 thousand NOK (2010: 143 thousand NOK).

9. Share capital

Amounts in NOK 1,000	Number of shares
Shares at January 1 2011	278 626 406
Share issue 23 March 2011	1 663 680
Share issue in connection with board remuneration 11 May	60 000
Share issue to employees 23 May	750 000
Warrants exercised 3-14 October	23 444 000
Shares at 31 December 2011	**304 544 086**
Shares at 1 January 2010	145 622 654
Share issue in connection with board remuneration 7 May	288 500
Warrants exercised 6-31 May	90 120 870
Private placement 1 October	23 314 000
Warrants exercised 1 September-6 November	19 280 382
Shares at 31 December 2010	**278 626 406**

The par value of the shares is NOK 0.11 per share.

The annual general meeting 2010 authorized the board to complete one or more placements by shares up to a combined number of 29,124,530 shares which corresponded to about 11 per cent of the company's registered share capital after the warrants exercises in 2010. The authorization was applied at the private placements on 1 October 2010 and 23 March 2011 (1,663,680 shares were issued to PARC, a Xerox company). There are no authorizations to the board for the company to acquire own shares.

At the annual general meeting 2011 it was resolved to issue two warrants for each share issued in the private placement in October 2010. The first warrant ("Warrant A") was exercisable in the period 3 to 14 October 2011 at an exercise price per share of NOK 0.90. The second warrant ("Warrant B") is exercisable in the period 1 to 12 October 2012 at an exercise price per share of NOK 1.00; provided, however, that Warrant B may only be exercised in case the associated Warrant A has been exercised. Pursuant to a resolution by the annual general meeting, the Board resolved on 19 September 2011 to allow an early exercise of Warrant B concurrent with the exercise period of Warrant A (3-14 October 2011). During the exercise period 3-14 October 2011, 23,254,000 Warrants A and 190,000 Warrants B were exercised (total of 23,444,000 warrants). Following completion of the warrant exercise period 3-14 October 2011, 23,064,000 Warrants B remain outstanding (exercisable in the period 1 to 12 October 2012).

10. Trade and other payables

Amounts in NOK 1,000	31 December 2011	31 December 2010
Trade payables	**3 123**	1 544
Public duties, withheld taxes and social security taxes due	**2 009**	866
Accrued holiday pay and other accrued salary	**1 283**	1 035
Other accrued expenses	**957**	2 198
Total	**7 372**	**5 643**
Of this, payables to related parties (note 19)	**799**	799

All payables and accruals are due within one year and book value approximates fair value. Of the total amount NOK 2,069 thousand is denominated in SEK (2010: NOK 1,483 thousand) and the remainder, NOK 5,303 thousand (2010: NOK 4,161 thousand), is predominantly denominated in NOK but also small amounts in various other currencies.

Notes to the consolidated financial statements

11. Sales revenue

Amounts in NOK 1,000	2011	2010
Sales of goods	**102**	0
Rendering of services	**0**	0
Total	**102**	**0**

12. Other revenue

Amounts in NOK 1,000	2011	2010
Administrative services etc.	**3**	63
Government grants, funded development projects	**1 658**	0
Total	**1 661**	**63**

13. Government grants

In May 2011, Thinfilm received a government grant of NOK 3 million from Innovation Norway's Industrial Research and development Program ("IFU") to develop and manufacture addressable memories. The project runs to April 2013.The accounting policy adopted for this grant is to recognize it as other operating revenue over the periods in which Thinfilm recognizes as expenses the related costs for which the grant is intended to compensate (approximately NOK 1.7 million in 2011). No similar grant was recognized in 2010.

Thinfilm had a project qualified for the Skattefunn scheme in 2011 (tax credit scheme), which was related to the general development of printed memory for toys and games. In 2011, net contribution from the Skatte-funn scheme was NOK 1.1 million (2010: NOK 1.1 million). The project ended in 2011. The accounting policy adopted for this grant is to credit the net contribution of NOK 1.1 million against cost in the fourth quarter of 2011.

There are no unfilled conditions or other contingencies related to government grants that have been recognized.

14. Salaries and other payroll costs

Amounts in NOK 1,000	2011	2010
Salaries	**8 928**	5 403
Social security costs	**2 031**	1 491
Share-based compensation (subscription rights), notional salary cost	**3 012**	3 783
Share-based compensation (subscription rights), accrued employer´s tax	**1 034**	233
Pension contribution	**839**	522
Other personnel related expenses, including recruiting costs	**779**	35
Total	**16 623**	**11 467**
Average number of employees for the year	**11**	6

At the end of the year the group employed fourteen persons, up from seven at the end of 2010.

The company has only defined contribution pension plans. Contributions are expensed and paid when earned.

Compensation to senior management Amounts in NOK 1,000	**Salary**	**Pension contribution**	**Bonus**	**Share-based remuneration**
2011				
Compensation to Davor Sutija, CEO	1 277	44	225	902
Compensation to Torgrim Takle, CFO from March 2011	822	35	0	425
Compensation to Erling Svela, CFO until March 2011	569	13	0	53

Compensation to senior management Amounts in NOK 1,000	Salary	Pension contribution	Bonus	Share-based remuneration
2010				
Compensation to Rolf Åberg, CEO until June 2010	994	0	0	114
Compensation to Davor Sutija, CEO from July 2010	1 060	18	0	521
Compensation to Erling Svela, CFO	1 222	7	0	184

The salary amount is the salary amount declared for tax purposes. The value of share-based remuneration is the expensed amount excluding employer's tax in the period for incentive subscription rights. No subscription rights were exercised by senior management in 2011 or 2010. See also note 22.

Mr. Svela was until March 2011 employed on a flexible time-spent basis as required by Thinfilm. There was a mutual minimum 40 per cent full-time work and pay obligation.

The company has not made any advance payments or issued loans to, or guarantees in favour of, any members of management.

15. Operating leases

Thinfilm has a lease agreement for premises in Oslo, Norway and Linköping, Sweden. The lease amount in Oslo is NOK 300 thousand per year, with a termination clause of 3 months. The lease amount in Linköping is SEK 518 thousand per year adjusted by 3 per cent per year. The lease can be terminated semi-annually with 6 months notice.

16. Income tax expense

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Amounts in NOK 1,000	2011	2010
Profit (loss) before tax	**(38 691)**	(24 893)
Tax (tax income) calculated at domestic tax rate 28 per cent	**(10 833)**	(6 970)
Effect of other tax rate in other countries	**7**	(5)
Share based compensation	**577**	1 059
Other permanent differences	**434**	150
Change in deferred tax asset not recognised on the balance sheet	**9 816**	5 765
Tax charge	**0**	**0**

17. Deferred income tax

Deferred income tax assets and liabilities are offset when the company has a right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Amounts in NOK 1,000	31 Dec 2010	Charged to profit/loss	Equity	31 Dec 2011
Deferred income tax asset				
Intangible assets	8 014			**8 014**
Tax loss carried forward outside Norway	4 618	107	(3)	**4 722**
Tax loss carried forward Norway	33 770	9 709	84	**43 563**
Calculated deferred tax asset	46 402	9 816	81	**56 298**
Impairment of deferred tax asset	(46 402)	(9 816)	(81)	**(56 298)**
Deferred tax in the balance sheet	**0**			**0**

Amounts in NOK 1,000	31 Dec 2009	Charged to profit/loss	Equity	31 Dec 2010
Deferred income tax asset				
Intangible assets	8 014			**8 014**
Tax loss carried forward outside Norway	4 378	(87)	326	**4 618**
Tax loss carried forward Norway	27 661	5 852	257	**33 770**
Calculated deferred tax asset	40 053	5 766	583	**46 402**
Impairment of deferred tax asset	(40 053)	(5 766)	(583)	**(46 402)**
Deferred tax in the balance sheet	**0**			**0**

The Equity column includes effects of currency translation, share issue costs and forgiven debt.

The company has not recognized the tax asset as there is uncertainty relating to future taxable income for utilization of the tax loss carried forward, and the taxable loss on intangible assets. There is no expiration date on the tax loss carried forward. No tax item has been recorded directly to equity.

18. Profit (loss) per share

Amounts in NOK 1,000	2011	2010
Profit (loss) attributable to equity holders of the Company (NOK 1,000)	**(38 691)**	(24 893)
Average number of shares in issue	**284 578 310**	206 644 974
Average diluted number of shares	**296 445 637**	255 516 923
Profit (loss) per share, basic and diluted	**(NOK 0.14)**	**(NOK 0.12)**

When the period result is a loss, the loss per diluted number of shares shall not be reduced by the higher diluted number of shares, but the diluted result per share equals the result per basic number of shares.

The diluted number of shares has been calculated by the treasury stock method. If the exercise price of subscription rights exceeds the average share price in the period, the subscription rights are not counted as being dilutive.

19. Related party transactions

a) Transactions with related parties:

Amounts in NOK 1,000	2011	2010
Purchases of services from John M. Lervik Consult	**840**	1 050
Purchases of services from law firm Ræder	**1 610**	1 144

The agreement with John M. Lervik Consult, controlled by John Markus Lervik who also controls shareholder ASAH AS, was entered into with effect from 1 June 2009. The amount does not include refund of out-of-pocket expenses.

Thinfilm's chairman, Morten Opstad, is a partner and chairman of the board of Advokatfirma Ræder DA, who is also Thinfilm's legal counsel. The amounts do not include Mr. Opstad's service as chairman. Mr. Opstad and close associates hold shares in Thinfilm.

Transaction prices are based on what would be the prices for sale to third parties.

b) Year-end balances arising from sales/purchases of goods/services with related parties

Amounts in NOK 1,000	2011	2010
Payable to John M. Lervik Consult	**0**	123
Payable to law firm Ræder	**799**	676

c) Remuneration to the board of directors

The company has no other obligation to remunerate the board than the board remuneration as resolved by the annual general meeting. The annual general meeting on 10 May 2011 resolved remuneration to the chairman of NOK 140 thousand and NOK 75 thousand for each board member for the period from the annual general meeting in 2010 to the annual general meeting in 2011. The board members had the option to receive part or all of the remuneration in the form of shares. The number of shares corresponded to a gross value of 127 per cent of the board remuneration, for which they paid the par value and the shares were locked up for one year. Chairman Morten Opstad chose this option, in a manner where the cash part covered the withholding tax and the exercise price. The transaction was completed in the second quarter 2011. The company refunds relevant out-of-pocket expenses incurred by the board members. The company has not issued any advance payments or loans to, or guarantees in favor of, any board member.

Thinfilm has accrued NOK 259 thousand (2010: NOK 352 thousand) for the probable cost of board remuneration from the annual general meeting 2011 and up to the end of 2011. Such remuneration, if any, shall be resolved by the annual general meeting 2012. The amount is based on the remuneration resolved in 2011.

d) Remuneration to the auditor

Amounts in NOK 1,000	**2011**	**2010**
Audit	**304**	316
Other assurance services	**54**	32
Tax services	**33**	28
Other services	**0**	0
Total	**391**	**376**

20. Contingent liabilities, financial instruments

Thinfilm is not party to any transactions or financial instruments which have not been recorded in the balance sheet or otherwise disclosed in these annual financial statements. Thinfilm has not issued any guarantees.

21. Shares, warrants and subscription rights

At the end of 2011 there were 304,544,086 shares in the company, versus 278,626,406 at the end of 2010. There were 2,280 registered shareholders (2010: 2,087). Thinfilm is not aware of any shareholding agreements between shareholders.

Top 20 registered shareholders at 31 December 2011	**Shares**	**Percent**
Euroclear Bank S.A./N.V. ('BA') (Nominee)	41 321 540	13.57%
ASAH AS	27 200 000	8.93%
Simpson Financial Ltd	17 123 940	5.62%
A. S. Holding A/S	16 370 922	5.38%
Food International Ltd.	9 131 162	3.00%
Håvi AS	9 036 311	2.97%
Solon AS	7 820 277	2.57%
GPR Technology Fund Limited	6 902 974	2.27%
Food International Ltd	6 250 698	2.05%
Charles Street International Ltd	5 728 174	1.88%
Storebrand Vekst	4 750 109	1.56%
Festvåg AS	4 413 574	1.45%
Dukat AS	3 900 000	1.28%
Hyson Limited	3 788 116	1.24%
Simpson Financial Limited	3 264 336	1.07%
Gude Gudesen, Hans	3 221 660	1.06%
Viola AS	3 175 000	1.04%
Forsland, Runar	3 160 625	1.04%
Wiik, Egil Arne	2 770 000	0.91%
Tigerstaden AS	2 600 000	0.85%

Notes to the consolidated financial statements

Shares, warrants and subscription rights held by primary insiders and close relations at 31 December 2011

	Shares	Warrants	Incentive subscription rights
Morten Opstad, chairman	1 282 496	120 000	325 000
Catarina Göthe, board member	89 400	0	0
Margareta Josefsson, board member	50 000	0	0
William R. Salaneck, board member	119 400	30 000	0
Rolf Åberg, board member	208 216	0	368 750
Rita Glenne, board member	0	0	0
Davor Sutija, CEO	1 240 000	120 000	5 500 000
Torgrim Takle, CFO	60 000	60 000	2 200 000
Geir Aase, VP of communication and IR	245 000	120 000	800 000
Total	**3 294 512**	**450 000**	**9 193 750**

The board has granted subscription rights under subscription rights incentive programmes for the respective years.

The annual general meeting on 10 May 2011 resolved a subscription rights incentive programme for the years 2011–2016. The 2010 programme was closed. Under the 2011 programme, the board may grant up to 28,029,009 independent subscription rights to employees and to individual consultants performing similar work in Thinfilm. The number of outstanding subscription rights under all subscription rights incentive programs shall not exceed 10 per cent of the number of shares in the company. The exercise price shall be equal to the average closing share price on the ten trading days preceding the grant date. The subscription rights vest in four tranches of 25 per cent on each anniversary of the grant. In case of change of control, the subscription rights vest immediately. The subscription rights expire on 10 May 2016.

By 31 December 2011, the board had granted 5,700,000 subscription rights under the 2011 programme.

Subscription rights	2011		2010	
	Weighted average exercise price	Number of subscription rights	Weighted average exercise price	Number of subscription rights
Total at 1 January	1.26	12 540 417	1.77	5 921 667
Granted	1.33	7 700 000	0.87	7 400 000
Forfeited	1.01	(1 850 278)	1.47	(781 250)
Exercised	1.08	(750 000)		0
Expired	4.78	(100 833)		0
Total at 31 December	**1.30**	**17 539 306**	**1.26**	**12 540 417**
Number of exercisable subscription rights at 31 December (included in total)		3 339 306		1 691 249

Subscription rights outstanding at 31 December 2011

		Grant date	Expiry date	Grantee capacity	Number of subscription rights	Exercise price, NOK
Morten Opstad	chairman	28 June 2007	9 May 2012	chairman	75 000	10.80
		22 Sept. 2009	6 May 2014	contractor	250 000	1.08
Rolf Åberg	board member	28 June 2007	9 May 2012	board member	25 000	10.80
		28 June 2007	9 May 2012	contractor	93 750	10.80
		22 Sept. 2009	6 May 2014	employee	250 000	1.08
Davor Sutija	CEO	6 Jan. 2010	6 May 2014	contractor	1 000 000	1.29
		30 Sept. 2010	7 May 2015	employee	2 500 000	0.80
		2 Nov. 2011	10 May 2016	employee	2 000 000	1.49
Torgrim Takle	CFO	8 Jan. 2011	7 May 2015	employee	1 500 000	1.01
		2 Nov. 2011	10 May 2016	employee	700 000	1.49
Employees and contractors		28 June 2007	9 May 2012		145 556	10.80
		22 Sept. 2009	6 May 2014		2 500 000	1.08
		6 May 2010	6 May 2014		200 000	1.09
		30 Sept. 2010	7 May 2015		2 800 000	0.80
		2 March 2011	7 May 2015		500 000	1.63
		17 Aug. 2011	10 May 2016		1 250 000	1.01
		2 Nov.2011	10 May 2016		1 750 000	1.49
Total					**17 539 306**	**1.30**

750,000 subscription rights were exercised in 2011 (2010: nil).

Value of subscription rights and assumptions	28 June 2007	22 Sept. 2009	Grants in 2010	Grants in 2011
Value of subscription right at grant date, NOK per subscription right	5.04–6.03	1.19–1.45	0.42–1.02	**0.51–1.17**
Share price, NOK per share	12.00	1.65	0.80–1.23	**0.98–1.58**
Exercise price, NOK per share	10.8	1.08	0.80–1.29	**1.01–1.63**
Expected annual volatility	50%	130%	100–130%	**90–100%**
Duration, years	2.9–4.4	2.0–4.6	2.0–4.6	**2.0–4.7**
Expected dividend	0	0	0	**0**
Risk-free interest rate, government bonds	5.30%	2.8-3.6%	2.1–3.4%	**1.7–3.0%**

Value of subscription rights and assumptions	28 June 2007	22 Sept. 2009	Grants in 2010	Grants in 2011
Value of subscription right at 31 December 2011, NOK per subscription right	0.0001	0.52–0.98	0.31–1.17	**0.60–1.18**
Share price, NOK per share	1.60	1.60	1.60	**1.60**
Exercise price, NOK per share	10.8	1.08	0.80–1.29	**1.01–1.63**
Expected annual volatility	90%	90%	90%	**90%**
Duration, years	0.4	0.7–2.3	0.02-3.4	**1.0–4.4**
Expected dividend	0	0	0	**0**
Risk-free interest rate, government bonds	2.2%	1.3–1.6%	1.2-2.6%	**1.2–1.7%**

22. Statement on management remuneration policy

In 2011 Thinfilm's executive management comprised Davor Sutija, CEO, Erling Svela, CFO until March and Torgrim Takle, CFO from March. Mr. Sutija performs the work as managing director of the subsidiaries Thinfilm AB and Thinfilm Inc. for no additional remuneration.

The general meeting 2011 resolved guiding and binding executive remuneration policies. Thinfilm's executive remuneration policy in 2011 was a continuation of the prior year's policy, including share-based remuneration in the form of a subscription rights incentive programme as resolved at the annual general meeting, latest on 10 May 2011.

Guiding executive remuneration policy

Thinfilm offers a competitive remuneration consisting of a reasonable base salary with a pension contribution, which may be supplemented by motivating performance-based cash bonus. There is no post-employment remuneration beyond notice periods of 3-6 months. In case the company gives notice, Davor Sutija may be eligible for salary for 3 months after the end of the notice period.

Binding executive remuneration policy

The annual general meeting on 10 May 2011 resolved a subscription rights incentive programme for the years 2011-2016. The preceding incentive programme was closed. The programme is described in note 21.

Implementation and effect of the policies

The actual remuneration to the management in 2011 is reported in notes 14 and 21. Based on achievement of stated targets in the period August 2011–July 2012, Mr. Sutija can achieve a cash bonus of maximum 25 per cent of base salary. Similarly, Mr. Takle can achieve a cash bonus of maximum 25 per cent of base salary based on achievement of stated targets in the period April 2011-March 2012.

Salary, pension and any bonuses will attract employer's tax which will be expensed simultaneously with the remuneration.

The notional cost of subscription rights as share based remuneration is expensed but the equity effect is nil because the contra item is a notional equity injection of equal amount.
The employer's tax is accrued based on the net present value of the subscription right as an option on the balance sheet date. The value varies with the share price and may entail a net reversal of costs. In 2011 Thinfilm expensed NOK 1034 thousand (2010: NOK 223 thousand) related to the persons included in the reporting, and the accumulated accrual for employer's tax to the same persons amounted to NOK 1387 thousand (2010: NOK 466 thousand). If and when the subscription rights are exercised, the accrued employer's tax will be reversed and the payable employer's tax of the actual gain will be expensed.

A possible exercise will represent a dilution for the shareholders. At the end of 2011, the number of outstanding subscription rights to the management amounted to 7,700,000, corresponding to 2.5 per cent of the share capital.

23. Events after the balance sheet date

On 12 March 2012, Thinfilm accomplished a private placement of 25,000,000 new shares in the company at a price of NOK 1.80 per share, thereby raising NOK 45 million in new capital. One warrant is proposed attached to and issued for every two shares subscribed for and allocated in the placement. The warrants will have an exercise price of NOK 2.20 per share and a term of one year. Thus, the potential combined gross proceeds from these two funding rounds are NOK 72.5 million. The issuance of warrants remains subject to approval by the general meeting of the company on 10 May 2012.

Since 31 December 2011 and until the date of these financial statements, the board has granted a total of 600,000 subscription rights under the subscription rights-based incentive programme resolved by the annual general meeting 2011. The exercise price of the subscription rights is NOK 1.71 per share. 275,000 shares were issued on 28 February 2012 to existing and former employees of the company. The subscription prices per share were NOK 1.09 (50,000 shares) and NOK 0.80 (225,000 shares).

There are no events between 31 December 2011 and the date of presentation of these financial statements which have any noteworthy impact on Thinfilm's result for 2011 or the value of Thinfilm's assets or liabilities at 31 December 2011.

Annual Financial Statements 2011

Profit and loss statements

Amounts in NOK 1,000	Note	2011	2010
Sales revenue	11	102	0
Other revenue	12, 13	1 658	45
Total revenue		**1 760**	**45**
Employee salaries and benefits	14	(7 258)	(6 189)
Services (external)		(12 850)	(6 214)
Services (from subsidiaries)	17	(15 447)	(9 341)
Premises, supplies		(942)	(1 711)
Contribution from Skattefunn scheme		1 100	1 100
Sales and marketing		(2 646)	(1 691)
Other expenses		(856)	(978)
Operating profit (loss)		**(37 139)**	**(24 979)**
Interest income		37	12
Other financial income		416	375
Impairment charge/reversal on investment in subsidiary	6	(1 811)	445
Interest cost		(70)	(0)
Other financial costs		(483)	(586)
Net financial items		**(1 911)**	**246**
Profit (loss) before income tax		**(39 050)**	**(24 733)**
Income tax expense	15	0	0
Profit (loss) for the year		**(39 050)**	**(24 733)**
Allocation/coverage of net result for the year			
Transfer from share premium reserve			
Uncovered losses carried forward		39 050	24 733
Total allocated	4	**39 050**	**24 733**

Balance sheets

Amounts in NOK 1,000	Note	31 December 2011	31 December 2010
ASSETS			
Non-current assets	7, 16		
Property, plant and equipment	5		
Investment in subsidiary	6	2 023	2 438
Total non-current assets		**2 023**	**2 438**
Current assets			
Trade and other receivables	8	2 527	1 460
Cash and bank deposits	9	6 809	17 527
Total current assets		**9 336**	**18 987**
Total assets	18	**11 359**	**21 425**
EQUITY			
Ordinary shares	10, 19	33 500	30 649
Share premium fund		41 405	19 233
Other paid-in equity		9 634	6 247
Total paid-in equity		**84 539**	**56 129**
Retained profit/uncovered losses		(80 180)	(41 130)
Total equity	4	**4 359**	**14 999**
LIABILITIES			
Current liabilities			
Accounts payable		2 375	1 004
Withheld tax and public duties payable		456	552
Debt to group companies	6, 17	2 957	2 372
Other payables and accruals		1 212	2 498
Total liabilities	18	**7 000**	**6 426**
Total equity and liabilities		**11 359**	**21 425**

The notes on pages 24 to 34 are an integral part of these annual financial statements.

The board of directors of Thin Film Electronics ASA, Linköping, 13 April 2012

Morten Opstad
Chairman

Catarina Göthe
Board member

Margareta Josefsson
Board member

William R. Salaneck
Board member

Rolf Åberg
Board member

Rita Glenne
Board member

Davor Sutija
Managing Director

Cash flow statements

Amounts in NOK 1,000	Note	2011	2010
Cash flows from operating activities			
Net result before tax		**(39 050)**	(24 733)
Share-based compensation (equity part)	19	**1 622**	3 783
Depreciation and impairment (reversal)	6	**1 811**	(445)
Change in working capital and other items		**3 196**	196
Net cash from (used on) operating activities		**(32 421)**	**(21 199)**
Cash flows from investing activities			
Paid-in capital (Subsidiary)	6	**(6)**	
Net cash from (used on) investing activities		**(6)**	**0**
Cash flows from financing activities			
Proceeds from issuance of shares	10	**21 709**	29 800
Net cash from financing activities		**21 709**	**29 800**
Net change in cash and bank deposits		**(10 718)**	**8 601**
Cash and bank deposits at the beginning of the year		**17 527**	8 926
Cash and bank deposits at the end of the year	9	**6 809**	**17 527**

The company had no bank draft facilities at the end of 2011 or 2010.

The notes on pages 24 to 34 are an integral part of these annual financial statements.

Notes to the annual financial statements

1. Information about the company

Thin Film Electronics ASA ("Thinfilm ASA") is the parent company in the Thin Film Electronics group ("Thinfilm"). The group consists of the parent company Thinfilm ASA and the subsidiaries Thin Film Electronics AB ("Thinfilm AB") and Thin Film Electronics Inc. ("Thinfilm Inc."). The group was formed on 15 February 2006 when Thinfilm ASA purchased the business and assets, including the subsidiary Thinfilm AB, from Thin Film OldCo AS ("OldCo").

Thinfilm ASA was established on 22 December 2005. The accounting year corresponds to the calendar year. The purpose of Thinfilm ASA is research, development, production and commercialization of technology and products of physical storage of information, as well as related activities including participation in other companies.

The Company is a public limited liability company incorporated and domiciled in Norway. The address of its registered office is Henrik Ibsens gate 100, Oslo, Norway. The company's shares were admitted to listing at the Oslo Axess on 30 January 2008.

These annual financial statements for the parent company were resolved by the company's board of directors on 13 April 2012.

2. Accounting policies

These annual financial statements have been prepared in accordance with the Norwegian accounting act 1998 and generally accepted accounting practice in Norway. The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been applied consistently. The financial statements have been prepared using the historical cost convention.

Principal criteria for valuation and classification of assets and liabilities
Assets for lasting ownership or use have been classified as fixed assets. Other assets have been classified as current assets. Receivables which are due within twelve months have been classified as current assets. Corresponding criteria have been applied when classifying short-term and long-term debt.

Current assets have been valued at the lower of cost and fair value. Other long-term debt and short-term debt have been valued at face value.

Assets and liabilities denominated in foreign currency
Monetary items in foreign currency have been converted at the exchange rate on the balance sheet date.

Shares in subsidiaries
Investment in subsidiaries has been valued at cost in the parent company. In case of impairment which is not temporary, the investment has been written down to fair value if mandated according to GAAP. Received dividends and group contributions have been included in the income statement as other financial income.

Revenue
Revenue has been recorded when earned, that is when a receivable has been established. This is at the time a product has been delivered or service has been provided, according to progression of the work. Revenue has been recorded at the value of the consideration at the transaction

time. Revenue is recorded when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. The company manufactures and sells fully printed rewritable memories in the form of technology demonstration kits, engineering samples and prototype development projects to strategic customers and partners. Revenue is recorded when the company has delivered and shipped products to the customer at the specified location. The company also provides engineering and support services to strategic customers and partners. Revenue from services is recorded when, or in the same period as, the services have been provided.

Government grants
Grants from the government are recognized at their fair value in profit or loss where there is a reasonable assurance that the grant will be received and the group has complied with all attached conditions. Grants received where the group has yet to comply with all attached conditions are recognized as a liability (and included in deferred income within trade and other payables) and released to profit or loss when all attached conditions have been complied with. Similarly, awarded grants yet not received, but where the group has complied with all attached conditions, are recognized in profit or loss with its offset in trade and other receivables. Government grants are recognized in profit or loss by two different principles: (i) Grants which are related to specific development programs with commercial end-objectives are recognized as other operating revenue over the periods in which the related costs are accrued (for which the contributions are intended to compensate) and (ii) Grants or other contributions in the form of tax credit are credited against costs.

Receivables
Accounts receivable and other receivables have been recorded at face value after accruals for expected losses have been deducted. Accruals for losses have been made based on an individual assessment of each receivable.

Cash and bank deposits
Cash and bank deposits include cash, bank deposits and cash equivalents with a due date less than three months from acquisition.

Costs
Costs are normally recognized in the period of corresponding revenue. In situations where there are no clear connection between costs and revenue, the costs are allocated on a judgmental basis. Costs without corresponding revenue are recognized when they accrue.

Share based remuneration
The company may issue independent subscription rights to employees and individual consultants performing similar work and accounts for these transactions under the provisions of NRS 15A and generally accepted accounting practice in Norway. Two types of expenses are recognized related to grant of subscription rights: (i) Notional cost of subscription rights is recognized at time of grant and calculated based on the Black-Scholes model (share price at time of grant, exercise price, expected volatility, duration and risk-free interest rate). The subscription rights vest in four tranches of 25 per cent on each anniversary of the grant, i.e., each tranche has different duration. The notional cost of subscription rights as share based remuneration is expensed but the equity effect is nil because the contra item is a notional equity injection of equal amount. (ii) Employer's tax expense is accrued based on the net present value of the subscription right as an option on the balance sheet date. The value varies with the share price and may entail a net reversal of costs.

Tax on profit
Tax cost has been matched to the reported result before tax. Tax related to equity transactions has been charged to equity. The tax cost consists of payable tax (tax on the directly taxable income for the year) and change in net deferred tax. The tax cost is split into tax on ordinary result and result from extraordinary items according to the tax base. Net deferred tax benefit is held in the balance sheet only if future benefit can be justified.

Consolidated items
Insignificant items have been combined or included in similar items in order to simplify the statements. Lines which are zero or about zero have been omitted except where it has been deemed necessary to emphasize that the item is zero.

Estimates and judgmental assessments
Any and every item that is not based on a transaction with an external party must necessarily be based on estimates and judgmental assessments. The actual future situation may prove to deviate from the present best judgment. Operationally, Thinfilm ASA is fundamentally not secure because the company does not have a revenue-generating business. The financial risk is nevertheless limited insofar as the company does not have any financial debt. Thinfilm ASA is at the time of this report funded into 2014. If/when additional equity and/or working capital needs to be raised, it is inherently uncertain whether the company will be able to obtain new capital and at which terms.

3. Significant events last two years, going concern, events after the balance sheet date

2011
At the annual general meeting 2011 it was resolved to issue two warrants (Warrant A and B) for each share issued in the private placement in October 2010. During the first exercise period 3-14 October 2011, 23,254,000 Warrants A and 190,000 Warrants B were exercised (total of 23,444,000 warrants), which raised approximately NOK 21 million in new equity. 23,064,000 Warrants B remain outstanding (exercisable in the period 1 to 12 October 2012), which would raise gross NOK 23.1 million.

2010
Warrants which were issued to subscribers in the private placement in May 2009, were exercised in May or November 2010, adding net NOK 11.8 million equity. A private placement was conducted on 1 October 2010, adding net NOK 18.0 million equity.

Going concern
The board confirms that these financial statements have been prepared based on the going concern assumption. The uncertainty attached to this assumption has been stated in the annual report.

Events after balance sheet date
On 12 March 2012, Thinfilm ASA accomplished a private placement of 25,000,000 new shares in the company at a price of NOK 1.80 per share, thereby raising NOK 45 million in new capital. One warrant is proposed attached to and issued for every two shares subscribed for and allocated in the placement. The warrants will have an exercise price of NOK 2.20 per share and a term of one year. Thus, the potential combined gross proceeds from these two funding rounds are NOK 72.5 million. The issuance of warrants remains subject to approval by the general meeting of the company on 10 May 2012.

Since 31 December 2011 and until the date of these financial statements, the board has granted a total of 600,000 subscription rights under the subscription rights-based incentive programme resolved by the annual general meeting 2011. The exercise price of the subscription rights is NOK 1.71 per share. 275,000 shares were issued on 28 February 2012 to existing and former employees of the company. The subscription prices per share were NOK 1.09 (50,000 shares) and NOK 0.80 (225,000 shares).

There are no events between 31 December 2011 and the date of presentation of these financial statements which have any noteworthy impact on Thinfilm ASA's result for 2011 or the value of Thinfilm ASA's assets or liabilities at 31 December 2011.

4. Equity

Amounts in NOK 1,000	Share capital	Share premium fund	Other paid-in equity	Uncovered loss	Total
Equity at 1 January 2011	30 649	19 233	6 247	(41 130)	**14 999**
Share issue 23 March	183	2 528			**2 711**
Share issue 11 May, board remuneration	7				**7**
Share issue to employees 23 May	83	728			**811**
Warrants exercise 3-14 October	2 579	18 313			**20 892**
Share based compensation			3 012		**3 012**
Reversal of charges in a prior period		602	375		**977**
Net profit (loss) for the year				(39 050)	**(39 050)**
Balance at 31 December 2011	**33 500**	**41 405**	**9 634**	**(80 180)**	**4 359**
Equity at 1 January 2010	16 018	4 064	2 464	(16 397)	**6 149**
Share issue 7 May, board remuneration	32				**32**
Warrant exercises 31 May and 6 November	12 034	(277)			**11 757**
Private placement 1 October	2 565	15 446			**18 011**
Share based compensation			3 783		**3 783**
Net profit (loss) for the year				(24 733)	**(24 733)**
Equity at 31 December 2010	**30 649**	**19 233**	**6 247**	**(41 130)**	**14 999**

5. Property, plant and equipment

Current facilities are rented with furniture included. Minor computing and communications equipment has been expensed.

6. Investment in subsidiary

Amounts in NOK 1,000	Per cent holding	Per cent of votes	Book value
Thin Film Electronics AB, Linköping, Sweden			
At 31 December 2011	100%	100%	
Accumulated cost			11 020
Accumulated impairment charge			(8 997)
Net book value			**2 023**
At 31 December 2010	100%	100%	
Accumulated cost			9 836
Accumulated impairment charge			(7 398)
Net book value			**2 438**

Amounts in NOK 1,000	Per cent holding	Per cent of votes	Book value
Thin Film Electronics Inc., CA, USA			
At 31 December 2011	100%	100%	
Accumulated cost			212
Accumulated impairment charge			(212)
Net book value			**0**

The shares are held at the lower of cost and fair value in the balance sheet.

7. Intangible assets

Amounts in NOK 1,000	2011	2010
Goodwill		
Net book value at 31 December	0	0

There were no transactions regarding intangible assets in 2011 or 2010.

Amounts in NOK 1,000	Goodwill
At 31 December 2011	
Cost	27 189
Accumulated amortisation and impairment	(27 189)
Net book value	**0**
At 31 December 2010	
Cost	27 189
Accumulated amortisation and impairment	(27 189)
Net book value	**0**

The future income of the company cannot be predicted with the necessary degree of certainty and accordingly all intangible assets were impaired in a prior year.

8. Trade and other receivables

Amounts in NOK 1,000	31 December 2011	31 December 2010
Customer receivables	**30**	102
Accrued revenue not yet invoiced	**8**	0
Other receivables, prepayments	**2 489**	1 358
Less: provision for impairment of receivables	**0**	0
Receivables – net	**2 527**	**1 460**
Of this, receivables from related parties (note 15)	**0**	0

All receivables are due within one year and book value approximates fair value. The total amount is denominated in NOK (2010: total amount denominated in NOK).

9. Cash and bank deposits

Amounts in NOK 1,000	31 December 2011	31 December 2010
Cash in bank excluding restricted cash	**6 553**	17 384
Deposit for withheld tax	**256**	143
Total	**6 809**	**17 527**

Payable withheld tax amounts at 31 December 2011 were NOK 256 thousand (2010: NOK 143 thousand).

10. Share capital

Number of shares	
Shares at January 1 2011	278 626 406
Share issue 23 March 2011	1 663 680
Share issue in connection with board remuneration 11 May	60 000
Share issue to employees 23 May	750 000
Warrants exercised 3-14 October	23 444 000
Shares at 31 December 2011	**304 544 086**
Shares at 1 January 2010	145 622 654
Share issue in connection with board remuneration 7 May	288 500
Warrants exercised 6-31 May	90 120 870
Private placement 1 October	23 314 000
Warrants exercised 1 September-6 November	19 280 382
Shares at 31 December 2010	**278 626 406**

The par value of the shares is NOK 0.11 per share.

The annual general meeting 2010 authorized the board to complete one or more placements by shares up to a combined number of 29,124,530 shares which corresponded to about 11 per cent of the company's registered share capital after the warrants exercises in 2010. The authorization was applied at the private placements on 1 October 2010 and 23 March 2011 (1,663,680 shares were issued to PARC, a Xerox company). There are no authorizations to the board for the company to acquire own shares.

At the annual general meeting 2011 it was resolved to issue two warrants for each share issued in the private placement in October 2010. The first warrant ("Warrant A") was exercisable in the period 3 to 14 October 2011 at an exercise price per share of NOK 0.90. The second warrant ("Warrant B") is exercisable in the period 1 to 12 October 2012 at an exercise price per share of NOK 1.00; provided, however, that Warrant B may only be exercised in case the associated Warrant A has been exercised. Pursuant to a resolution by the annual general meeting, the Board resolved on 19 September 2011 to allow an early exercise of Warrant B concurrent with the exercise period of Warrant A (3-14 October 2011). During the exercise period 3-14 October 2011, 23,254,000 Warrants A and 190,000 Warrants B were exercised (total of 23,444,000 warrants). Following completion of the warrant exercise period 3-14 October 2011, 23,064,000 Warrants B remain outstanding (exercisable in the period 1 to 12 October 2012).

11. Sales revenue

Amounts in NOK 1,000	2011	2010
Sales of goods	102	0
Rendering of services	0	0
Total	**102**	**0**

12. Other revenue

Amounts in NOK 1,000	2011	2010
Administrative services etc	0	45
Government grants, funded development projects	1 658	0
Total	**1 658**	**45**

13. Government grants

In May 2011, Thinfilm ASA received a government grant of NOK 3 million from Innovation Norway's Industrial Research and development Program ("IFU") to develop and manufacture addressable memories. The project runs to April 2013.The accounting policy adopted for this grant is to recognize it as other operating revenue over the periods in which Thinfilm recognizes as expenses the related costs for which the grant is intended to compensate (approximately NOK 1.7 million in 2011). No similar grant was recognized in 2010.

Thinfilm ASA had a project qualified for the Skattefunn scheme in 2011 (tax credit scheme), which was related to the general development of printed memory for toys and games. In 2011, net contribution from the Skattefunn scheme was NOK 1.1 million (2010: NOK 1.1 million). The project ended in 2011. The accounting policy adopted for this grant is to credit the net contribution of NOK 1.1 million against cost in the fourth quarter of 2011.

There are no unfilled conditions or other contingencies related to government grants that have been recognized.

14. Employee salaries and other benefits

Amounts in NOK 1,000	2011	2010
Salaries	3 907	1 866
Social security costs	613	268
Share-based compensation (subscription rights), notional salary cost	1 622	3 783
Share-based compensation (subscription rights), accrued employer´s tax	502	233
Pension contribution	151	30
Other personnel related expenses, including recruiting costs	463	9
Total	**7 258**	**6 189**
Average number of employees for the year	3	1

At the end of 2011 there were five fulltime and one part-time employees in the company (2010: one fulltime and one part-time employee).

The company has only defined contribution pension plans. Contributions are expensed and paid when earned.

Compensation to senior management

Amounts in NOK 1,000	Salary	Pension contribution	Bonus	Share-based remuneration
2011				
Compensation to Davor Sutija, CEO	1 277	44	225	902
Compensation to Torgrim Takle, CFO from March 2011	822	35	0	425
Compensation to Erling Svela, CFO until March 2011	569	13	0	53
2010				
Compensation to Rolf Åberg, CEO until June 2010	994	0	0	114
Compensation to Davor Sutija, CEO from July 2010	1 060	18	0	521
Compensation to Erling Svela, CFO	1 222	7	0	184

The salary amount is the salary amount declared for tax purposes. The value of share-based remuneration is the expensed amount excluding employer's tax in the period for incentive subscription rights. No subscription rights were exercised by senior management in 2011 or 2010. See also note 20.

Mr. Svela was until March 2011 employed on a flexible time-spent basis as required by Thinfilm. There was a mutual minimum 40 per cent full-time work and pay obligation.

The company has not made any advance payments or issued loans to, or guarantees in favour of, any members of management.

15. Income tax expense

The tax on the company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Amounts in NOK 1,000	2011	2010
Profit (loss) before tax	(39 050)	(24 733)
Tax (tax income) calculated at 28 per cent	(10 934)	(6 925)
Permanent differences	1 225	1 073
Change in deferred tax asset not recognised on the balance sheet	9 709	5 852
Tax charge	0	0

16. Deferred income tax

Deferred income tax assets and liabilities are offset when the company has a right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Amounts in NOK 1,000	31 December 2011	31 December 2010
Deferred income tax asset Intangible asset	8 014	8 014
Tax loss carried forward	43 563	33 770
Calculated deferred tax asset	51 577	41 784
Impairment of deferred tax asset	(51 577)	(41 784)
Deferred tax asset in the balance sheet	0	0

The company has not recognized the tax asset as there is uncertainty relating to future taxable income for utilization of the tax loss carried forward, and the taxable loss on intangible assets. There is no expiration date on the tax loss carried forward. No tax item has been recorded directly to equity.

17. Related party transactions

a) Transactions with related parties:

Amounts in NOK 1,000	31 December 2011	31 December 2010
Technical and commercialisation services from Thinfilm AB	14 069	9 341
Sales and marketing services from Thinfilm Inc.	1 378	0
Purchases of services from John M. Lervik Consult	840	1 050
Purchases of services from law firm Ræder	1 610	1 144

The agreement with John M. Lervik Consult, controlled by John Markus Lervik who also controls shareholder ASAH AS, was entered into with effect from 1 June 2009. The amount does not include refund of out-of-pocket expenses. Cost related to services rendered by John M. Lervik is recorded as "Services (external)" in the profit and loss statements.

Thinfilm's chairman, Morten Opstad, is a partner and chairman of the board of Advokatfirma Ræder DA, who is also Thinfilm's legal counsel.

The amounts do not include Mr. Opstad's service as chairman. Mr. Opstad and close associates hold shares in Thinfilm. Cost related to services rendered by law firm Ræder is recorded as "Services (external)" in the profit and loss statements.

Transaction prices are based on what would be the prices for sale to third parties.

b) Year-end balances arising from sales/purchases of goods/services with related parties

Amounts in NOK 1,000	2011	2010
Payable to Thinfilm AB	2 656	2 371
Payable to Thinfilm Inc.	301	0
Payable to John M. Lervik Consult	0	123
Payable to law firm Ræder	799	676

c) Remuneration to the board of directors
The company has no other obligation to remunerate the board than the board remuneration as resolved by the annual general meeting. The annual general meeting on 10 May 2011 resolved remuneration to the chairman of NOK 140 thousand and NOK 75 thousand for each board member for the period from the annual general meeting in 2010 to the annual general meeting in 2011. The board members had the option to receive part or all of the remuneration in the form of shares. The number of shares corresponded to a gross value of 127 per cent of the board remuneration, for which they paid the par value and the shares were locked up for one year. Chairman Morten Opstad chose this option, in a manner where the cash part covered the withholding tax and the exercise price. The transaction was completed in the second quarter 2011. The company refunds relevant out-of-pocket expenses incurred by the board members. The company has not issued any advance payments or loans to, or guarantees in favor of, any board member.

Thinfilm has accrued NOK 259 thousand (2010: NOK 352 thousand) for the probable cost of board remuneration from the annual general meeting 2011 and up to the end of 2011. Such remuneration, if any, shall be resolved by the annual general meeting 2012. The amount is based on the remuneration resolved in 2011.

d) Remuneration to the auditor

Amounts in NOK 1,000	2011	2010
Audit	265	298
Other assurance services	54	32
Tax services	33	15
Other services	0	0
Total	**353**	**345**

Audit includes NOK 130 thousand for statutory audit of the annual financial statements for 2011 and must be approved by the annual general meeting 2012 (2010: NOK 120 thousand).

18. Financial instruments, contingent liabilities

Thinfilm ASA is not party to any transactions or financial instruments which have not been recorded in the balance sheet or otherwise disclosed in these annual financial statements. Thinfilm ASA has not issued any guarantees.

19. Shareholders, warrants and subscription rights

At the end of 2011 there were 304,544,086 shares in the company, versus 278,626,406 at the end of 2010. There were 2,280 registered shareholders (2010: 2,087).

Thinfilm is not aware of any shareholding agreements between shareholders.

Top 20 registered shareholders at 31 December 2011	Shares	Percent
Euroclear Bank S.A./N.V. ('BA') (Nominee)	41 321 540	13.57%
ASAH AS	27 200 000	8.93%
Simpson Financial Ltd	17 123 940	5.62%
A. S. Holding A/S	16 370 922	5.38%
Food International Ltd.	9 131 162	3.00%
Håvi AS	9 036 311	2.97%
Solon AS	7 820 277	2.57%
GPR Technology Fund Limited	6 902 974	2.27%
Food International Ltd	6 250 698	2.05%
Charles Street International Ltd	5 728 174	1.88%
Storebrand Vekst	4 750 109	1.56%
Festvåg AS	4 413 574	1.45%
Dukat AS	3 900 000	1.28%
Hyson Limited	3 788 116	1.24%
Simpson Financial Limited	3 264 336	1.07%
Gude Gudesen, Hans	3 221 660	1.06%
Viola AS	3 175 000	1.04%
Forsland, Runar	3 160 625	1.04%
Wiik, Egil Arne	2 770 000	0.91%
Tigerstaden AS	2 600 000	0.85%

Shares, warrants and subscription rights held by primary insiders and close relations at 31 December 2011

	Shares	Warrants	Incentive subscription rights
Morten Opstad, chairman	1 282 496	120 000	325 000
Catarina Göthe, board member	89 400	0	0
Margareta Josefsson, board member	50 000	0	0
William R. Salaneck, board member	119 400	30 000	0
Rolf Åberg, board member	208 216	0	368 750
Rita Glenne, board member	0	0	0
Davor Sutija, CEO	1 240 000	120 000	5 500 000
Torgrim Takle, CFO	60 000	60 000	2 200 000
Geir Aase, VP of communication and IR	245 000	120 000	800 000
Total	**3 294 512**	**450 000**	**9 193 750**

The board has granted subscription rights under subscription rights incentive programmes for the respective years.

The annual general meeting on 10 May 2011 resolved a subscription rights incentive programme for the years 2011–2016. The 2010 programme was closed. Under the 2011 programme, the board may grant up to 28,029,009 independent subscription rights to employees and to individual consultants performing similar work in Thinfilm. The number of outstanding subscription rights under all subscription rights incentive programs shall not exceed 10 per cent of the number of shares in the company. The exercise price shall be equal to the average closing share price on the ten trading days preceding the grant date. The subscription rights vest in four tranches of 25 per cent on each anniversary of the grant. In case of change of control, the subscription rights vest immediately. The subscription rights expire on 10 May 2016.

By 31 December 2011, the board had granted 5,700,000 subscription rights under the 2011 programme.

Subscription rights	**2011**		**2010**	
	Weighted average exercise price	**Number of subscription rights**	**Weighted average exercise price**	**Number of subscription rights**
Total at 1 January	1.26	12 540 417	1.77	5 921 667
Granted	1.33	7 700 000	0.87	7 400 000
Forfeited	1.01	(1 850 278)	1.47	(781 250)
Exercised	1.08	(750 000)		0
Expired	4.78	(100 833)		0
Total at 31 December	**1.30**	**17 539 306**	**1.26**	**12 540 417**
Number of exercisable subscription rights at 31 December (included in total)		3 339 306		1 691 249

Subscription rights outstanding at 31 December 2011

		Grant date	Expiry date	Grantee capacity	Number of subscription rights	Exercise price, NOK
Morten Opstad	chairman	28 June 2007	9 May 2012	chairman	75 000	10.80
		22 Sept. 2009	6 May 2014	contractor	250 000	1.08
Rolf Åberg	board member	28 June 2007	9 May 2012	board member	25 000	10.80
		28 June 2007	9 May 2012	contractor	93 750	10.80
		22 Sept. 2009	6 May 2014	employee	250 000	1.08
Davor Sutija	CEO	6 Jan. 2010	6 May 2014	contractor	1 000 000	1.29
		30 Sept. 2010	7 May 2015	employee	2 500 000	0.80
		2 Nov. 2011	10 May 2016	employee	2 000 000	1.49
Torgrim Takle	CFO	8 Jan. 2011	7 May 2015	employee	1 500 000	1.01
		2 Nov. 2011	10 May 2016	employee	700 000	1.49
Employees and contractors		28 June 2007	9 May 2012		145 556	10.80
		22 Sept. 2009	6 May 2014		2 500 000	1.08
		6 May 2010	6 May 2014		200 000	1.09
		30 Sept. 2010	7 May 2015		2 800 000	0.80
		2 March 2011	7 May 2015		500 000	1.63
		17 Aug. 2011	10 May 2016		1 250 000	1.01
		2 Nov. 2011	10 May 2016		1 750 000	1.49
Total					**17 539 306**	**1.30**

750,000 subscription rights were exercised in 2011 (2010: nil).

Value of subscription rights and assumptions	28 June 2007	22 Sept. 2009	Grants in 2010	Grants in 2011
Value of subscription right at grant date, NOK per subscription right	5.04–6.03	1.19–1.45	0.42–1.02	**0.51–1.17**
Share price, NOK per share	12.00	1.65	0.80–1.23	**0.98–1.58**
Exercise price, NOK per share	10.8	1.08	0.80–1.29	**1.01–1.63**
Expected annual volatility	50%	130%	100–130%	**90–100%**
Duration, years	2.9–4.4	2.0–4.6	2.0–4.6	**2.0–4.7**
Expected dividend	0	0	0	**0**
Risk-free interest rate, government bonds	5.30%	2.8–3.6%	2.1–3.4%	**1.7–3.0%**

Value of subscription rights and assumptions	28 June 2007	22 Sept. 2009	Grants in 2010	Grants in 2011
Value of subscription right at 31 December 2011, NOK per subscription right	0.0001	0.52–0.98	0.31–1.17	**0.60–1.18**
Share price, NOK per share	1.60	1.60	1.60	**1.60**
Exercise price, NOK per share	10.8	1.08	0.80–1.29	**1.01–1.63**
Expected annual volatility	90%	90%	90%	**90%**
Duration, years	0.4	0.7–2.3	0.02–3.4	**1.0–4.4**
Expected dividend	0	0	0	**0**
Risk-free interest rate, government bonds	2.2%	1.3-1.6%	1.2–2.6%	**1.2–1.7%**

20. Statement on management remuneration policy

In 2011 Thinfilm's executive management comprised Davor Sutija, CEO, Erling Svela, CFO until March and Torgrim Takle, CFO from March. Mr. Sutija performs the work as managing director of the subsidiaries Thinfilm AB and Thinfilm Inc. for no additional remuneration.

The general meeting 2011 resolved guiding and binding executive remuneration policies. Thinfilm's executive remuneration policy in 2011 was a continuation of the prior year's policy, including share-based remuneration in the form of a subscription rights incentive programme as resolved at the annual general meeting, latest on 10 May 2011.

Guiding executive remuneration policy

Thinfilm offers a competitive remuneration consisting of a reasonable base salary with a pension contribution, which may be supplemented by motivating performance-based cash bonus. There is no post-employment remuneration beyond notice periods of 3-6 months. In case the company gives notice, Davor Sutija may be eligible for salary for 3 months after the end of the notice period.

Binding executive remuneration policy

The annual general meeting on 10 May 2011 resolved a subscription rights incentive programme for the years 2011-2016. The preceding incentive programme was closed. The programme is described in note 19.

Implementation and effect of the policies

The actual remuneration to the management in 2011 is reported in notes 14 and 19. Based on achievement of stated targets in the period August 2011–July 2012, Mr. Sutija can achieve a cash bonus of maximum 25 per cent of base salary. Similarly, Mr. Takle can achieve a cash bonus of maximum 25 per cent of base salary based on achievement of stated targets in the period April 2011-March 2012.

Salary, pension and any bonuses will attract employer's tax which will be expensed simultaneously with the remuneration.

The notional cost of subscription rights as share based remuneration is expensed but the equity effect is nil because the contra item is a notional equity injection of equal amount.

The employer's tax is accrued based on the net present value of the subscription right as an option on the balance sheet date. The value varies with the share price and may entail a net reversal of costs. In 2011 Thinfilm ASA expensed NOK 502 thousand (2010: NOK 223 thousand) related to the persons included in the reporting, and the accumulated accrual for employer's tax to the same persons amounted to NOK 479 thousand (2010: NOK 466 thousand). If and when the subscription rights are exercised, the accrued employer's tax will be reversed and the payable employer's tax of the actual gain will be expensed.

A possible exercise will represent a dilution for the shareholders.
At the end of 2011, the number of outstanding subscription rights to the management amounted to 7,700,000, corresponding to 2.5 per cent of the share capital.

Responsibility statement

The board and the managing director have today reviewed and approved this report of the board of directors as well as the annual financial statements for the Thin Film Electronics ASA group and parent company as at 31 December 2011.

The consolidated annual financial statements have been prepared in accordance with IFRS as adopted by the EU and the additional requirements in the Norwegian accounting act. The annual financial statements for the parent company have been prepared in accordance with the Norwegian accounting act and generally accepted accounting practice in Norway. The notes are an integral part of the respective financial statements. The report of the board of directors has been prepared in accordance with the Norwegian accounting act and generally accepted accounting practice in Norway.

We confirm that, to the best of our knowledge, the information presented in the financial statements gives a true and fair view of the group's and the parent company's assets, liabilities, financial position and result for the period viewed in their entirety, and that the report from the board of directors gives a true and fair view of the development, performance and financial position of the group and the parent company, and includes a description of the principal risks and uncertainties which the group and the parent company are facing.

The board of directors of Thin Film Electronics ASA. Linköping, 13 April 2012.

Morten Opstad Chairman	Catarina Göthe Board member	Margareta Josefsson Board member	William R. Salaneck Board member
Rolf Aberg Board member	Rita Glenne Board member	Davor Sutija Managing Director	

Auditor's report 2011

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To the Annual Shareholders' Meeting of Thin Film Electronics ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Thin Film Electronics ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2011, the profit and loss statement and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of changes in equity, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway for the company accounts and in accordance with International Financial Reporting Standards as adopted by EU for the group accounts, and for such internal control as The Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Opinion on the financial statements for the parent company
In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Thin Film Electronics ASA as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements for the group
In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Thin Film Electronics ASA as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the coverage of the loss
Based on our audit of the financial statements as described above, it is our opinion that the information concerning the financial statements presented in the Board of Directors report and in the statement of corporate governance principles and practices, the going concern assumption and the proposal for the coverage of the loss, complies with the law and regulations and that the information is consistent with the financial statements.

Opinion on Registration and Documentation
Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 13 April 2012
Deloitte AS

Trond E. Hov

Trond Edvin Hov
State Authorised Public Accountant (Norway)

Corporate governance

The Statement outlines the position of Thin Film Electronics ASA ("the Company") in relation to the recommendations contained in the Norwegian Code of Practice for Corporate Governance dated 21 October 2010 ("the Code"). The Code is available at www.nues.no and from Oslo Børs. In the following, the board of directors will address each section of the Code and explain the areas, if any, where the Company does not fully comply with the recommendations and the underlying reasons.

1. Implementation and reporting on corporate governance

The Company seeks to create sustained shareholder value. The Company makes every effort to comply with the word and intent of the laws, rules and regulations in the countries and markets in which it operates. Thinfilm is not aware of being or having been in breach of any such statutory laws, rules or regulations. The Company pays due respect to the norms of the various stakeholders in the business. In addition to the shareholders, the Company considers its employees, Thinfilm's business partners, the society in general and the authorities as stakeholders. Thinfilm is committed to maintain a high standard of corporate governance, be a good corporate citizen and demonstrate integrity and high ethical standards in all its business dealings.

The board believes that in the present organisation – the Thinfilm group presently has approximately 15 ordinary employees and a few consultants on site – the board of directors and the management have adequate monitoring and control systems in place to ensure insight into and control over the activities. (Note: in this review, the noun "the management" includes all persons conducting managerial functions, whether employed or otherwise contracted.)

The board has resolved ethical guidelines which applies to all employees, consultants and contractors as well as the elected board members. The ethical guidelines also incorporate the Company's guidelines on corporate social responsibility.

2. Thinfilm's business

In the articles of association, the Company's business is defined as "The objectives of the Company shall be the research, development, production and commercialisation of technology and products of physical storage of information, as well as related activities including participation in other companies."

The Company's business goals and principal strategies are defined in the business plan adopted by the board of directors. The plan will be reviewed and revised as and when needed.

Thinfilm satisfies the recommendations under this section of the Code by publishing the material at www.thinfilm.no instead of in the annual report.

3. Equity and dividends

The board is aware of and acknowledges the equity requirements and duty of action in connection with loss of equity, as set out in the Norwegian Public Limited Companies Act.

In the past, the Company has been in need of raising equity on several occasions to fund its working capital requirements. The board has proposed to the general meeting only reasonable authorisations for share issues and incentive schemes. Such board authorisations have explicitly stated the type and purposes of transactions in which the authorisations may be applied. As of the general meeting(s) to be held in 2012, any proposed authorisations to issue shares shall be considered and voted separately by each type and purpose of such share issues. The board authorisations

to issue shares have been valid until the next annual general meeting, as recommended by the Code. The proposals have been approved by the shareholders.

The Company has not had in place any authorisation to the board to acquire own shares. As and when such authorisation is adopted, the board will propose that the length of the authorisation be limited to a period ending at the next annual general meeting of shareholders.

Thinfilm has not as yet declared or paid any dividends on its shares. The Company does not anticipate paying any cash dividends on its shares in the next few years. Thinfilm intends to retain future earnings, if any, to finance operations and the expansion of its business. Any future determination to pay dividends will depend on the Company's financial condition, results of operation and capital requirements.

4. Equal treatment of shareholders and transactions with close associates

The Company places great emphasis on ensuring equal treatment of its shareholders. The Company has one class of shares. There are no trading restrictions or limitations relating only to non-residents of Norway under the articles of association of the Company. Each share carries one vote. There are no restrictions on voting rights of the shares.

In the authorisations to issue share capital where the shareholders have resolved to waive the pre-emptive rights of existing shareholders, the rationale for doing so shall be presented as part of the decision material presented to the general meeting. If and when such transactions are conducted, the justification will also be included in the announcements to the market.

All related party transactions in effect are entered into on arm's length basis. Any not immaterial future related party transactions shall be subject to an independent third-party valuation unless the transaction by law requires shareholder approval. The Company takes legal and financial advice on these matters when relevant.

Members of the board and the management are obliged to notify the board if they have any material direct or indirect interest in any transaction entered into by the Company.

5. Freely negotiable shares

All shares are freely assignable. The articles of association do not contain any restrictions on negotiability on the shares.

6. General meetings

The general meeting of shareholders provides a forum for shareholders to raise issues with the board as such and with the individual board members. To the maximum degree possible, all members of the board shall be present at the general meeting. The Company's auditors shall also be present at the general meeting. The shareholders elect a person to chair the general meeting. The board will arrange for an independent candidate if so requested by shareholders. Notice of a meeting of the shareholders shall be sent in a timely manner and the Company shall issue the notice and documents for a general meeting, including the proxy form, no later than 21 days before the date of the general meeting. Foreign residents will receive the notice and documents in English. When appropriate, the documents will be made available at the Company's web site and not sent to the shareholders.

The board of directors endeavours to provide comprehensive information in relation to each agenda item in order to facilitate productive discussions and informed resolutions at the meeting. The notice will also provide information on the procedures shareholders must observe in order to participate in and vote at the general meeting. Shareholders who are unable to attend in person will be provided the option to vote by proxy in favour or against each of the board's proposals. The notice shall contain a proxy form as well as information of the procedure for proxy representation. At the meeting, votes shall be cast separately on each subject and for each office/candidate in the elections. Consequently, the proxy form shall to the extent possible, facilitate separate voting instructions on each subject and on each office/candidate in the elections. The notice, as well as the Company's website, will set out that the shareholders have the right to propose resolutions in respect of matters to be dealt with at the general meeting.

The general meeting has included in the articles of association of the Company that documents which timely have been made available on the Internet site of the Company and which deal with matters that are to be handled at the general meeting need not be sent to the Company's shareholders.

All reports will be issued on the Oslo Axess marketplace of Oslo Børs (www.osloaxess.no and www.newsweb.no) and/or to the market place(s) where the shares are listed. The reports and other pertinent information are also available at www.thinfilm.no.

7. Nomination committee

The shareholders have not proposed a nomination committee, and the board of directors does not consider that a nomination committee is needed presently. The tasks conventionally conducted by a nomination committee will be conducted by the board except board members who are also executives or have similar roles in the Company. The future need for a nomination committee will be considered by the board minimum annually in connection with the annual review of the Company's corporate governance. As and when requested by the annual general meeting, the board will facilitate the implementation of a nomination committee in accordance with the Code.

8. Corporate assembly and board of directors; composition and independence

Thinfilm does not have a corporate assembly.

The board acknowledges the Code's recommendation that the majority of the members of the board of directors shall be independent of the Company's management and material business contacts. All board members are required to make decisions objectively in the best interest of the Company, and the presence of independent directors is intended to ensure that additional independent advice and judgement is brought to bear. The current board meets the independence criteria of the Code. The board meets the statutory gender requirements for the board. The board's attendance statistics are included in the presentation of the board members in the annual report.

Board members stand for election every two years.

The board believes that it is beneficial for the Company and its shareholders that the board members also are shareholders in the Company and encourages the members of the board of directors to hold shares in the Company.

The board pays attention to ensure that ownership shall not in any way affect or interfere with proper performance of the fiduciary duties which the board and the management owe the Company and all shareholders.

As and when appropriate, the board takes independent advice in respect of its procedures, corporate governance and other compliance matters.

9. The work of the board of directors

The division of duties and responsibility between the managing director and the board of directors is based on applicable laws and well-established practices, which have been formalized in writing through a board instruction in accordance with the Norwegian Public Limited Companies Act. The board instruction also sets out the number of scheduled board meetings per year and the various routines in connection with the board's work and meetings.

The board instructions state that in situations when the chairman is not impartial or not operative, the most senior board member shall chair the board until a deputy chairman has been elected by and among the board members present.

The board of directors shall evaluate its performance and expertise annually. Moreover, the board will produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation.

With a compact board, there has not been any need for sub-committees to date. The future need for any sub-committees will be considered minimum annually in connection with the annual review of the Company's corporate governance.

Thinfilm is not obliged to have a separate audit committee and in view of the small number of board members, the board holds the opinion that the audit committee shall consist of all board members who are not also executives or have similar roles in the Company. The board instruction includes an instruction for the audit committee.

10. Risk management and internal control

The board of directors has adopted internal rules and guidelines regarding, amongst other things, risk management and internal control, which rules and guidelines take into account the extent and nature of the Company's activities as well as the Company's corporate values and ethical guidelines, including the corporate social responsibility. The board of directors shall carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements. In view of the size of the Company and the number of board members, the board has chosen to elect the full board (except any board members who hold executive positions) to constitute the audit committee. The audit committee policies and activities are compliant with the Norwegian public limited companies act.

The board of directors has adopted an insider manual with ancillary documents intended to ensure that, among other things, trading in the Company's shares by board members, executives and/or employees, including close relations to the aforementioned, are conducted in accordance with applicable laws and regulations.

Corporate governance

Internal control and risk management of financial reporting
Thinfilm publishes four interim financial statements in addition to the ordinary annual financial statements. The financial statements shall satisfy legal and regulatory requirements and be prepared in accordance with the adopted accounting policies, and be published according to the schedule adopted by the board. Closing of accounts, financial reporting and key risks analysis is provided monthly to the board of directors. These monthly reports also include financials per legal entity (Thinfilm ASA, Thinfilm AB and Thinfilm Inc.) which are analyzed and addressed against set budgets.

Thinfilm has established a series of risk assessment and control measures in connection with the preparation of financial statements. Specific reporting instructions are drawn up on regular basis and communicated to the subsidiaries. In connection with subsidiaries' closing of accounts, internal review meetings are held to ensure compliance with the governing reporting instructions. In addition, separate meetings are held to identify risk factors and measures linked to important accounting items or other factors. The board has also separate meetings with the external auditor to review such risk factors and measures, and conducts preparatory reviews of interim financial statements and annual financial statements that particularly focus on reporting of operational costs and investments.

A financial manual, which sets out policies and procedures for financial management and reporting in the group, was prepared and resolved by the board of directors in connection with the listing of Thinfilm's shares at Oslo Axess. This manual provides detailed instructions for financial planning, treasury, accounting and reporting, and is reviewed and updated annually by the board.

11. Remuneration of the board of directors

A reasonable cash remuneration to the board members for their services from the annual general meeting in 2010 until the annual general meeting in 2011 was proposed to and resolved at the 2011 annual general meeting. To lessen the cash outflow, the annual general meeting granted an option to the board members to receive the remuneration in kind in the form of shares. One of five board members took up this option in 2011. The board has the intention to propose board remuneration at the same level for the period between the annual general meetings of 2011 and 2012.

No board members have been remunerated for work for the Company in capacities other than as board members. Advokatfirma Ræder DA, in which the chairman, Morten Opstad, is a partner, renders legal services to the Company. A board member performing work for the Company beyond the board duty shall ensure that such arrangements do not in any way affect or interfere with proper performance of the fiduciary duties as a board member. Moreover, the board (without the participation of the interested member) shall approve the terms and conditions of such arrangements. Adequate details shall be disclosed in Thinfilm's annual financial statements.

12. Remuneration of the management

Thinfilm offers market-based compensation packages for the executives and employees in order to attract and retain the competence which the Company needs. The exercise price for any subscription right is equal to the market share price at the time of the grant. The subscription rights vest in tranches over four years. No golden parachutes are in effect, and post-employment pay will only apply in case the Company invokes contractual non-competition clauses.

The board shall determine the compensation of the CEO. There is a maximum amount of incentive remuneration per calendar year. It follows from the nature of the incentive subscription rights programme resolved by the annual general meeting that the limit does not apply to the possible gain on subscription rights. The board has adopted a policy for the CEO's remuneration of the employees.

At the annual general meeting, the board will present to the shareholders for their approval a statement of remuneration to the management. The resolution by the annual general meeting is binding to the extent it relates to share-based compensation and advisory in other aspects.

13. Information and communications

The board of directors places great emphasis on the relationship and communication with the shareholders. The primary channels for communication are the interim reports, the annual report and the associated financial statements. Thinfilm also issues other notices to the shareholders when appropriate. The general meeting of shareholders provides a forum for the shareholders to raise issues with the board as such and the individual board members. All reports will be issued and distributed according to the rules and practices at the market place(s) where the Thinfilm shares are listed. The Company shall in due course publish an annual financial calendar for the following year; setting forth the dates for major events such as its annual general meeting, publication of interim reports, any scheduled public presentations, any dividend payment date, etc. The reports and other pertinent information are also available on the Company's website, www.thinfilm.no.

The board of directors has adopted the following policies:
- Policy for reporting of financial and other information and investor relations;
- Policy for contact with shareholders outside general meetings; and
- Policy for information management in unusual situations attracting or likely to attract media or other external interest.

The financial reporting of Thinfilm is fully compliant with applicable laws and regulations. As of the interim financial information for third quarter 2007, Thinfilm has prepared its consolidated financial reports in accordance with IFRS.

The current information practices are adequate under current rules.

14. Take-overs

There are no take-over defence mechanisms in place. The board will endeavour that shareholder value is maximised and that all shareholders are treated equally. The board shall otherwise ensure full compliance with Section 14 of the Code.

15. Auditors

The Company's auditor is fully independent of the Company. Thinfilm represents a minimal share of the auditor's business. Thinfilm does not obtain business or tax planning advice from its auditor. The auditor may provide certain technical and clerical services in connection with the preparation of the annual tax return and other secondary reports, for which Thinfilm assumes full responsibility.

The board of directors has established written guidelines to the CEO in respect of assignments to the auditor other than the statutory audit.

The board of directors shall otherwise ensure full compliance with Section 15 of the Code.

Articles of association

Latest amended on 12 March 2012. Office translation.

§1 The name of the Company
The name of the Company is Thin Film Electronics ASA. The Company is a public limited company.

§2 The Company's business
The objectives of the Company shall be the research, development, production and commercialization of technology and products of physical storage of information, as well as related activities including participation in other companies with similar business.

§3 Registered office
The registered office of the Company is situated in Oslo.

§4 The Company's share capital
The Company's share capital is NOK 36,280,099.46 divided into 329,819,086 ordinary shares at NOK 0.11 par value per share.

§5 The Company's governance
The Company's board of directors shall consist of from three to nine members, as decided by the general meeting.

The board may grant powers of procuration.

§6 The general meeting
The ordinary general meeting shall consider and decide:
1. Adoption of the annual financial statement and report of the board of directors, including the declaration of a dividend;
2. Any other business required by the laws or the articles of association to be transacted by the general meeting.

The general meetings of the Company shall as a general rule be conducted in the Norwegian language. However, the board of directors may decide that the English language shall be used.

§7 Exemption from the requirements to submit documents with the Notice of General Meeting
Documents which timely have been made available on the Internet site of the Company, and which deal with matters that are to be handled at the general meeting, do not need to be sent to the Company's shareholders.

§8 Registration for General Meeting
A shareholder who wishes to attend the general meeting, in person or by proxy, shall notify its attendance to the Company no later than two days prior to the general meeting. If the shareholder does not notify the Company of its attendance in a timely manner, the Company may deny the shareholder access to the general meeting.

§9 Relation to the Norwegian public limited companies act
Reference is also made to the legislation concerning public limited companies in force at the relevant time.

Board

The current board but Ms. Josefsson was elected for two years at the annual general meeting on 10 May 2011. Ms. Josefsson was elected at the annual general meeting 7 May 2010 for two years, and the term expires at the ordinary general meeting in 2012.

There are no family relationships among the board members, management or key employees. There is no arrangement or understanding with major shareholders, customers, suppliers or others whereby members of the board or management was selected.

The board has held 10 meetings, of which 6 were telephone conferences, in the period between the annual general meeting 2011 and 13 April 2012.

Morten Opstad, chairman
Mr. Opstad has served as Chairman of the board since 2 October 2006. Mr. Opstad is a partner and chairman of the board of directors in Advokatfirma Ræder DA in Oslo. He has rendered legal assistance with respect to establishing and organizing several technology and innovation companies within this line of business. His directorships over the last five years include current board positions in Idex ASA (Chairman), Total Sports Online AS, Glommen Eiendom AS, Chaos AS, K-Konsult AS and former directorships in Fileflow Technologies AS and A. Sundvall AS. Mr. Opstad was born in 1953 and is a Norwegian citizen. Mr. Opstad attended all board meetings in the period.

Rita Glenne, board member
Dr. Glenne has served as board member since 10 May 2011. She is independent of the company's executive management, material business contacts and the company's larger shareholders. Dr. Glenne has extensive experience in commercializing technology within the university, institute and private sectors. As Vice President Technology in Rec Solar AS and Technology Manager in Renewable Energy Corporation (REC) ASA, Ms. Glenne was responsible for technical specification of production equipment, and troubleshooting start-up of REC's new wafer plant. She also had responsibility for technology and R&D strategy in REC's Solar division. Dr. Glenne has a PhD from the Technical University of Trondheim (NTNU) in Material Science. Before joining REC in 2001, she worked as Senior Scientist at Norsk Hydro ASA, and as Research Scientist at SINTEF and the Centre for Industrial Research (SI). Ms. Glenne is a Norwegian citizen. Ms. Glenne attended all board meetings in the period.

Catarina Göthe, board member
Ms. Göthe has served on the board of the Company since 1January 2008. She is independent of the company's executive management, material business contacts and the company's larger shareholders. Since 2008 Ms. Göthe has been financial operational manager at Getupdated Internet Solutions AB in Stockholm, Sweden. Earlier, she has served as Chief Financial Officer of Identity Works AB and as Chief Financial Officer of Pricerunner AB. Ms. Göthe has studied Financial Management at Berghs Individuella, Stockholm (1996) and a Financial Management Program at Berkeley, University of California (1993). Ms. Göthe was born in 1974 and is a Swedish citizen. Ms. Göthe attended 9 board meetings in the period.

Margareta Josefsson, board member
Ms. Josefsson has served a board member of the Company since 7 May 2010. She is independent of the company's executive management, material business contacts and the company's larger shareholders. Ms. Josefsson is part owner of Osten Oskarsson Systemkonsult (1991–) where she works as consultant. She also has or has had a number of board positions in Swedish companies and organizations, Sunda Hus AB (chairman of the board) (2007-), New tools for health (2007-), Linköping University (2010-), Neoplex AB (2006-2008)). Ms. Josefsson holds a Master of Science in Electrical Engineering from Chalmers in Göteborg (1969-1974). She participated in the management training program RUTER DAM (1993-1994). She completed financial studies at the Stockholm School of Economics in Stockholm in 1998. Ms. Josefsson was born in 1949 and is a Swedish citizen. Ms. Josefsson attended 8 board meetings in the period.

Professor William R. Salaneck, board member
Professor Salaneck has served on the board of the Company since 1 January 2008. He is independent of the company's executive management, material business contacts and the company's larger shareholders. He is Emeritus Professor of Surface Physics and Chemistry at Linköping University, Sweden. During the period 2004 – 2010, he also was the Vice Rektor for International Relations at Linköping University. Professor Salaneck is a founding member of the Center for Advanced Molecular Materials, focused on the Max Laboratory for Synchrotron Radiation Studies in Lund, Sweden; and was a member of FLATNET, the EU-Brite/EuRam network for coordinating EU industry on issues involving flat panel display systems, supported by the European Commission. For ten years until June 2007, Professor Salaneck was President of the Condensed Matter Division of the Swedish Physical Society. He is on the board of the Swedish programme FunMat, the Vinnova Center of Excellence focused on functional (inorganic) materials, in Linköping. In 2003, Professor Salaneck shared the René Descartes Prize of the Commission of the European Union. He is a Fellow of the American Physical Society and has a Ph. D. in Solid State Physics from the University of Pennsylvania, Philadelphia, USA. Professor Salaneck was born in 1941 and is a citizen of both Sweden and the USA. Mr. Salaneck attended 7 board meetings in the period.

Rolf Knut Lennart Åberg, board member
Since 2 October 2006 Mr. Åberg has been a board member in Thinfilm, where he previously was Managing Director between 2000 and 2006 and also from June 2009 through June 2010. After ending his executive role in 2010, Mr. Åberg is independent of the company's executive management, material business contacts and the company's larger shareholders. Mr. Åberg has studied computer science at Linköping University. He has also studied strategic sales and management at the HAAS School of Business at Berkeley University. From 1973 until 1981 Mr. Åberg held various positions at SAAB in Linköping. From 1981 until 1987 Mr. Åberg held different leading positions within sales and marketing at Computervision Northern Europe. Between 1987 and 1991 he was Managing Director of Mentor Graphics Scandinavia. From 1991 until 2000 he was Vice President and General Manager Europe of Synopsys Inc. Mr. Åberg was born in 1951 and is a Swedish citizen. Mr. Åberg attended 9 board meetings in the period.

Management

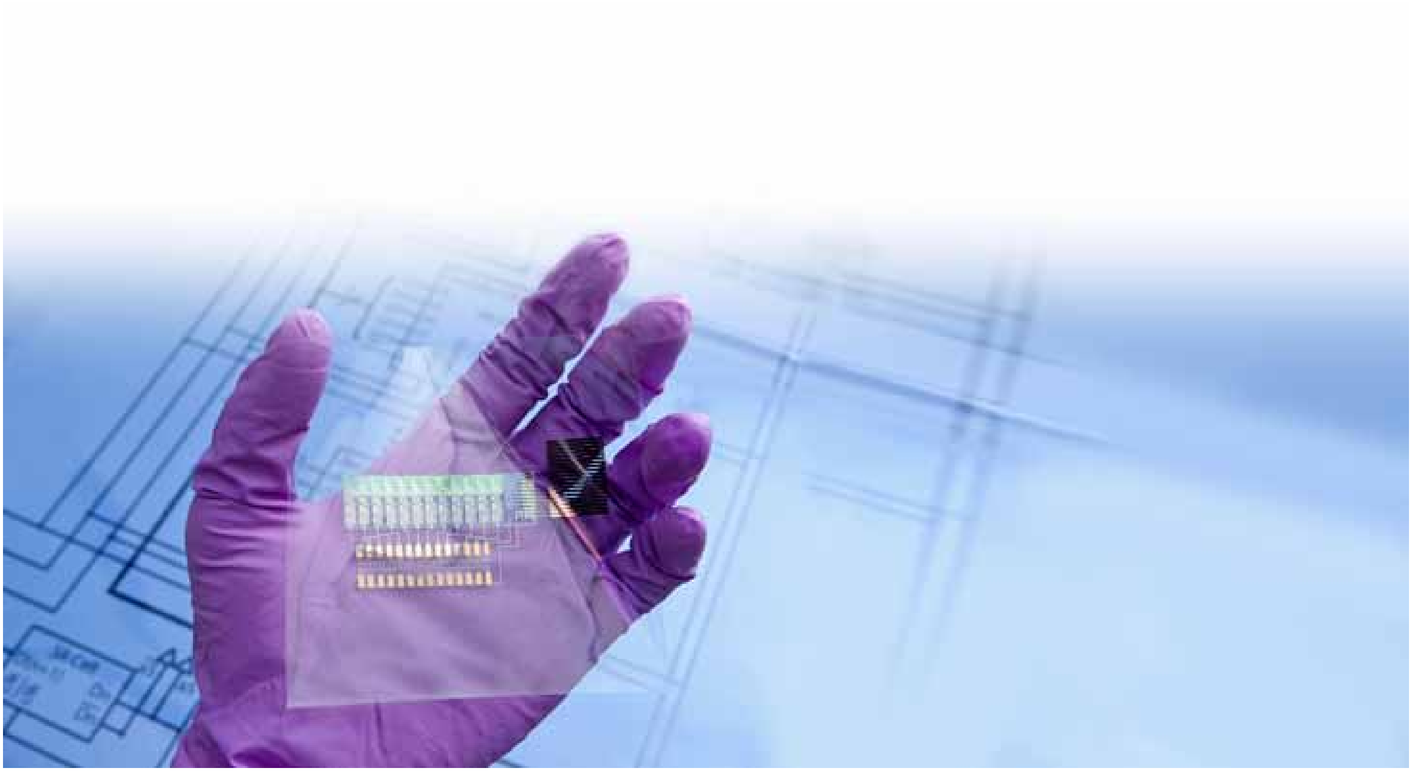
Dr. Davor Sutija, CEO
Dr. Sutija is a graduate of the Jerome Fisher Management and Technology program at the Wharton School, and has a PhD from UC Berkeley in Chemical Engineering. At Berkeley, Dr. Sutija developed novel micro-electrode arrays in the UCB Microlab, and was a Hertz Fellow research associate at Lawrence Berkeley Labs. Dr. Sutija did postdoctoral work at the Center for Materials Technology, Univ. of Oslo, before becoming founding CEO at SiNOR AS (later REC-Wafer), a producer of electronic and pv-grade silicon ingots. Prior to joining Thinfilm in January, 2010, Dr. Sutija was SVP, Product Marketing, at FAST, a Microsoft subsidiary. He has also served on the boards of Norwegian technology firms SensoNor, Birdstep, and Owera. Dr. Sutija was born in 1962 and is a US citizen living in Norway.

Torgrim Takle, CFO
Mr. Takle joined Thinfilm March 2011 as CFO. Previously, he was associate principal at McKinsey & Company which he joined in 2004, managing corporate finance related projects for clients across Europe and US. He holds a Master of Science degree from NTNU's Institute of Industrial Economy and Technological Management (Industriell Økonomi og Teknologiledelse). Mr. Takle was born in 1977 and is a Norwegian citizen.

Dr. Christer Karlsson, Technology Director/CTO
Dr. Karlsson has a Ph.D. from Linköping University in 1994 and served six years as Researcher, Project Manager and Deputy Research Director at the National Defence Research Establishment, Linköping, Sweden. He joined Thinfilm in the year 2000 and has served as project manager, group manager and Technology Director. Dr. Karlsson was born in 1964 and is a Swedish citizen.

Jennifer Ernst, Vice President, North America
Jennifer Ernst joined Thinfilm in 2011 to lead the company's commercial activities in North America. Prior to joining Thinfilm, Ms Ernst was Director of Business Development for PARC, a Xerox company, where she had more than 20 years experience in technology innovation. As a key player in helping establish PARC's open business model, she expanded PARC's impact into multiple new industries and secured licensing and co-development relationships with companies throughout the U.S., Asia, and Europe. She holds an MBA from Santa Clara University and BA from San Francisco State University. Ms. Ernst was born in 1968 and is a US citizen.

Geir Harald Aase, Vice President Communications & IR
Mr. Aase has served in several roles at FAST and Microsoft, being responsible for investor relations and public relations. He has also worked as managing editor and journalist in Finansavisen (a Norwegian financial daily) and as press spokesperson at the Oslo Stock Exchange. He has a Siviløkonom degree from the Norwegian School of Economics and Business Administration (NHH) in Bergen. Mr. Aase joined Thinfilm April 2010 and resigned from his job in Thinfilm October 2011 (effective as of January 2012). He was born in 1969 and is a Norwegian citizen.



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