



THINFILM

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

Interim report for the third quarter and financial information for first nine months of 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 2007 as well as in the first half 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.

Thinfilm has in the third quarter, on its own as well as jointly with its partners Soligie and Cartamundi, actively pursued new potential customers and licensees, aiming at broadening the applications and the customer base.

Cartamundi has in the third quarter intensified its efforts to promote and market Thinfilm's printed memory technology. The co-operation with Thinfilm has opened new doors for Cartamundi with existing customers and with prospects. There is a significant amount of market interest for Thinfilm's technology in the games and promotional applications area. Both companies have in the third quarter also showed the readiness of the technology by demonstrating working memories on cards to potential customers.

Thinfilm and partners have conducted a number of joint meetings in Asia with, among others, several leading Japanese toy manufacturers. These meetings have generated genuine interest and also requests for quotation (RFQ) from several companies.

Cartamundi has dedicating staff to further advance the manufacturing and selling effort, and has also commissioned a game development assignment to a world renowned game design studio in the United States. The purpose of the development assignment is to show potential customers the scope of the Thinfilm technology. Thinfilm believes that the joint work with Cartamundi may form the foundation of an entirely new category of toys and games.

For the purposes of longer term business development and the global promotion of its printed memory technology, Thinfilm participated at the 'Organic Semiconductor Conference' (OSC-08) which took place 29-30 September in Frankfurt, Germany. Thinfilm participated and also gave a presentation at the 'Printed Electronics Asia 08' conference in Tokyo, Japan on 8-9 October. The events generated encouraging interest and leads from various companies.

In the first quarter, Thinfilm entered into an agreement with Weyerhaeuser Company ("Weyerhaeuser"), one of the world's largest forest products companies. The agreement was extended in the third quarter, and Weyerhaeuser will continue to purchase consulting services from Thinfilm. The agreement, aimed at developing a process and material set to provide proof of concept for Thinfilm's printed ferroelectric memory that it will function, and can be integrated with Weyerhaeuser's 13.56 MHz printed circuitry printed radio frequency identification (RFID) devices.

In the third quarter, the technical staff at Thinfilm has continued the joint technical development activities outlined in several of the joint development agreements signed with partners in 2007 and first half of 2008. The focus has been on the volume manufacturing aspects of the memory cells and adopting the memories for the various applications.

The activities have also included the design and manufacture of application demonstrator units and production of different serial-like samples, which will be used around the world for sales promotion activities of the printed memory.

It is Thinfilm's intent to expand its current list of shareholders to include large industrial partners preferably active in the field of printed electronics. In the third quarter Thinfilm has been engaged in discussions with such a potential shareholding partner. If and when these discussions materialise, Thinfilm will make announcements to the market in due course.

Key events in the first nine months of 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 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.
- 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 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.

Condensed consolidated financial information at 30 September 2008

Attached to this report is condensed financial information as at 30 September 2008.

There are ten employees in the group, and in addition Thinfilm makes use of outsourced services and contracted specialists.

Thinfilm's revenue in the first nine months was NOK 1.3 million, of which NOK 0.3 million was earned in the third quarter. NOK 0.6 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 the first nine months of 2007 amounted to NOK 2.7 million, chiefly from sales of equipment no longer in use.

Other operating costs (i.e. all operating costs excluding depreciation and impairment charge) in the first nine months were NOK 19.6 million, compared to NOK 20.9 million in the corresponding period last year. In 2008, share-based remuneration has amounted to NOK 1.4 million to date, compared to NOK 0.3 million in the same period of 2007. The costs are now stable at a lower level than prior year. Going forward, costs will vary with manning and activity level.

Net financial items, mainly interest income, amounted to a NOK 0.6 million gain in the first half. The amount is up from 2007, when the group's cash position was much lower.

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 the first half was a loss of NOK 18.2 million, and corresponded to NOK 0.84 loss per basic share. The result was about the same in each quarter of this year. In the same period of 2007, the revenue and costs were higher but the net loss was about the same.

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 30 September 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 5.0 million in the quarter and NOK 4.3 million in the first nine months of 2008. The negative cash flow from operations has exceeded the proceeds from the private placement of shares. The cash balance at 30 September 2008 amounted to NOK 15.2 million while payables amounted to NOK 6.1 million. The available liquidity is adequate. Thinfilm does not have financial debt and the equity ratio is 62 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.

Outlook

In the fourth quarter, Thinfilm will continue its business development activities within printed electronics independently as well as jointly with existing partners.

Following the extensive activities in the Asian market in the third quarter, the sales and business development activity in the fourth quarter will be concentrated on the market in the United States. The technical staff will continue to deliver consulting services to Weyerhaeuser in the fourth quarter under an extended service contract. Moreover, Thinfilm will provide technical sales support to the manufacturing partners Cartamundi, Soligie and InkTec.

Thinfilm's current staffing possesses the adequate level and interdisciplinary competence to successfully carry out the activities planned for in the fourth quarter and moving forward into 2009.

Thinfilm plans to operate at about the same cost level in the fourth quarter as in the third quarter. However, because of the number of application areas and the large interest received lately from potential customers, Thinfilm may expand its staff as and when required and financially supported by partners and/or customers.

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.

Linköping, 4 November 2008

The board of directors of Thin Film Electronics ASA

Contact persons:

Johan Carlsson, CEO

Erling Sveta, CFO

Thinfilm web site: www.thinfilm.se

tel: +46 706 007 605

tel: +47 4062 1040

e-mail: [johan.carlsson\(at\)thinfilm.se](mailto:johan.carlsson(at)thinfilm.se)

e-mail: [erling.sveta\(at\)thinfilm.se](mailto:erling.sveta(at)thinfilm.se)

Thin Film Electronics ASA Group – 30 September 2008 (Unaudited)

(All amounts in NOK thousands unless otherwise stated)

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

30 September 2008 (Unaudited)

Condensed consolidated interim balance sheets

	Note	30 September 2008	30 September 2007	31 December 2007
ASSETS				
<u>Non-current assets</u>				
Property, plant and equipment	4	516	497	391
<u>Current assets</u>				
Trade and other receivables		1 025	777	1 120
Cash and cash equivalents		15 166	30 078	19 494
		16 707	30 855	20 614
Total assets		16 707	31 352	21 005
EQUITY AND LIABILITIES				
<u>Equity</u>				
Ordinary shares	5	2 413	2 237	2 237
Share premium		24 152	35 929	8 930
Other reserves		2 111	632	575
Retained earnings		(18 287)	(17 716)	(76)
		10 389	21 082	11 666
<u>Liabilities</u>				
Trade and other payables		6 318	10 270	9 339
Total equity and liabilities		16 707	31 352	21 005

Condensed consolidated interim profit and loss statements

	Note	1 July -30 Sep. 2008	1 July -30 Sep. 2007	1 January -30 Sep. 2008	1 January -30 Sep. 2007	1 January -31 Dec. 2007
Revenue		348	280	1 340	2 698	3 136
Other operating costs		(5 338)	(5 740)	(19 606)	(20 944)	(32 186)
Depreciation and impairment charge	4	(206)	(140)	(519)	(365)	(504)
Operating profit (loss)		(5 196)	(5 600)	(18 785)	(18 611)	(29 554)
Net financial items		101	186	574	271	1 855
Profit (loss) before income tax		(5 095)	(5 414)	(18 211)	(18 340)	(27 699)
Income tax expense		0	0	0	0	0
Profit (loss) for the period		(5 095)	(5 414)	(18 211)	(18 340)	(27 699)
Profit (loss) per share basic and diluted	6	(NOK 0.23)	(NOK 0.27)	(NOK 0.84)	(NOK 1.01)	(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 – 30 September 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 2007		1 885	10 681	686	624	13 876
Share issue on 27 June 2007	5	352	25 248			25 600
Currency translation				(241)		(241)
Share based compensation				187		187
Net profit (loss) for the period					(18 340)	(18 340)
Balance at 30 September 2007		<u>2 237</u>	<u>35 929</u>	<u>632</u>	<u>(17 716)</u>	<u>21 082</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				99		99
Share based compensation				1 437		1 437
Net profit (loss) for the period					(18 211)	(18 211)
Balance at 30 September 2008		<u>2 413</u>	<u>24 152</u>	<u>2 111</u>	<u>(18 287)</u>	<u>10 389</u>

Condensed consolidated interim cash flow statements

	Note	1 July -30 Sep. 2008	1 July -30 Sep. 2007	1 January -30 Sep. 2008	1 January -30 Sep. 2007	1 January -31 Dec. 2007
CASH FLOW FROM OPERATING ACTIVITIES						
Cash generated from (consumed by) operations		(5 199)	(5 865)	(20 590)	(14 406)	(27 046)
Interest paid		(2)	(4)	(8)	(4)	(8)
Net cash from (used on) operating activities		<u>(5 201)</u>	<u>(5 869)</u>	<u>(20 598)</u>	<u>(14 410)</u>	<u>(27 054)</u>
CASH FLOW FROM INVESTING ACTIVITIES						
Purchases of property, plant and equipment	4	(13)	(22)	(637)	(71)	(82)
Sales of fixed assets				764	2 308	2 795
Interest received		261	193	745	279	1 863
Net cash from (used on) investing activities		<u>249</u>	<u>171</u>	<u>873</u>	<u>2 516</u>	<u>4 576</u>
CASH FLOW FROM FINANCING ACTIVITIES						
Proceeds from issuance of class A shares	5		25 600	15 398	25 600	25 600
Net cash from financing activities		<u>0</u>	<u>25 600</u>	<u>15 398</u>	<u>25 600</u>	<u>25 600</u>
Net increase (decrease) in cash, cash equivalents and bank overdrafts		<u>(4 952)</u>	<u>19 902</u>	<u>(4 328)</u>	<u>13 706</u>	<u>3 122</u>
Cash cash equivalents and bank overdrafts at the beginning of the period		<u>20 118</u>	<u>10 176</u>	<u>19 494</u>	<u>16 372</u>	<u>16 372</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>15 166</u>	<u>30 078</u>	<u>15 166</u>	<u>30 078</u>	<u>19 494</u>

The group had no bank draft facilities at 30 September 2008.

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

Thin Film Electronics ASA Group – 30 September 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 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 resolved by the board of directors on 4 November 2008.

2 Basis of preparation, accounting principles

This condensed interim financial information for the first nine months of 2008 ending on 30 September 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 the first nine months of 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.

4 Capital expenditure

	Tangible assets
<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 value on 31 December 2007	391
<i><u>Nine months ended 30 June 2007</u></i>	
Opening net book amount on 1 January 2007	987
Additions	71
Disposals	(96)
Depreciation/amortisation, impairment and other movements	(465)
Closing net book value on 30 September 2007	497
<i><u>Nine months ended 30 June 2008</u></i>	
Opening net book amount on 1 January 2008	391
Additions	637
Disposals	0
Depreciation/amortisation, impairment and other movements	(519)
Closing net book value on 30 September 2008	516

Thin Film Electronics ASA Group – 30 September 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
Share issue 27 June 2007	3 200 000	0	3 200 000
Shares on 30 September 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 30 September 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 an 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 January -30 Sep. 2008	1 January -31 Sep. 2007	1 January -31 Dec. 2007
Profit (loss) attributable to the equity holders of the company (NOK 1 000)	(18 211)	(18 340)	(27 699)
Weighted average number of ordinary shares	21 773 605	18 156 889	18 706 424
Profit (loss) per share, basic and diluted	NOK (0.84)	NOK (1.01)	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 the first nine months of 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 the first half of 2008 there has not been any changes or transactions that significantly impacts the group's financial position or result for the period.

In the nine months ended 30 September 2008,

- Fast Search & Transfer ASA has charged Thinfilm for patent work amounting to NOK 540.
- The company has taken NOK 561 as cost for services provided from law firm Ræder.

9 Events occurring after the balance sheet date

Between 30 September 2008 and the presentation of this condensed consolidated financial information, no events having any substantial impact on the result for the first half year or the value of Thinfilm's assets and liabilities at 30 September 2008 have occurred.

--0--