



THINFILM

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Interim report for the fourth quarter and preliminary financial report for 2009

Activities in the fourth quarter

Thin Film Electronics ASA ("Thinfilm") is focused on providing low-power, non-volatile, rewritable polymer memory technology and products in the rapidly growing market of Printed Electronics. During 2009, Thinfilm made significant progress: The company was the first in the world to produce polymer memories at large scale using roll-to-roll printing. Thinfilm also made progress in expanding existing business relationships with technology and manufacturing partners, as well as defining consumer application areas, such as the market for toys and games.

Printed Electronics is still in its early stages, and according to industry analyst group IdTechEx, is expected to grow to more than USD 50 billion in market value over the next ten years. IdTechEx predicts that logic (i.e., memory and transistors) will be the largest segment in this market, representing more than 30 per cent of the total. Using printing to manufacture electronic memory makes it possible to reduce the number of process steps, dramatically slash manufacturing costs, as well as the environmental impact compared to traditional semiconductor processes. Commercial applications include e-paper electronic readers and organic light emitting (OLED) displays. Sensors, batteries, and photovoltaic energy sources are also in development, and together with Thinfilm's memory technology open the door to new products and applications.

Memory is an essential part of most electronics. Memory is required for identification, tracking status and history, and is used whenever information is stored. Thinfilm's non-volatile ferroelectric polymer memory technology is well suited for application with other printed electronics devices because power consumption during read and write is negligible, and during stand-by, no connection to external power is required. Data is retained without power consumption and the current required to write information is so small that operation using a standard battery would last years and likely be limited by the battery's own lifetime.

Thinfilm is exploiting near-term commercial opportunities in toys and games as an initial market for Thinfilm's polymer memory. These applications are expected to provide innovations and operating capital for the development of additional products.

Business development activities during the year broadened existing relationships, and established new relationships with potential customers in both North America and Japan. This led to encouraging customer interest, and during the fourth quarter Thinfilm further intensified its business development activities, with participation as an exhibitor at a number of conferences:

- In October, Thinfilm attended the 'Fall Toy Preview 2009' exhibition in Dallas, USA. This exhibition is by invitation only and is limited to companies active in the toys & games industry.
- Thinfilm exhibited at the 'Toys and Games Inventor Expo (TAGIE)' in November, jointly with Cartamundi. TAGIE is a dedicated toys and games inventor conference and exhibition in Chicago, USA.
- At the end of September, Thinfilm participated as an exhibitor and also held a presentation at the 'Printed Electronics Asia 09' conference in Tokyo, Japan.
- Thinfilm participated as an exhibitor at the 'Printed Electronics USA 09' conference in December in San Jose, USA.

Thinfilm is also designing a new low-cost hand-held memory read/write unit, which can be integrated into game designs or be used as a stand-alone toy. The Thinfilm read/write units will be manufactured by qualified volume manufacturing partners.

During the fourth quarter, Thinfilm's joint development activities with its manufacturing partners focused on further improving the yield of the memory production process and adapting the memories to various applications.

At the end of the quarter, a new and updated web site was released, at www.thinfilm.se and www.thinfilm.no.

Key events during 2009

- In February, Cartamundi and Thinfilm announced an extension to Cartamundi's production and commercialization rights regarding Thinfilm's memory technology, originally agreed to under a 2007 License Agreement
- InkTec Co., Ltd. ("InkTec") in Kyungki-do, Korea, and Thinfilm announced in March the successful production of fully functional printed memory products in a high-volume roll-to-roll ("R2R") printing process
- On April 14, InkTec and Thin Film received the prestigious IDTechEx Technical Development Manufacturing Award for roll-to-roll, high volume manufacturing of printed memories
- A large part of the technical laboratory equipment formerly used in the development of hybrid memory and no longer in use, was sold in March 2009. The transaction was completed in the second quarter of 2009. The cash proceeds amounted to SEK 4.8 million
- A rights issue raising net NOK 10.9 million in new equity was successfully completed in June, and a private placement raising net NOK 5.6 million was completed in July
- In June, board member Rolf Åberg, also took over the role of CEO
- In July Dr. John M. Lervik acquired approximately 14 per cent of the outstanding shares in Thinfilm, by purchases on the open the market and through participation in the July private placement. Dr. Lervik is actively engaged in helping Thinfilm in the areas of technology and business development
- In September, PolyIC and Thinfilm announced high-volume production of roll-to-roll printed polymer memories
- On 7 January 2010 Thinfilm further strengthened its management team when Davor Sutija joined Thinfilm as Executive Vice President, Business Development and Marketing

Condensed consolidated financial report as at 31 December 2009

Attached to this interim report is the condensed consolidated financial report as of 31 December 2009.

Thinfilm's revenue in 2009 was NOK 4.5 million of which NOK 3.5 million was related to the sale of equipment no longer in use. The revenue in the fourth quarter was negligible. In 2008, the revenue was NOK 2.0 million, of which NOK 1.5 million was related to the printed memory technology.

Other operating costs (i.e. all operating costs excluding depreciation and impairment charge) in the quarter were NOK 5.4 million, including the notional cost of subscription rights (share based compensation) of NOK 1.1 million. The corresponding numbers for the year were NOK 20.7 million and NOK 1.4 million. The cost savings implemented in the first half of 2009 had full effect from the third quarter. The fourth quarter has seasonally higher costs. In comparison, for 2008 the other operating costs amounted to NOK 26.2 million for the year and NOK 6.6 million for the quarter. There were five full-time employees in the group at the end of the quarter, and in addition Thinfilm made use of outsourced services and specialist contractors. Going forward, costs will vary with manning and activity level.

Net financial items, mainly exchange gains/losses related to variations in SEK, amounted to a gain of NOK 0.5 million in the year of which NOK 0.1 million occurred in the fourth quarter. In 2008, the interest income earned in the first nine months were partly offset by currency losses on SEK in the fourth quarter, leaving a net gain for the year of NOK 0.3 million. Interest income in 2009 was insignificant.

The company operates at a loss and there is a tax loss carry forward position also in the Swedish subsidiary, such that the group has not incurred any tax costs for 2009. The company has not recognised the deferred tax asset in its balance sheet, because this potential asset does not yet qualify for inclusion.

The net result in the fourth quarter was a loss of NOK 5.2 million, and for the year as a whole, the loss was NOK 15.9 million, corresponding to a loss of NOK 0.18 per basic share. The result in 2008 was a loss of NOK 24.3 million corresponding to NOK 1.12 per basic share.

Thinfilm incurred NOK 1.3 million in expenses in connection with the rights issue in June and the private placement in July. These expenses were charged against the share premium.

The group's cash balance decreased by NOK 3.7 million in the quarter, but for the year, it increased by NOK 0.6 million. NOK 19.5 million was consumed on operations, while NOK 16.5 million was obtained in new equity and NOK 4.0 million collected from the sale of assets. The cash balance on 31 December 2009 amounted to NOK 9.8 million. The available liquidity is deemed to be adequate.

Outlook

Thinfilm foresees a developing shift towards ubiquitous memory where people and devices can store and retrieve information through portable devices and communicate both with external (e.g., cloud-based) data sources, and also with memory-enabled objects and sensors in their surroundings.

In order to exchange information with their environment, electronic displays, sensors, and memories must be available and allow the user to update and extract information. This can be made possible by Thinfilm's patented non-volatile read-and-write memories (NVRAM) to store and retrieve information. This scenario illustrates our Memory Everywhere™ vision, where Thinfilm technology provides the distributed local storage necessary for users to seamlessly communicate and interact with physical objects and sensors in their vicinity. Early applications include entertainment (toys & games), medical devices (smart tags, sensors, and displays), as well as consumer product uses (tracking freshness, consumption, and authenticity).

Thinfilm aims at transforming the markets it participates in. First, the toys and games market, by providing cheap ubiquitous memory tags for cards and toys to unlock the potential of interactive games: allowing players to easily update game status, make strategy decisions, and store personalized information on their game characters directly on cards and individual toy components. In addition, Thinfilm plans on adding memory and stored logic functionality to printed electronic devices to drive adoption of unique products co-printed with displays, sensors, and logic elements, including permanently stored code and data. Over the longer term, Thinfilm expects to further increase adoption of exceptionally inexpensive re-writable permanent memory, as the foundation for our Memory Everywhere™ vision.

Thinfilm will continue its business development activities during the first quarter of 2010, with particular focus on Japan and the USA, and will attend the toy fairs and games conferences in Nuremberg, Germany, and New York City, USA.

Our technology staff will continue to provide technical pre-sales support, and aid commercialization efforts with manufacturing partners. We will also work directly with toy and game inventors to integrate printed memory into specific designs. Development of next-generation printed electronics products, combining printed memory with other technologies such as transistors, sensors, and displays, will also gain attention.

Linköping, 19 February 2010
The board of directors of Thin Film Electronics ASA

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Thin Film Electronics ASA Group

Condensed consolidated preliminary financial report (IFRS)

31 December 2009 (Unaudited)

Profit and loss statements

<i>Amounts in NOK 1,000</i>	Note	1 Oct.-31 Dec. 2009	1 Oct.-31 Dec. 2008	1 Jan.-31 Dec. 2009	1 Jan.-31 Dec. 2008
Revenue		69	661	4 457	2 001
Other operating costs	7	(5 421)	(6 601)	(20 743)	(26 207)
Depreciation and impairment charge	3	(18)	30	(111)	(489)
Operating profit (loss)		<u>(5 370)</u>	<u>(5 910)</u>	<u>(16 397)</u>	<u>(24 695)</u>
Net financial items		139	(227)	523	347
Profit (loss) before income tax		<u>(5 231)</u>	<u>(6 137)</u>	<u>(15 874)</u>	<u>(24 348)</u>
Income tax expense		0	0	0	0
Profit (loss) for the period		<u><u>(5 231)</u></u>	<u><u>(6 137)</u></u>	<u><u>(15 874)</u></u>	<u><u>(24 348)</u></u>
Profit (loss) per share basic and diluted	5	(NOK 0.04)	(NOK 0.28)	(NOK 0.18)	(NOK 1.12)

Statements of comprehensive income

<i>Amounts in NOK 1,000</i>	Note	1 Oct.-31 Dec. 2009	1 Oct.-31 Dec. 2008	1 Jan.-31 Dec. 2009	1 Jan.-31 Dec. 2008
Profit (loss) for the period		(5 231)	(6 137)	(15 874)	(24 348)
Currency translation		(34)	14	(439)	323
Total comprehensive income for the period, net of tax		<u><u>(5 265)</u></u>	<u><u>(6 123)</u></u>	<u><u>(16 313)</u></u>	<u><u>(24 025)</u></u>

Balance sheets

<i>Amounts in NOK 1,000</i>	Note	31 December 2009	31 December 2008
ASSETS			
<u>Non-current assets</u>	6		
Property, plant and equipment	3	168	743
<u>Current assets</u>			
Trade and other receivables		174	1 399
Cash and cash equivalents		9 844	9 290
Total assets		<u><u>10 018</u></u>	<u><u>10 689</u></u>
		<u><u>10 186</u></u>	<u><u>11 432</u></u>
EQUITY AND LIABILITIES			
<u>Equity</u>			
Ordinary shares	4	16 018	2 413
Share premium		2 996	78
Other reserves		3 360	2 616
Retained earnings		(16 224)	(350)
		<u>6 150</u>	<u>4 757</u>
<u>Liabilities</u>	6		
Trade and other payables		4 036	6 675
Total equity and liabilities		<u><u>10 186</u></u>	<u><u>11 432</u></u>

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

Statements of changes in equity

<i>Amounts in NOK 1,000</i>			Share capital	Share premium	Other reserves	Retained earnings	Total
	Note		2 413	78	2 616	(350)	4 757
Balance at 1 January 2009							
Share issue on 5 June 2009	4		12 065	(1 146)			10 919
Share issue on 8 June 2009	4		1 540	4 064			5 604
Share based compensation	4				1 183		1 183
Comprehensive income					(439)	(15 874)	(16 313)
Balance at 31 December 2009			16 018	2 996	3 360	(16 224)	6 150
Balance at 1 January 2008			2 237	8 930	575	(76)	11 666
Share issue on 25 January 2008	4		176	15 222			15 398
Share based compensation	4				1 718		1 718
Comprehensive income				(24 074)	323	(274)	(24 025)
Balance at 31 December 2008			2 413	78	2 616	(350)	4 757

Cash flow statements

<i>Amounts in NOK 1,000</i>			1 Oct.-31 Dec. 2009	1 Oct.-31 Dec. 2008	1 Jan.-31 Dec. 2009	1 Jan.-31 Dec. 2008
	Note					
CASH FLOW FROM OPERATING ACTIVITIES						
Operating profit (loss)			(5 370)	(5 910)	(16 397)	(24 695)
Depreciation and impairment	3		18	(30)	111	489
Share-based payment	4		869	281	1 183	1 718
Gain on sale of fixed assets			15	(5)	(3 512)	(770)
Changes in working capital and other changes			986	(293)	(897)	(3 305)
Interest paid			(1)	(49)	(4)	(57)
Net cash from (used on) operating activities			(3 483)	(6 005)	(19 516)	(26 619)
CASH FLOW FROM INVESTING ACTIVITIES						
Purchases of property, plant and equipment	3			(154)		(791)
Sales of fixed assets			(18)	5	3 905	770
Interest received			11	123	64	868
Net cash from (used on) investing activities			(6)	(26)	3 970	847
CASH FLOW FROM FINANCING ACTIVITIES						
Proceeds from issuance of shares	4		(92)		16 523	15 398
Net cash from financing activities			(92)	0	16 523	15 398
Currency translation effects on cash and bank deposits			(75)	156	(422)	171
Net increase (decrease) in cash and bank deposits			(3 657)	(5 876)	554	(10 204)
Cash and bank deposits at the beginning of the period			13 501	15 166	9 290	19 494
CASH AND BANK DEPOSITS AT THE END OF THE PERIOD			9 844	9 290	9 844	9 290

The group had no bank draft facilities at 31 December 2009.

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

Notes to the condensed consolidated preliminary financial report

1 Thin Film Electronics ASA group

The Thin Film Electronics ASA group ("Thinfilm") consists of the parent company Thin Film Electronics ASA ("TFE ASA") and the subsidiary Thin Film Electronics AB ("TFE AB"). The group was formed on 15 February 2006. TFE ASA is a public limited liability company incorporated and domiciled in Norway. The address of its registered office is Henrik Ibsens gate 100, Oslo, Norway. TFE ASA shares are listed at Oslo Axess.

The objectives of the company 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.

2 Basis of preparation, accounting policies, resolution

This condensed interim financial report for 2009 has been prepared in accordance with IAS 34 'Interim financial reporting'. The condensed consolidated interim financial report should be read in conjunction with the consolidated annual financial statements for 2008.

The IFRS accounting policies applied in this condensed consolidated interim financial report are consistent with those applied and described in the consolidated annual financial statements for 2008. There are no effects other than the minor change in presentation format from the amendments to IAS 1 'Presentation of Financial Statements' becoming effective on 1 January 2009.

The going concern assumption has been applied when preparing this interim financial report. The Board points out that until the company enters the commercial stage, there is significant uncertainty attached to this assumption. Thinfilm does not earn recurring revenue. The company has limited working capital. There were limited assets readily available for sale to cover future expenses. The outstanding warrants represent a likely source of new equity in the exercise periods.

This consolidated interim financial report has not been subject to audit. The report was resolved by the board of directors on 19 February 2010.

3 Property, plant and equipment

Amounts in NOK 1 000

Year ended 31 December 2009

Net book value on 1 January 2009

	Tangible assets
Net book value on 1 January 2009	743
Additions	0
Disposals	(393)
Depreciation, impairment and other movements	(182)
Net book value on 31 December 2009	168

Year ended 31 December 2008

Net book value on 1 January 2008	391
Additions	791
Disposals	0
Depreciation, impairment and other movements	(439)
Net book value on 31 December 2008	743

4 Shares, warrants and subscription rights

	Number of class A shares	Number of class B shares	Number of shares
Shares on 1 January 2009	20 957 609	979 500	21 937 109
Conversion of Class B shares on 24 February 2009	979 500	(979 500)	0
Share issue on 5 June 2009	109 685 545		109 685 545
Share issue on 8 June 2009	14 000 000		14 000 000
Shares on 31 December 2009	145 622 654	0	145 622 654
Shares on 1 January 2008	19 357 609	979 500	20 337 109
Share issue on 25 January 2008	1 600 000	0	1 600 000
Shares on 31 December 2008	20 957 609	979 500	21 937 109

	1 Jan.-31 Dec. 2009	1 Jan.-31 Dec. 2008
Subscription rights opening balance	696 111	665 000
Grant of incentive subscription rights	5 500 000	31 111
Terminated and expired	(274 444)	
Allotment of warrants	109 685 545	
Warrants and subscription rights	<u>115 607 212</u>	<u>696 111</u>

Thinfilm has granted subscription rights (SRs) to employees, consultants and board members. The SRs vest in four equal tranches over four years from the date of grant. The weighted average exercise price of the outstanding SRs on 31 December 2009 was NOK 1.77 per share.

For each new share subscribed in the rights issue on 5 June 2009, also one warrant with the right to request one new share at a price of NOK 0.11 was allotted. The warrants may be exercised in the periods 6-31 May 2010 and 1 September-6 November 2010.

5 Profit (loss) per share

	1 Jan.-31 Dec. 2009	1 Jan.-31 Dec. 2008
Profit (loss) attributable to the equity holders of the company (NOK 1 000)	(15 874)	(24 348)
Weighted average basic number of ordinary shares	90 560 499	21 814 705
Weighted average diluted number of ordinary shares	147 135 735	21 814 705
Profit (loss) per share, basic and diluted	NOK (0.18)	NOK (1.12)

When the period result is a loss, the loss per diluted number of shares shall not be reduced by the higher number of shares but 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 exceed the average share price in the period, the subscription rights are not counted as being dilutive.

6 Contingent assets and liabilities

Thinfilm does not have any contingent assets. There are no changes to Thinfilm's contingent liabilities since 31 December 2008. Thinfilm has not issued any guarantees.

7 Related party transactions

In the twelve months ended 31 December 2009 Thinfilm has recorded NOK 1,110 thousand for services provided from law firm Ræder, in which Thinfilm's chairman is a partner. The amount includes Ræder's work with preparing and conducting the share issues on 5 June and 8 June 2009 including the prospectuses. John Markus Lervik, who at the date of this report controls about 14 per cent of the shares in Thinfilm, has charged NOK 700 thousand plus expenses for his services provided in June-December 2009.

8 Events occurring after the balance sheet date

Between 31 December 2009 and the presentation of this condensed consolidated financial information, no events having any substantial impact on the result for 2009 or the value of Thinfilm's assets and liabilities at 31 December 2009 have occurred.

The board of directors resolved on 6 January 2010 to grant 1,000,000 SRs to Davor Sutija who has been recruited to become Executive Vice President of Thinfilm. The grant was made under Thinfilm's 2009 Subscription Rights Incentive Plan. The exercise price of the SRs is NOK 1.29 per share.

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