



# THINFILM

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## Interim report for the first quarter 2009

### 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 and in the first quarter of 2009 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 first 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 new potential end customers have showed interest in implementing Thinfilm's printed memory into consumer products.

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 Europe 2009' conference in Dresden, Germany on April 7-8 2009. The event generated encouraging interest from various companies. Thinfilm is actively pursuing these leads.

Weyerhaeuser NR Company, one of the world's largest forest products companies, has in the first quarter continued to purchase consulting services from Thinfilm under the agreement entered into on 27 March 2008 and subsequently extended. The project, which is progressing according to plan, 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.

A six month project that commenced in December 2008, with an yet undisclosed partner, aimed at high yield high volume production is progressing according to plan.

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

Cost reductions in Linköping, Sweden, were initiated at the end of 2008 and are under implementation. The company does not expect any restructuring charges or other losses because of the changes. Manning will be reduced to four employees in the second quarter of 2009 and the volume of outsourced services and contracted specialists will be adapted to the company's needs.

A large part of the equipment no longer in use was sold in March 2009. The transaction will be completed in the second quarter 2009. The cash proceeds will amount to SEK 4.8 million.

In 2008 Thinfilm was engaged in discussions with such a potential shareholding partner but the discussions were 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.

Thinfilm needs to raise additional working capital. The board resolved on 21 April 2009 to propose a share issue by way of a rights issue. The proposal includes a rights issue of a minimum 45,454,545 shares and maximum 109,685,545 shares. The issue price shall be NOK 0.11 per new share and shall be paid in cash. For each new share in the rights issue also one independent subscription right shall be allotted. Each independent subscription right shall give the right to request one new share at a price of NOK 0.11. The proposal will be considered and resolved by the shareholders at Thinfilm's annual general meeting on 6 May 2009.

### Key events in 2009

- On 9 February Cartamundi and Thinfilm announced an extension to Cartamundi's production and commercialization rights to Thinfilm's memory technology under the Patent and Know-How, License Agreement signed in 2007. The 2007 agreement covered trading and collectable cards, retail and private label cards, casino cards, promotional cards and cards for games. In the amendment the parties agreed to extend the license field to also include the broader market of toys.
- InkTec Co., Ltd. ("InkTec") headquartered in Kyungki-do, Korea, a world-class research and manufacturing company in the field of Printed Electronics, and Thinfilm, announced on 30 March successful production of fully functional printed memory products in a roll-to-roll ("R2R") high volume printing process.
- On 14 April InkTec and Thin Film announced the receipt of the prestigious IDTechEx Technical Development Manufacturing Award for Roll-to-Roll, high volume manufacturing of printed memories. InkTec and Thinfilm's realization of a roll-to-roll production worthy printing process capable of realizing printed memory cells with a high yield was chosen as the winner by the independent international advisory board charged with finding the most significant manufacturing device, process or production plant in the Printed Electronics industry over the last 24 months (February 2007 - February 2009).
- A large part of the equipment no longer in use was sold in March 2009. The transaction will be completed in the second quarter 2009. The cash proceeds will amount to SEK 4.8 million.
- The board resolved on 21 April 2009 to propose a share issue by way of a rights issue.

### Condensed consolidated financial report at 31 March 2009

Attached to this report is the condensed consolidated financial report as at 31 March 2009.

Thinfilm's revenue in the quarter was NOK 0.3 million related to provision of services. In the same period of 2008 the revenue was NOK 0.2 million.

Other operating costs (i.e. all operating costs excluding depreciation and net impairment charge) in the quarter were NOK 5.6 million, compared to NOK 6.8 million the first quarter 2008. In first quarter of 2008, Thinfilm incurred costs related to the listing at Oslo Axess and also the patent portfolio. There were ten employees in the group at the end of the quarter, and in addition Thinfilm makes use of outsourced services and contracted specialists. Going forward, costs will vary with manning and activity level. Cost savings resolved in December 2008 are currently under implementation.

Net financial items, mainly exchange gains related to the lower SEK in the first quarter, amounted to a NOK 0.5 million gain in the first quarter. In 2008, the net financial income of NOK 0.2 million was mainly interest income.

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 quarter was a loss of NOK 4.8 million, and corresponded to NOK 0.22 loss per basic share. The result in the first quarter 2008 was a loss of NOK 6.5 million corresponding to NOK 0.30 per basic share.

The group's cash balance decreased by NOK 4.4 million in the quarter. The cash balance at 31 March 2009 amounted to NOK 4.9 million while net of payables and receivables amounted to NOK 5.9 million. The available liquidity is adequate only for the very short term and Thinfilm needs to raise working capital.

### 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 equity is negative. The board resolved on 21 April 2009 to propose a share issue by way of a rights issue. The proposal will be considered and resolved at the annual general meeting on 6 May 2009.

#### Outlook

In the second 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 with manufacturing partners.

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

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.

Oslo, 5 May 2009

*The board of directors of Thin Film Electronics ASA*

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# Thin Film Electronics ASA Group

## Condensed consolidated interim financial report (IFRS)

### 31 March 2009 (Unaudited)

#### Condensed consolidated interim profit and loss statements

	Note	1 January -31 March 2009	1 January -31 March 2008	1 January -31 December 2008
Revenue		305	227	2 001
Other operating costs	7	(5 634)	(6 837)	(26 207)
Depreciation and impairment charge	3	(46)	(153)	(489)
Operating profit (loss)		(5 375)	(6 763)	(24 695)
Net financial items		546	243	347
Profit (loss) before income tax		(4 829)	(6 520)	(24 348)
Income tax expense		0	0	0
Profit (loss) for the period		(4 829)	(6 520)	(24 348)
Profit (loss) per share basic and diluted	5	(NOK 0.22)	(NOK 0.30)	(NOK 1.12)

#### Condensed consolidated interim statements of comprehensive income

	Note	1 January -31 March 2009	1 January -31 March 2008	1 January -31 December 2008
Profit (loss) for the period		(4 829)	(6 520)	(24 348)
Currency translation		(520)	(27)	323
Total comprehensive income for the period, net of tax		(5 349)	(6 547)	(24 025)

#### Condensed consolidated interim balance sheets

	Note	31 March 2009	31 March 2008	31 December 2008
<b>ASSETS</b>	6			
<u>Non-current assets</u>				
Property, plant and equipment	3	623	482	743
<u>Current assets</u>				
Trade and other receivables		1 759	1 088	1 399
Cash and cash equivalents		4 927	26 762	9 290
Total assets		7 309	28 332	10 689
		7 309	28 332	11 432
<b>EQUITY AND LIABILITIES</b>				
<u>Equity</u>				
Ordinary shares	4	2 413	2 413	2 413
Share premium		78	24 152	78
Other reserves		2 365	1 224	2 616
Retained earnings		(5 179)	(6 596)	(350)
		(323)	21 193	4 757
<u>Liabilities</u>	6			
Trade and other payables		7 632	7 139	6 675
Total equity and liabilities		7 309	28 332	11 432

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

## Condensed consolidated interim statements of changes in equity

	Note	Share capital	Share premium	Other reserves	Retained earnings	Total
Balance at 1 January 2009		2 413	78	2 616	(350)	4 757
Share based compensation				269		269
Comprehensive income				(520)	(4 829)	(5 349)
Balance at 31 March 2008		2 413	78	2 365	(5 179)	(323)
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				676		676
Comprehensive income				(27)	(6 520)	(6 547)
Balance at 31 March 2008		2 413	24 152	1 224	(6 596)	21 193
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				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

## Condensed consolidated interim cash flow statements

	Note	1 January -31 March 2009	1 January -31 March 2008	1 January -31 December 2008
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Operating profit		(5 375)	(6 763)	(24 695)
Depreciation and impairment		46	153	489
Share-based payment		269	676	1 718
Gain on sale of fixed assets				(770)
Changes in working capital and other changes		1 068	(2 240)	(3 305)
Interest paid			(3)	(57)
Net cash from (used on) operating activities		(3 992)	(8 177)	(26 619)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchases of property, plant and equipment	4		(245)	(791)
Sales of fixed assets				770
Interest received		39	259	868
Net cash from (used on) investing activities		39	14	847
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of shares	5		15 398	15 398
Net cash from financing activities		0	15 398	15 398
Currency translation effects on cash and bank deposits		(410)	33	171
Net increase (decrease) in cash and bank deposits		(4 363)	7 268	(10 204)
Cash and bank deposits at the beginning of the period		9 290	19 494	19 494
<b>CASH AND BANK DEPOSITS AT THE END OF THE PERIOD</b>		<b>4 927</b>	<b>26 762</b>	<b>9 290</b>

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

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

## Selected notes to the condensed consolidated interim 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.

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.

TFE ASA is a public limited liability company incorporated and domiciled in Norway. The address of its registered office is Torggata 2-4-6, Oslo, Norway. TFE ASA shares are listed at Oslo Axess.

This consolidated interim financial information was approved by the board of directors on 5 May 2009.

### 2 Basis of preparation, accounting policies

This condensed interim financial report for the three months ended 31 March 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.

### 3 Property, plant and equipment

	<b>Tangible assets</b>
<i><u>Three months ended 31 March 2009</u></i>	
Net book value on 1 January 2009	743
Additions	0
Disposals	0
Depreciation, impairment and other movements	(120)
Net book value on 31 March 2009	<u><b>623</b></u>
<i><u>Three months ended 31 March 2008</u></i>	
Net book value on 1 January 2008	391
Additions	244
Disposals	0
Depreciation, impairment and other movements	(153)
Net book value on 31 March 2008	<u><b>482</b></u>
<i><u>Twelve months ended 31 December 2008</u></i>	
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	<u><b>743</b></u>

## 4 Shares

	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	979 500	(979 500)	0
Shares on 31 March 2009	21 937 109	0	21 937 109
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 March 2008	20 957 609	979 500	21 937 109
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 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.

## 5 Profit (loss) per share

	1 January -31 March 2009	1 January -31 March 2008	1 January -31 December 2008
Profit (loss) attributable to the equity holders of the company (NOK 1 000)	(4 829)	(6 520)	(24 348)
Weighted average basic number of ordinary shares	21 937 109	21 448 801	21 814 705
Weighted average diluted number of ordinary shares	21 937 109	22 019 154	21 814 705
Profit (loss) per share, basic and diluted	NOK (0.30)	NOK (0.30)	NOK (1.12)

When the 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 equals the basic number of shares when the exercise price of the subscription rights exceeds the average share price in the period.

## 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 three months ended 31 March 2009 Thinfilm has taken NOK 125 as cost for services provided from law firm Ræder.

## 8 Events occurring after the balance sheet date

Between 31 March 2009 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 2009 have occurred.

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