



Thin Film Electronics ASA, org. no. 889 186 232  
P O Box 1872 Vika, NO-0124 Oslo, Norway

## **Interim report and financial information for first quarter 2008 (Unaudited)**

### Activities

Thin Film Electronics ASA ("Thinfilm") is focussed solely on the rapidly growing market of Printed Electronics, to which Thinfilm aims to provide memory technology. The activities in 2007 and into the first quarter of 2008 have been concentrated on business development of Thinfilm's existing technology, with the corresponding technical development and support for the commercialisation of printed memories.

In the quarter, Thinfilm has continued the joint technical development activities under the joint development agreements with Cartamundi and other partners. Progress is in line with plans. The focus has been on the volume manufacturing aspects of the memory cells and adopting the memories for the various applications.

Thinfilm's class A shares were admitted for listing on Oslo Axess with the first day of trading on 30 January 2008. A prospectus was issued in connection with the listing. The prospectus is available in electronic format at [www.thinfilm.se](http://www.thinfilm.se).

On 27 March Thinfilm entered into an agreement with and received a purchase order for services from Weyerhaeuser Company ("Weyerhaeuser"), one of the world's largest forest products companies. Thinfilm has been selected to develop a process and material set to provide proof of concept for a printed ferroelectric memory that can be integrated with Weyerhaeuser's 13.56 MHz printed circuitry printed radio frequency identification devices. Weyerhaeuser holds proprietary technology to design and develop low cost, item-level RFID tags for inventory control and supply-chain applications. The technology is important to the packaging industry as more consumer products manufacturers and retailers move toward RFID to identify, count and manage inventory.

Thinfilm announced on 2 April that it had been awarded the 2007 Frost & Sullivan European Printed Electronics Technology Innovation Award. Based on recent research and analysis of the European Printed Electronics market, the global growth consultancy company Frost & Sullivan recognized Thinfilm's pioneering contribution in the use of polymers as the active material in electronic memory devices.

On 8 April Thinfilm announced that it had entered into a Memorandum of Understanding with DuPont Teijin Films UK Ltd. to enable volume production of printed memory devices. The objective of the collaboration is to enable low-cost production of printed memories where DuPont Teijin Films will supply existing, commercially available substrates or specifically developed substrates to Thinfilm's production partners and customers.

### Thinfilm interim financial information at 31 March 2008

The Thinfilm group comprises the parent company Thin Film Electronics ASA in Oslo, Norway and the subsidiary Thin Film Electronics AB in Linköping, Sweden. There are ten employees in the group, and in addition Thinfilm uses outsourced services and contracted specialists.

Thinfilm's revenue in the quarter was NOK 0.2 million. The revenue related to Thinfilm's printed memory technology. The revenue in the first quarter of 2007 amounted to NOK 1.1 million, which related to sales of equipment no longer in use.

Other operating costs (i.e. all operating costs excluding depreciation and impairment charge) in the first quarter were NOK 6.8 million, down from NOK 8.3 million in the

corresponding quarter last year and down from NOK 11.2 million in the fourth quarter of 2007, when the bulk of the costs related to the listing project were incurred.

Non-cash share-based remuneration cost has been accrued for since the company granted Subscription Rights on 28 June 2007 to employees and persons hired on consulting contracts. The notional cost in the first quarter was NOK 0.8 million.

Net financial items, mainly interest income, amounted to a NOK 0.3 million gain in the quarter. The amount is up from first quarter 2007, when the group's cash position was much lower but down from fourth quarter which included some one-off interest and currency gains amounting to NOK 1.0 million.

The company operates at a loss and there is a tax loss carryforward position in the Swedish subsidiary, meaning that the company does not incur any tax cost. The company has not recognised a deferred tax asset in the balance sheet, because such potential asset does not as yet qualify for inclusion in the balance sheet.

The net result in the quarter was a loss of NOK 6.5 million, corresponding to NOK 0.30 loss per basic share. In the first quarter of 2007, the loss was NOK 7.3 million, and in the fourth quarter 2007 the loss was NOK 9.4 million.

On 25 January 2008 Thinfilm completed a private placement of 1,600,000 ordinary shares (class A shares) at NOK 10.00 per share to raise net NOK 15.4 million after expenses. At the end of the quarter there were 20,957,609 class A shares in the company, held by about 1,400 shareholders.

The group's cash balance increased by NOK 7.3 million in the quarter. The private placement of shares exceeded the negative cash flow from operations, which was negative by NOK 8.1 million. The cash balance at the end of the quarter amounted to NOK 26.8 million while payables amounted to NOK 7.1 million. The available liquidity is adequate. The group does not have financial debt and the equity ratio is 75 per cent.

#### Outlook

The consulting work for Weyerhaeuser has now commenced and will in the second quarter be a prime task for Thinfilm's technical staff. Thinfilm may need to temporarily expand its technical workforce during the term of the project.

Thinfilm will continue its business development activities within Printed Electronics in the second quarter by setting up new additional alliances with strategic partners and licensees around the world. Some of the alliances already entered into in 2007 are expected to be deepened and expanded further.

To promote Thinfilm's printed memory, participation in Printed Electronics trade shows and conferences are planned for in the second and fourth quarter of 2008.

The printed electronics market is currently in its very early stage. Thinfilm considers that there exist near-term commercial opportunities for simple versions of its printed memory technology, which will form the basis and provide the funds for the more advanced longer-term opportunities as and when the printed electronics market grows and eventually matures.

7 May 2008

*The board of directors in Thin Film Electronics ASA*

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**Thin Film Electronics ASA Group**  
**Condensed consolidated interim financial information (IFRS)**

**31 March 2008**  
**(Unaudited)**

## Thin Film Electronics ASA Group – 31 March 2008 (Unaudited)

(All amounts in NOK thousands unless otherwise stated)

### Condensed consolidated interim balance sheet

	Note	31 March 2008	31 March 2007	31 December 2007
<b>ASSETS</b>				
<u>Non-current assets</u>				
Property, plant and equipment	4	482	743	391
<u>Current assets</u>				
Trade and other receivables		1 088	976	1 120
Cash and cash equivalents		26 762	10 501	19 494
		<b>28 332</b>	<b>11 477</b>	<b>20 614</b>
Total assets		<b>28 332</b>	<b>12 220</b>	<b>21 005</b>
<b>EQUITY AND LIABILITIES</b>				
<u>Equity</u>				
Ordinary shares	5	2 413	1 885	2 237
Share premium		24 152	10 681	8 930
Other reserves		1 224	552	575
Retained earnings		(6 596)	(6 687)	(76)
		<b>21 193</b>	<b>6 431</b>	<b>11 666</b>
<u>Liabilities</u>				
Trade and other payables		7 139	5 789	9 339
Total equity and liabilities		<b>28 332</b>	<b>12 220</b>	<b>21 005</b>

The notes on pages 6 and 7 are an integral part of this condensed interim financial information

## Thin Film Electronics ASA Group – 31 March 2008 (Unaudited)

(All amounts in NOK thousands unless otherwise stated)

### Condensed consolidated interim profit and loss statement

	Note	1 January -31 March 2008	1 January -31 March 2007	1 January -31 December 2007
Revenue		227	1 075	3 136
Other operating costs		(6 837)	(8 327)	(32 186)
Depreciation and impairment charge	4	(153)	(123)	(504)
Operating profit (loss)		<b>(6 763)</b>	(7 375)	(29 554)
Net financial items		243	64	1 855
Profit (loss) before income tax		<b>(6 520)</b>	(7 311)	(27 699)
Income tax expense		0	0	0
Profit (loss) for the period		<b>(6 520)</b>	(7 311)	(27 699)
Profit (loss) per share basic and diluted	6	<b>(NOK 0.30)</b>	(NOK 0.43)	(NOK 1.48)

The notes on pages 6 and 7 are an integral part of this condensed interim financial information

## Thin Film Electronics ASA Group – 31 March 2008 (Unaudited)

(All amounts in NOK thousands unless otherwise stated)

### Condensed consolidated interim statement of changes in equity

	Note	Share capital	Share premium	Other reserves	Retained earnings	Total
Balance at 1 January 2007		1 885	10 681	686	624	13 876
Share issue on 27 June 2007	5	352	25 248			25 600
Currency translation				(617)		(617)
Share based compensation				506		506
Net profit (loss) for the period			(26 999)		(700)	(27 699)
Balance at 31 December 2007		<u>2 237</u>	<u>8 930</u>	<u>575</u>	<u>(76)</u>	<u>11 666</u>
Balance at 1 January 2007		1 885	10 681	686	624	13 876
Currency translation				(134)		(134)
Net profit (loss) for the period					(7 311)	(7 311)
Balance at 31 March 2007		<u>1 885</u>	<u>10 681</u>	<u>552</u>	<u>(6 687)</u>	<u>6 431</u>
Balance at 1 January 2008		<b>2 237</b>	<b>8 930</b>	<b>575</b>	<b>(76)</b>	<b>11 666</b>
Share issue on 25 January 2008	5	<b>176</b>	<b>15 222</b>	-		<b>15 398</b>
Currency translation				(27)		(27)
Share based compensation				676		676
Net profit (loss) for the period					(6 520)	(6 520)
Balance at 31 March 2008		<u><b>2 413</b></u>	<u><b>24 152</b></u>	<u><b>1 224</b></u>	<u><b>(6 596)</b></u>	<u><b>21 193</b></u>

The notes on pages 6 and 7 are an integral part of this condensed interim financial information

## Thin Film Electronics ASA Group – 31 March 2008 (Unaudited)

(All amounts in NOK thousands unless otherwise stated)

### Condensed consolidated interim cash flow statement

	Note	1 January -31 March 2008	1 January -31 March 2007	1 January -31 December 2007
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Cash generated from				
(consumed by) operations		(8 141)	(6 986)	(27 046)
Interest paid		(3)		(8)
Net cash from (used on) operating activities		<b>(8 144)</b>	(6 986)	(27 054)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchases of property, plant and equipment	4	(245)	(24)	(82)
Sales of fixed assets			1 075	2 795
Interest received		259	64	1 863
Net cash from (used on) investing activities		<b>14</b>	1 115	4 576
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of class A shares	5	15 398		25 600
Net cash from financing activities		<b>15 398</b>	0	25 600
Net increase (decrease) in cash, cash equivalents and bank overdrafts		<b>7 268</b>	(5 871)	3 122
Cash cash equivalents and bank overdrafts at the beginning of the period		<b>19 494</b>	16 372	16 372
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>26 762</b>	10 501	19 494

The group had no bank draft facilities at 31.3.2008

The notes on pages 6 and 7 are an integral part of this condensed interim financial information

# Thin Film Electronics ASA Group – 31 March 2008 (Unaudited)

(All amounts in NOK thousands unless otherwise stated)

## Selected notes to the condensed consolidated interim financial information

### 1 General information

The Thinfilm group consists of the parent company Thin Film Electronics ASA ("TFE ASA" or "the company") and the subsidiary Thin Film Electronics AB ("TFE AB"). The group was formed on 15 February 2006.

The objectives of the company is 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 is a limited liability company incorporated and domiciled in Norway. The address of its registered office is Torggata 2-4-6, Oslo, Norway.

This condensed consolidated interim financial information was approved by the Board of Directors on 7 May 2008.

### 2 Basis of preparation

This condensed interim financial information for the three months ended 31 March 2008 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial report should be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2007.

### 3 Accounting policies

The IFRS accounting policies applied in this condensed consolidated interim financial information are consistent with those applied and described in the consolidated annual financial statements for the year ended 31 December 2007.

### 4 Capital expenditure

	<b>Tangible assets</b>
<i><u>Twelve months ended 31 December 2007</u></i>	
Opening net book amount on 1 January 2007	987
Additions	82
Disposals	0
Depreciation/amortisation, impairment and other movements	(678)
Closing net book amount on 31 December 2007	<b>391</b>
<i><u>Three months ended 31 March 2007</u></i>	
Opening net book amount on 1 January 2007	987
Additions	24
Disposals	0
Depreciation/amortisation, impairment and other movements	(268)
Closing net book amount on 31 March 2007	<b>743</b>
<i><u>Three months ended 31 March 2008</u></i>	
Opening net book amount on 1 January 2008	391
Additions	244
Disposals	0
Depreciation/amortisation, impairment and other movements	(153)
Closing net book amount on 31 March 2008	<b>482</b>

## Thin Film Electronics ASA Group – 31 March 2008 (Unaudited)

(All amounts in NOK thousands unless otherwise stated)

### 5 Shares

	Number of class A shares	Number of class B shares	Number of shares
Shares on 1 January 2007	16 157 609	979 500	17 137 109
Share issue 27 June 2007	3 200 000	0	3 200 000
Shares on 31 December 2007	19 357 609	979 500	20 337 109
Shares on 1 January 2007	16 157 609	979 500	17 137 109
Changes in first quarter 2007	0	0	0
Shares on 31 March 2007	16 157 609	979 500	17 137 109
Shares on 1 January 2008	19 357 609	979 500	20 337 109
Share issue 25 January 2008	1 599 991	0	1 599 991
Shares on 31 March 2008	20 957 600	979 500	21 937 100

On 28 June 2007 Thinfilm granted 665,000 subscription rights (SRs) to employees, consultants and board members at a price of NOK 10.80 per share. On 25 February 2008 Thinfilm granted 31,111 subscription rights (SRs) to an employee at a price of NOK 12.88 per share. The SRs vest in four equal tranches over four years, and expire in May 2012.

### 6 Profit (loss) per share

	1 January -31 March 2008	1 January -31 March 2007	1 January -31 December 2007
Profit (loss) attributable to the equity holders of the company (NOK 1 000)	(6 520)	(7 311)	(27 699)
Weighted average number of ordinary shares	21 448 801	17 137 109	18 706 424
Basic profit (loss) per share	NOK (0.30)	NOK (0.43)	NOK (1.48)

Because Thinfilm operates at a loss, the diluted result per share would have been a smaller loss, and has therefore not been calculated.

### 7 Contingent liabilities

There is a degree of uncertainty related to the financial interrelation with Smart Material SA ("Smart"), a Belgian company which to Thinfilm's knowledge is owned and controlled by Hans Gude Gudesen ("HGG"). HGG provided services to OldCo via Smart Material SA. The agreement was transferred to Thinfilm as part of OldCos business. The agreement was amended in August 2006 and Thinfilm formally terminated the agreement in January 2007. Smart has not presented any claims against Thinfilm under the agreement. In case Smart or HGG should present claims against Thinfilm, Thinfilm may present counter claims. The board holds the opinion that Thinfilm is not obliged and will not have to pay anything to Smart or HGG. Consequently, there is no net receivable or payable to Smart or HGG in the balance sheet as at 31 March 2008.

Thinfilm has not issued any guarantees.

### 8 Related-party transactions

In the three months ended 31 March 2008,

- Fast Search & Transfer ASA has charged Thinfilm for patent work amounting to NOK 240.
- The company has taken NOK 347 as cost for services provided from law firm Ræder.

### 9 Events occurring after the balance sheet date

Between 31 March 2008 and the presentation of this condensed consolidated financial information, no events having any substantial impact on the result for the first quarter or the value of Thinfilm's assets and liabilities at 31 March 2008 have occurred.