



# THINFILM

Thin Film Electronics ASA, Corp.ID. NO 889 186 232  
P.O. Box 2911 Solli, NO-0230 Oslo, Norway. [www.thinfilm.se](http://www.thinfilm.se)

## Interim report for the second quarter and first half of 2009

### Activities in the second quarter

Thin Film Electronics ASA ("Thinfilm") is focused on providing non-volatile rewritable polymer memory technology and products, in the rapidly growing market of Printed Electronics. During the first half of 2009, Thinfilm has concentrated on further developing existing business relationships around its existing technology, as well as establishing new business relationships. Furthermore, significant progress has been made with respect to improving the efficiency of the large-scale production of printed non-volatile rewritable polymer memories. Specifically, Thinfilm has in the second quarter engaged with new potential Thinfilm product licensees in North America. As a result, several companies have showed interest in implementing Thinfilm's printed memories into their respective consumer products.

Weyerhaeuser NR Company, one of the world's largest forest products companies, has purchased consulting services from Thinfilm since second quarter 2008. The project, which has progressed very well and according to plan, aims at developing a process and material set to provide proof of concept and functionality for Thinfilm's printed non-volatile rewritable memory, and that it can be integrated with Weyerhaeuser's 13.56 MHz printed circuitry printed radio frequency identification (RFID) devices. Thinfilm completed its deliveries in the applicable stage of the project in the second quarter of 2009.

InkTec Co., Ltd. ("InkTec") 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. As a result of this achievement, the companies received on 14 April the prestigious IDTechEx Technical Development Manufacturing Award for Roll-to-Roll high volume manufacturing of printed memories. InkTec and Thinfilm's realization of a R2R 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 2007-2009.

A project that commenced in December 2008, with a yet undisclosed partner, aimed at high-yield high-volume production has progressed according to plan. Following promising results, the programme has been extended into the third quarter of 2009, further expanding Thinfilm's memory delivery capabilities.

The technical staff at Thinfilm has in the second quarter continued the joint technical development activities outlined in the joint development agreements signed with partners in 2007-2008. The focus has been on improving the volume manufacturing efficiencies for printed memory, as well as adapting Thinfilm's memory technology for specific applications.

Cost reductions in Linköping, Sweden, were initiated at the end of 2008 and have been implemented in the first half of 2009. The company has not incurred any restructuring charges or other losses because of the changes. Manning has been reduced to five employees in the second quarter. 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 was completed in the second quarter 2009. The cash proceeds amounted to SEK 4.8 million.

The annual general meeting on 5 May 2009 resolved a rights issue which was 70 per cent over-subscribed and the transaction was completed in June 2009. 109,685,545 shares were issued at NOK 0.11 per new share. The issue raised NOK 12.1 million new equity before expenses. For each new share in the rights issue 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 May or September-October 2010.

On 8 June 2009 Thinfilm made a private placement of 14,000,000 shares at NOK 0.41 per share to ASAH AS, a company held by John M. Lervik. The placement raised NOK 5.7 million in new equity. The transaction was completed on 1 July 2009 and the new shares were issued in July 2009.

The company's CEO since November 2006, Johan Carlsson, left Thinfilm at the end of June 2009. The current board member and former CEO (2000-2006) Rolf Åberg has taken the CEO position. Thinfilm has retained Mr. Carlsson to carry out assignments for the company on a consultancy basis.

Since June 2009, Dr. John M. Lervik has been engaged in Thinfilm's sales and marketing activities as a part-time consultant. Dr. Lervik was formerly CEO of Fast Search & Transfer, a former affiliate of Thinfilm which was acquired by Microsoft. Dr. Lervik has acquired about 14 per cent of the shares in Thinfilm.

### **Key events in the first half of 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.
- InkTec Co., Ltd. ("InkTec") in Kyungki-do, Korea 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 received the prestigious IDTechEx Technical Development Manufacturing Award for Roll-to-Roll, high volume manufacturing of printed memories.
- A large part of the equipment no longer in use was sold in March 2009. The transaction was completed in the second quarter 2009. The cash proceeds amounted to SEK 4.8 million.
- A rights issue raising NOK 12.1 million in new equity before expenses was completed in June 2009.
- A private placement raising NOK 5.7 million in new equity before expenses was resolved in June and completed in July 2009.
- In June, CEO Johan Carlsson left Thinfilm. Former CEO Rolf Åberg, who continues as a board member, has taken the CEO position.
- Since June 2009, Dr. John M. Lervik has been engaged in Thinfilm's sales and marketing activities as a part-time consultant. Dr. Lervik has acquired about 14 per cent of the shares in Thinfilm.

### **Condensed consolidated financial report at 30 June 2009**

Attached to this interim report is the condensed consolidated financial report as at 30 June 2009.

Thinfilm's revenue in the first half was NOK 4.1 million of which NOK 3.5 million related to sale of equipment no longer in use. In the same period of 2008 the revenue was NOK 1.0 million, of which NOK 0.5 million was related to the technology.

Other operating costs (i.e. all operating costs excluding depreciation and net impairment charge) in the quarter were NOK 5.9 million, in line with the first quarter of the year. In the first half, the other operating costs amounted to NOK 11.5 million compared to NOK 14.3 million the first half 2008. The cost savings implemented in the first half of 2009 will take effect in the third quarter of 2009. There were five 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.

Net financial items, mainly exchange gains/losses related to the variations in SEK, amounted to a NOK 0.4 million gain in the first half. In 2008, the net financial income of NOK 0.5 million was mainly interest income.

The company operates at a loss and there is a tax loss carry forward 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 second quarter was a loss of NOK 2.0 million, and in the first half year the loss was NOK 6.9 million, corresponding to NOK 0.20 loss per basic share. The result in the first half of 2008 was a loss of NOK 13.1 million corresponding to NOK 0.60 per basic share.

The group's cash balance increased by NOK 9.7 million in the quarter and NOK 5.4 million in the first half year. The cash balance at 30 June 2009 amounted to NOK 14.7 million and another NOK 5.7 million new equity will be received in cash in July. The available liquidity is adequate only for the foreseeable future.

### **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 to date earned insignificant revenue from its technology.

Thinfilm's ability to earn revenue depends on its ability to create willingness and obligations among partners and customers to pay for use of 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. Following the share issue in the first half 2009, the equity is positive and adequate for Thinfilm's current needs.

### **Outlook**

Following the business development activities in the first half year and the subsequent encouraging amount of customer interest, the sales and business development activities in the third quarter will be focused on further developing the relationships with partners and prospective customers in a limited number of consumer-oriented segments.

For the purpose of business development and the global promotion of its printed memory technology, Thinfilm will participate as an exhibitor and also give a presentation at the largest printed electronic conference in Asia, the 'Printed Electronics ASIA 2009' conference in Tokyo, Japan in September 2009.

During the second half of 2009, Thinfilm will intensify its business development activities in target market segments, i.e. toys and games as well as anti-counterfeit, as well as continue the industrialisation of its high-volume printed polymer memory products for these market segments.

The technical staff will continue to provide technical sales support and assistance for commercialization of the technology with manufacturing partners. The team is also preparing a demonstrator for anti-counterfeit applications that will be available to support the business development activities for this application in the second half of 2009 and into 2010.

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.

Stockholm, 27 August 2009

*The board of directors of Thin Film Electronics ASA*

#### **Contact persons:**

Rolf Åberg, CEO

tel: +46 733 603 057

e-mail: rolf.aberg(at)thinfilm.se

Erling Svella, CFO

tel: +47 4062 1040

e-mail: erling.svella(at)thinfilm.se

Thinfilm web site: [www.thinfilm.se](http://www.thinfilm.se)

# Thin Film Electronics ASA Group

## Condensed consolidated interim financial report (IFRS)

### 30 June 2009 (Unaudited)

#### Condensed consolidated interim profit and loss statements

<i>Amounts in NOK 1,000</i>	Note	1 April -30 June 2009	1 April -30 June 2008	1 Jan. -30 June 2009	1 Jan. -30 June 2008	1 Jan. -31 Dec. 2008
Revenue		4 054	765	4 359	992	2 001
Other operating costs	7	(5 888)	(7 431)	(11 522)	(14 268)	(26 207)
Depreciation and impairment charge	3	(28)	(160)	(74)	(313)	(489)
Operating profit (loss)		(1 862)	(6 826)	(7 237)	(13 589)	(24 695)
Net financial items		(171)	230	375	473	347
Profit (loss) before income tax		(2 033)	(6 596)	(6 862)	(13 116)	(24 348)
Income tax expense		0	0	0	0	0
Profit (loss) for the period		(2 033)	(6 596)	(6 862)	(13 116)	(24 348)
Profit (loss) per share basic and diluted	5	(NOK 0.04)	(NOK 0.30)	(NOK 0.20)	(NOK 0.60)	(NOK 1.12)

#### Condensed consolidated interim statements of comprehensive income

<i>Amounts in NOK 1,000</i>	Note	1 April -30 June 2009	1 April -30 June 2008	1 Jan. -30 June 2009	1 Jan. -30 June 2008	1 Jan. -31 Dec. 2008
Profit (loss) for the period		(2 033)	(6 596)	(6 862)	(13 116)	(24 348)
Currency translation		133	14	(387)	(13)	323
Total comprehensive income for the period, net of tax		(1 900)	(6 582)	(7 249)	(13 129)	(24 025)

#### Condensed consolidated interim balance sheets

<i>Amounts in NOK 1,000</i>	Note	30 June 2009	30 June 2008	31 December 2008
<b>ASSETS</b>	6			
<u>Non-current assets</u>				
Property, plant and equipment	3	211	712	743
<u>Current assets</u>				
Trade and other receivables		457	1 432	1 399
Receivable for subscribed shares		5 740		
Cash and cash equivalents		14 653	20 118	9 290
Total assets		21 061	22 262	10 689
<b>EQUITY AND LIABILITIES</b>				
<u>Equity</u>				
Ordinary shares	4	14 478	2 413	2 413
Share premium		0	24 152	78
Subscribed not yet registered equity	4	5 600		
Other reserves		1 724	1 719	2 616
Retained earnings		(7 212)	(13 192)	(350)
Total equity		14 590	15 092	4 757
<u>Liabilities</u>	6			
Trade and other payables		6 471	7 170	6 675
Total equity and liabilities		21 061	22 262	11 432

The notes on pages 3-5 are an integral part of this condensed interim financial report.

## Condensed consolidated interim statements of changes in equity

<i>Amounts in NOK 1,000</i>	Note	Share capital	Share premium	Other reserves	Retained earnings	Total
Balance at 1 January 2009		2 413	78	2 616	(350)	4 757
Share issue on 5 June 2009	4	12 065	(78)	(1 022)		10 965
Share issue on 8 June 2009	4			5 600		5 600
Share based compensation	4			517		517
Comprehensive income				(387)	(6 862)	(7 249)
Balance at 30 June 2009		<b>14 478</b>	-	<b>7 324</b>	<b>(7 212)</b>	<b>14 590</b>
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			1 157		1 157
Comprehensive income				(13)	(13 116)	(13 129)
Balance at 30 June 2008		<b>2 413</b>	<b>24 152</b>	<b>1 719</b>	<b>(13 192)</b>	<b>15 092</b>
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		<b>2 413</b>	<b>78</b>	<b>2 616</b>	<b>(350)</b>	<b>4 757</b>

## Condensed consolidated interim cash flow statements

<i>Amounts in NOK 1,000</i>	Note	1 April -30 June 2009	1 April -30 June 2008	1 Jan. -30 June 2009	1 Janu. -30 June 2008	1 Jan. -31 Dec. 2008
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Operating profit (loss)		(1 862)	(6 826)	(7 237)	(13 589)	(24 695)
Depreciation and impairment	3	28	160	74	313	489
Share-based payment		248	481	517	1 157	1 718
Gain on sale of fixed assets		(3 499)	(765)	(3 499)	(765)	(770)
Changes in working capital and other changes		(146)	(271)	922	(2 510)	(3 305)
Interest paid		(1)	(2)	(1)	(6)	(57)
Net cash from (used on) operating activities		<b>(5 232)</b>	<b>(7 223)</b>	<b>(9 224)</b>	<b>(15 400)</b>	<b>(26 619)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Purchases of property, plant and equipment	3		(379)		(624)	(791)
Sales of fixed assets		3 892	765	3 892	765	770
Interest received		6	225	45	484	868
Net cash from (used on) investing activities		<b>3 898</b>	<b>611</b>	<b>3 937</b>	<b>625</b>	<b>847</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Proceeds from issuance of shares	4	10 965		10 965	15 398	15 398
Net cash from financing activities		<b>10 965</b>	0	<b>10 965</b>	<b>15 398</b>	<b>15 398</b>
Currency translation effects on cash and bank deposits		96	(32)	(314)	1	171
Net increase (decrease) in cash and bank deposits		<b>9 726</b>	<b>(6 644)</b>	<b>5 363</b>	<b>624</b>	<b>(10 204)</b>
Cash and bank deposits at the beginning of the period		<b>4 927</b>	<b>26 762</b>	<b>9 290</b>	<b>19 494</b>	<b>19 494</b>
<b>CASH AND BANK DEPOSITS AT THE END OF THE PERIOD</b>		<b>14 653</b>	<b>20 118</b>	<b>14 653</b>	<b>20 118</b>	<b>9 290</b>

The group had no bank draft facilities at 30 June 2009.

The notes on pages 3-5 are an integral part of this condensed interim financial report.

## 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. TFE ASA is a public limited liability company incorporated and domiciled in Norway. The address of its registered office is Henrik Ibsensgate 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.

This consolidated interim financial report was approved by the board of directors on 27 August 2009.

### 2 Basis of preparation, accounting policies

This condensed interim financial report for the three months ended 30 June 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

*Amounts in NOK 1 000*

#### Six months ended 30 June 2009

	<b>Tangible assets</b>
Net book value on 1 January 2009	743
Additions	0
Disposals	(393)
Depreciation, impairment and other movements	(139)
Net book value on 30 June 2009	<u><b>211</b></u>

#### Six months ended 30 June 2008

Net book value on 1 January 2008	391
Additions	624
Disposals	0
Depreciation, impairment and other movements	(303)
Net book value on 30 June 2008	<u><b>482</b></u>

#### Twelve months 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	<u><b>743</b></u>

## 4 Shares

	<b>Number of class A shares</b>	<b>Number of class B shares</b>	<b>Number of shares</b>
Shares on 1 January 2009	20 957 609	979 500	21 937 109
Conversion of Class B shares 24 February 2009	979 500	(979 500)	0
Share issue on 5 June 2009	109 685 545		109 685 545
Shares on 30 June 2009	131 622 654	0	131 622 654
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 June 2008	20 957 609	979 500	21 937 109
Shares on 31 December 2008	20 957 609	979 500	21 937 109

Thinfilm has granted subscription rights (SRs) to employees, consultants and board. 665,000 SRs were granted on 28 June 2007 and 31,111 SRs were granted on 25 February 2008. The SRs vest in four equal tranches over four years, and expire in May 2012. Unvested subscription rights terminate on the holder's last working day. Vested subscription rights terminate 90 days after the holder's last working day. The remaining number of subscription rights held by continuing persons on 30 June 2009 was 421,667 at an exercise price of NOK 12.88 per share.

The rights issue resolved at the annual general meeting on 5 May 2009 was 70 per cent over-subscribed and the transaction was completed in June 2009. 109,685,545 shares were issued at NOK 0.11 per new share. For each new share in the rights issue 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 May or September-October 2010.

On 8 June 2009 Thinfilm made a private placement of 14,000,000 shares at NOK 0.41 per share to ASAH AS, a company controlled by John Markus Lervik. The capital was paid in and the new shares were issued in July 2009 and have not been included above or in note 5.

## 5 Profit (loss) per share

	<b>1 January -30 June 2009</b>	<b>1 January -30 June 2008</b>	<b>1 January -31 December 2008</b>
Profit (loss) attributable to the equity holders of the company (NOK 1 000)	(6 862)	(13 116)	(24 348)
Weighted average basic number of ordinary shares	34 663 057	21 690 955	21 814 705
Weighted average diluted number of ordinary shares	34 663 057	21 800 753	21 814 705
Profit (loss) per share, basic and diluted	NOK (0.20)	NOK (0.60)	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 six months ended 30 June 2009 Thinfilm has recorded NOK 945 thousand for services provided from law firm Ræder, in which Thinfilm's chairman is a partner. The amount includes Ræder's work with the share issues on 5 June and 8 June 2009. John Markus Lervik, who at the date of this report controls about 14 per cent of the shares in Thinfilm, has charged NOK 0.1 million for his services provided in June 2009.

## 8 Events occurring after the balance sheet date

The payment for the shares in the private placement conducted on 8 June 2009 was received on 1 July as planned and the new shares were subsequently issued and admitted to trading at Oslo Axess in July 2009.

Between 30 June 2009 and the presentation of this condensed consolidated financial information, no events having any substantial impact on the result for the first half or the value of Thinfilm's assets and liabilities at 30 June 2009 have occurred.

## Responsibility statement

We confirm, to the best of our knowledge, that the condensed consolidated financial report for the period 1 January to 30 June 2009 has been prepared in accordance with IAS 34 - Interim Financial Reporting, and gives a true and fair view of Thinfilm's assets, liabilities, financial position and profit or loss as a whole. Major related parties transactions have been disclosed in note 7.

We also confirm, to the best of our knowledge, that the interim report issued in concert with this condensed financial report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial report, a description of the principal risks and uncertainties for the remaining six months of the financial year.

Stockholm, 27 August 2009

Morten Opstad, *Chairman*

Catarina Göthe, *Board member*

William R. Salaneck, *Board member*

Katarina Segerborg, *Board member*

Rolf Åberg, *Board member and CEO*

--0--