



THINFILM

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Interim report for the fourth quarter and preliminary financial information for 2008

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 throughout 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.

Thinfilm has in the fourth quarter continued to actively pursue new potential customers and licensees on its own as well as jointly with its partners, seeking to broaden the applications and the customer base. Several requests for quotations have been received from end users in the quarter as a result of the sales activities throughout the year.

For the purposes of longer term business development and the global promotion of its printed memory technology, Thinfilm participated as an exhibitor and also gave a presentation at the 'Printed Electronics Asia 08' conference in Tokyo, Japan on 8-9 October 2008. Thinfilm participated as an exhibitor also at the 'Printed Electronics USA 08' Conference on 2-3 December 2008 in San Jose, California. These events generated encouraging interest from various companies. Thinfilm is pursuing these leads.

Cartamundi has increased its efforts to promote and market Thinfilm's printed memory technology. There is a significant amount of market interest for Thinfilm's technology in the games and promotional applications area as well as in the area of toys. In the fourth quarter, Thinfilm and Cartamundi conducted a number of joint meetings in Japan and the USA with several leading toy manufacturers. As a result, Cartamundi and Thinfilm announced on 9 February 2009 an extension of Cartamundi's license agreement to include also the use on toys. The original license agreement signed in 2007 covered trading and collectible cards, retail and private label cards, casino cards, promotional cards and cards for games.

Weyerhaeuser NR Company, one of the world's largest forest products companies, has in the fourth quarter continued to purchase services from Thinfilm under the agreement entered into on 27 March 2008 and subsequently extended. The project aims at developing a process and material set to provide proof of concept and functionality for Thinfilm's printed ferroelectric memory, and that it can be integrated with Weyerhaeuser's 13.56 MHz printed circuitry printed radio frequency identification (RFID) devices.

The technical staff at Thinfilm has in the fourth quarter continued the joint technical development activities outlined in the joint development agreements signed with partners in 2007 and 2008. The focus has been on the industrialization and volume manufacturing aspects of the memory cells and adapting the memories for the various applications.

In the quarter, the design and manufacture of application demonstrator units and production of different serial-like samples was completed. The demonstrators have been successfully used for sales promotion activities of the printed memory.

It is Thinfilm's intent to expand its list of shareholders to include large industrial partners preferably active in the field of printed electronics. In 2008 Thinfilm was engaged in discussions with such a potential shareholding partner. On 5 December 2008 Thinfilm announced that discussions with the potential industrial shareholding partner had been put on hold due to the situation in the world's financial markets. The joint technical and commercial work by Thinfilm and the partner in question has continued as planned.

The board determined that Thinfilm would need to raise additional working capital. Given the financial market situation it was decided to minimize the need. Therefore cost reductions were

initiated in Linköping, Sweden. Co-determination negotiations with the employee unions were completed in January 2009. The company does not expect any restructuring charges or other losses because of the changes. Manning will be reduced to four employees in the course of the first and second quarters of 2009 and the volume of outsourced services and contracted specialists will be adapted to the company's needs.

Key events in 2008

- 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.
- Thinfilm's class A shares were accepted 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 form at www.thinfilm.se.
- On 27 March Thinfilm entered into an agreement with and received a purchase order for services from Weyerhaeuser NR Company, one of the world's largest forest products companies.
- Thinfilm announced on 2 April that it had been awarded the 2007 Frost & Sullivan European Printed Electronics Technology Innovation Award.
- 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.
- On 19 June InkTec Co., Ltd. headquartered in Kyungki-do, Korea, a world-class research and manufacturing company in the field of printed electronics, and Thinfilm announced that they have extended and broaden their Joint Development Agreement signed in November 2007.
- On 5 December Thinfilm announced that discussions with a potential industrial shareholding partner had been put on hold due to the situation in the world's financial markets. The board determined that Thinfilm needed to adjust its operation, and initiated cost savings in Linköping, Sweden.

Condensed consolidated financial information at 31 December 2008

Attached to this report is condensed financial information as at 31 December 2008.

There were ten employees in the group at the end of 2008, and in addition Thinfilm makes use of outsourced services and contracted specialists.

Thinfilm's revenue in 2008 was NOK 2.0 million, of which NOK 0.7 million was earned in the fourth quarter. NOK 1.5 million of the revenue related to Thinfilm's printed memory technology, while the remainder originated from sale of equipment no longer in use. The revenue in 2007 amounted to NOK 3.1 million, of which NOK 0.4 million related to Thinfilm's printed memory technology and the remainder from sales of equipment no longer in use.

Other operating costs (i.e. all operating costs excluding depreciation and net impairment charge) in 2008 were NOK 26.1 million, compared to NOK 32.2 million the year before. In 2008, share-based remuneration amounted to NOK 1.5 million compared to NOK 0.8 million in 2007. After the listing process was completed in the first quarter 2008 and the patent portfolio was reduced, the operating costs have been stable at a lower level than prior year. Going forward, costs will vary with manning and activity level. Cost savings resolved in December 2008 are currently under implementation. The fixed asset count and review in the fourth quarter resulted in a reversal of impairment charges made in prior years.

Net financial items, mainly interest income, amounted to a NOK 0.3 million gain in the year. In 2008, the interest income has been partly offset by exchange losses due to the stronger SEK in the fourth quarter.

The company operates at a loss and there is a tax loss carryforward position also 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 2008 was a loss of NOK 24.2 million, and corresponded to NOK 1.11 loss per basic share. The result in 2007 was a loss of NOK 27.7 million corresponding to NOK 1.48 per basic share.

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 31 December 2008 there were 20,957,609 class A shares in the company, held by about 1,400 shareholders.

The group's cash balance decreased by NOK 5.9 million in the quarter and NOK 10.2 million in the year. The negative cash flow from operations has exceeded the proceeds from the private placement of shares. The cash balance at 31 December 2008 amounted to NOK 9.3 million while payables amounted to NOK 5.9 million. The available liquidity is adequate in the short term. Thinfilm does not have financial debt and the equity ratio is 43 per cent.

Principal risks

Thinfilm is subject to certain financial risks related to currency and interest rates. These risks are, however, insignificant compared to the business risk. The business risk is difficult to assess, because the operating history is limited and the target market is largely yet to be developed. The company has earned insignificant revenue to date.

Thinfilm's ability to earn revenue depends on its ability to create willingness and obligations among partners and customers to pay for using Thinfilm's intellectual property rights ("IPR"). This is in turn dependent on, firstly, Thinfilm's development and presentation of its technology, know how and IPR, and secondly, Thinfilm's ability to legally protect its IPR. The development and presentation depends on the company's ability to attract and retain competent staff. IPR protection depends on 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. The company does not have any financial debt. The board has initiated activities and is taking advice in order to raise additional equity and/or working capital during the first half of 2009.

Outlook

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.

In the first quarter of 2009, Thinfilm will continue its business development activities as well as industrialisation of products for volume production within printed electronics, independently as well as jointly with partners. New license agreement negotiations are in progress.

The technical staff will continue to deliver services to Weyerhaeuser in the first half of 2009 under the extended service contract. Moreover, Thinfilm will provide technical sales support and assistance for commercialisation of the technology to the partners, chiefly Cartamundi, Soligie and InkTec.

Thinfilm's manufacturing partners have recently made major progress in the industrialization work, and roll-to-roll samples were printed early in the first quarter.

Following the sales activities in the second half of 2008 and the subsequent encouraging amount of customer interest, the sales and business development activities in the first quarter of 2009 will be concentrated on responding to customer requests. Thinfilm and partners will provide samples and quotes to customers who are serving end-users.

Active penetration of prospects in the large area of anti-counterfeit applications will commence in the first quarter. Thinfilm will begin design and manufacturing of prototype anti-counterfeit demonstrators.

Linköping, 24 February 2009

The board of directors of Thin Film Electronics ASA

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Thin Film Electronics ASA Group – 31 December 2008 (Unaudited)

(All amounts in NOK thousands unless otherwise stated)

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

31 December 2008 (Unaudited)

Condensed consolidated interim balance sheets

	Note	31 December 2008	31 December 2007
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	4	743	391
<u>Current assets</u>			
Trade and other receivables		741	1 120
Cash and cash equivalents		9 290	19 494
		<u>10 774</u>	<u>20 614</u>
Total assets		<u>10 774</u>	<u>21 005</u>
EQUITY AND LIABILITIES			
<u>Equity</u>			
Ordinary shares	5	2 413	2 237
Share premium		24 152	8 930
Other reserves		2 616	575
Retained earnings		<u>(24 306)</u>	<u>(76)</u>
		<u>4 875</u>	<u>11 666</u>
<u>Liabilities</u>			
Trade and other payables		5 899	9 339
Total equity and liabilities		<u>10 774</u>	<u>21 005</u>

Condensed consolidated interim profit and loss statements

	Note	1 Oct. -31 Dec. 2008	1 Oct. -31 Dec. 2007	1 Jan. -31 Dec. 2008	1 Jan. -31 Dec. 2007
Revenue		661	438	2 001	3 136
Other operating costs		(6 483)	(11 242)	(26 089)	(32 186)
Depreciation and impairment charge	4	30	(139)	(489)	(504)
Operating profit (loss)		<u>(5 792)</u>	<u>(10 943)</u>	<u>(24 577)</u>	<u>(29 554)</u>
Net financial items		<u>(227)</u>	1 584	347	1 855
Profit (loss) before income tax		<u>(6 019)</u>	<u>(9 359)</u>	<u>(24 230)</u>	<u>(27 699)</u>
Income tax expense		0	0	0	0
Profit (loss) for the period		<u>(6 019)</u>	<u>(9 359)</u>	<u>(24 230)</u>	<u>(27 699)</u>
Profit (loss) per share basic and diluted	6	(NOK 0.27)	(NOK 0.46)	(NOK 1.11)	(NOK 1.48)

The notes on pages 3 to 4 are an integral part of this condensed interim financial information.

Thin Film Electronics ASA Group – 31 December 2008 (Unaudited)

(All amounts in NOK thousands unless otherwise stated)

Condensed consolidated interim statements 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 2008		2 237	8 930	575	(76)	11 666
Share issue on 25 January 2008	5	176	15 222	-		15 398
Currency translation				323		323
Share based compensation				1 718		1 718
Net profit (loss) for the period					(24 230)	(24 230)
Balance at 31 December 2008		<u>2 413</u>	<u>24 152</u>	<u>2 616</u>	<u>(24 306)</u>	<u>4 875</u>

Condensed consolidated interim cash flow statements

Note	1 Oct. -31 Dec. 2008	1 Oct. -31 Dec. 2007	1 Jan. -31 Dec. 2008	1 Jan. -31 Dec. 2007
CASH FLOW FROM OPERATING ACTIVITIES				
Cash generated from (consumed by) operations	(5 799)	(12 640)	(26 389)	(27 046)
Interest paid	(51)	(4)	(59)	(8)
Net cash from (used on) operating activities	(5 850)	(12 644)	(26 448)	(27 054)
CASH FLOW FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment	(154)	(11)	(791)	(82)
Sales of fixed assets	5	487	770	2 795
Interest received	123	1 584	868	1 863
Net cash from (used on) investing activities	(26)	2 060	847	4 576
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issuance of class A shares			15 398	25 600
Net cash from financing activities	0	0	15 398	25 600
Net increase (decrease) in cash, cash equivalents and bank overdrafts	(5 876)	(10 584)	(10 204)	3 122
Cash cash equivalents and bank overdrafts at the beginning of the period	15 166	30 078	19 494	16 372
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>9 290</u>	<u>19 494</u>	<u>9 290</u>	<u>19 494</u>

The group had no bank draft facilities at 31 December 2008.

The notes on pages 3 to 4 are an integral part of this condensed interim financial information.

Thin Film Electronics ASA Group – 31 December 2008 (Unaudited)

(All amounts in NOK thousands unless otherwise stated)

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 Thinfilm are 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 public limited liability company incorporated and domiciled in Norway. The company's class A shares have been listed at Oslo Axess since 30 January 2008. The company's registered office is Torggata 2-4-6, Oslo, Norway.

This condensed consolidated interim financial information was resolved by the board of directors on 24 February 2009.

2 Basis of preparation, accounting principles

This condensed interim financial information for the twelve months ending on 31 December 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. The consolidated financial statements for 2007 are available upon request from the company and at www.thinfilm.se.

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.

3 Financial risk

Estimates and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Thinfilm makes estimates and assumptions concerning the future. The resulting accounting estimates will, by nature, rarely equal the related actual results. There were no changes in 2008 to the key assumptions applied in the annual financial statements for 2007.

Thinfilm is subject to certain financial risks related to currency and interest rates. These risks are explained in note 3 to the consolidated annual financial statements for 2007. Thinfilm does not hold and are not party to financial instruments. There has been no change of impact or material incidents in 2008.

Thinfilm will need to raise additional equity and/or working capital during the first half of 2009.

4 Capital expenditure

	Tangible assets
<i>Twelve months ended 31 December 2007</i>	
Opening net book amount on 1 January 2007	987
Additions	82
Disposals (net book value)	(123)
Depreciation/amortisation, impairment and other movements	(555)
Closing net book value on 31 December 2007	391
<i>Twelve months ended 31 December 2008</i>	
Opening net book amount on 1 January 2008	391
Additions	791
Disposals (net book value)	0
Depreciation/amortisation, impairment and other movements	(439)
Closing net book value on 31 December 2008	743

Thin Film Electronics ASA Group – 31 December 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 2008	19 357 609	979 500	20 337 109
Share issue 25 January 2008	1 600 000	0	1 600 000
Shares on 31 December 2008	20 957 609	979 500	21 937 109

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 one employee at a price of NOK 12.88 per share. The SRs vest in four equal tranches over four years on the anniversary of the grant dates, and expire in May 2012.

6 Profit (loss) per share

	1 Jan. -31 Dec. 2008	1 Jan. -31 Dec. 2007
Profit (loss) attributable to the equity holders of the company (NOK 1 000)	(24 230)	(27 699)
Weighted average number of ordinary shares	21 814 705	18 706 424
Profit (loss) per share, basic and diluted	NOK (1.11)	NOK (1.48)

Because Thinfilm operates at a loss, the result per share on fully diluted number of shares would have been a smaller loss. The diluted profit (loss) per share is therefore equal to the basic profit (loss).

7 Contingent liabilities

There were no changes in 2008 to the contingent liabilities as stated in the annual financial statements for 2007.

8 Related-party transactions

Note 18 to the annual consolidated financial statements for 2007 provides details of related parties. During 2008 there has not been any changes or transactions that significantly impacts the group's financial position or result for the period. Fast Search & Transfer ASA ("Fast") was the largest shareholder in Thinfilm until 16 April 2008, when Fast sold all its shares in Thinfilm.

In the twelve months ended 31 December 2008,

- Fast has charged Thinfilm for patent work amounting to NOK 782 thousand. The agreement was discontinued in October 2008, and there were no outstanding amounts between the parties at the end of 2008.

- The company has taken NOK 838 thousand as cost for services provided from law firm Ræder. Except services received and accrued for but not yet invoiced, there were no amounts outstanding between the parties at the end of 2008.

9 Events occurring after the balance sheet date

No events having any substantial impact on the result for 2008 or the value of Thinfilm's assets and liabilities at 31 December 2008 have occurred between 31 December 2008 and the presentation of this condensed consolidated financial information.

On 16 December 2008 the company announced operational adjustments and implementation of cost savings. After co-determination negotiations with the employee unions in January 2009, the savings are under implementation. The company does not expect any restructuring losses or other unusual charges because of the changes.

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