



THINFILM

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

Interim report for the second quarter and financial information for first half year 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 second quarter continued to actively pursue additional partners and licensees aiming at broadening the applications and the customer base.

Following the joint development agreements with print equipment, ink suppliers, manufacturers and application developers announced in 2007, it was on 8 April announced that Thinfilm has entered into a Memorandum of Understanding ("MoU") with DuPont Teijin Films UK Ltd to enable volume production of printed memory devices. The objective of the collaboration is to enable low-cost production of printed memories where DuPont Teijin Films will supply existing, commercially available substrates or specifically developed substrates to Thinfilm's production partners and customers.

With this collaboration and MoU Thinfilm has completed the full value chain and secured technology partners in all areas enabling manufacturing partners to produce Thinfilm printed memories in high volumes.

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. In the agreement, InkTec has also been granted an option to acquire production and commercialisation rights from Thinfilm under a Patent & Know How License Agreement. The extended joint collaboration is focused on developing reliable print manufacturing processes for high volume production of Thinfilm's memory technology. The work will be performed at InkTec's factory in Pyungtaek-city, Korea. The state of art factory, specifically designed and built for manufacturing of printed electronics products, was opened in 2007 and has currently three fully automated production lines.

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

In addition, the technical staff delivered consulting services to Weyerhaeuser Company under the purchase order received and announced in the first quarter. Thinfilm has temporarily expanded its technical workforce in support of the project.

In its endeavour of business development and in promotion of its printed memory technology, Thinfilm participated and presented at the 1st Plastic Electronics Asia Conference & Showcase, which took place 24-26 June in Seoul, Korea.

Key events in the first half 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 June 2008

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

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

Thinfilm's revenue in the first half was NOK 1.0 million, of which NOK 0.8 million was earned in the second quarter. NOK 0.3 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 half of 2007 amounted to NOK 2.4 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 half were NOK 14.3 million, down from NOK 15.2 million in the corresponding period last year. The costs are now stable at a lower level than prior year. Going forward, costs will vary with manning and activity level.

Non-cash share-based remuneration cost has been accrued for since the company granted Subscription Rights on 28 June 2007 to employees and persons hired on consulting contracts. The notional cost, included in the operating costs in the first half was NOK 1.3 million.

Net financial items, mainly interest income, amounted to a NOK 0.5 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 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 13.1 million, corresponding to NOK 0.60 loss per basic share. The result was about the same in the first and second quarters of the year. In the first half of 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 June 2008 there were 20,957,609 class A shares in the company, held by about 1,400 shareholders.

The group's cash balance increased by NOK 0.6 million in the quarter. The private placement of shares offset the negative cash flow from operations. The cash balance at 30 June 2008 amounted to NOK 20.1 million while payables amounted to NOK 7.2 million. The available liquidity is adequate. The group does not have financial debt and the equity ratio is 68 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 largely is 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 second half, Thinfilm will continue its business development activities within printed electronics. The delivery of consulting services to Weyerhaeuser will continue in the third quarter.

The printed electronics market is currently in its very early stage. Thinfilm considers that there are 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, 20 August 2008

The board of directors of Thin Film Electronics ASA

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

(All amounts in NOK thousands unless otherwise stated)

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

30 June 2008 (Unaudited)

Condensed consolidated interim balance sheet

	Note	30 June 2008	30 June 2007	31 December 2007
ASSETS				
<u>Non-current assets</u>				
Property, plant and equipment	4	712	654	391
<u>Current assets</u>				
Trade and other receivables		1 432	742	1 120
Receivables from subscribers to shares			25 600	
Cash and cash equivalents		20 118	10 176	19 494
		22 262	36 518	20 614
Total assets		22 262	37 172	21 005
EQUITY AND LIABILITIES				
<u>Equity</u>				
Ordinary shares	5	2 413	1 885	2 237
Share premium		24 152	10 681	8 930
Share capital not registered			25 600	
Other reserves		1 719	471	575
Retained earnings		(13 192)	(12 302)	(76)
		15 092	26 335	11 666
<u>Liabilities</u>				
Trade and other payables		7 170	10 837	9 339
Total equity and liabilities		22 262	37 172	21 005

Condensed consolidated interim profit and loss statement

	Note	1 April -30 June 2008	1 April -30 June 2007	1 January -30 June 2008	1 January -30 June 2007	1 January -31 Dec. 2007
Revenue		765	1 343	992	2 418	3 136
Other operating costs		(7 431)	(6 877)	(14 268)	(15 204)	(32 186)
Depreciation and impairment charge	4	(160)	(102)	(313)	(225)	(504)
Operating profit (loss)		(6 826)	(5 636)	(13 589)	(13 011)	(29 554)
Net financial items		230	21	473	85	1 855
Profit (loss) before income tax		(6 596)	(5 615)	(13 116)	(12 926)	(27 699)
Income tax expense		0	0	0	0	0
Profit (loss) for the period		(6 596)	(5 615)	(13 116)	(12 926)	(27 699)
Profit (loss) per share basic and diluted	6	(NOK 0.30)	(NOK 0.33)	(NOK 0.60)	(NOK 0.75)	(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 June 2008 (Unaudited)

(All amounts in NOK thousands unless otherwise stated)

Condensed consolidated interim statement 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			25 600		25 600
Currency translation				(215)		(215)
Net profit (loss) for the period					(12 926)	(12 926)
Balance at 30 June 2007		<u>1 885</u>	<u>10 681</u>	<u>26 071</u>	<u>(12 302)</u>	<u>26 335</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				(13)		(13)
Share based compensation				1 157		1 157
Net profit (loss) for the period					(13 116)	(13 116)
Balance at 30 June 2008		<u>2 413</u>	<u>24 152</u>	<u>1 719</u>	<u>(13 192)</u>	<u>15 092</u>

Condensed consolidated interim cash flow statement

	Note	1 April -30 June 2008	1 April -30 June 2007	1 January -30 June 2008	1 January -30 June 2007	1 January -31 Dec. 2007
CASH FLOW FROM OPERATING ACTIVITIES						
Cash generated from (consumed by) operations		(7 253)	(1 584)	(15 393)	(8 541)	(27 046)
Interest paid		(2)		(6)		(8)
Net cash from (used on) operating activities		<u>(7 255)</u>	<u>(1 584)</u>	<u>(15 399)</u>	<u>(8 541)</u>	<u>(27 054)</u>
CASH FLOW FROM INVESTING ACTIVITIES						
Purchases of property, plant and equipment	4	(379)	(25)	(624)	(49)	(82)
Sales of fixed assets		765	1 263	765	2 308	2 795
Interest received		225	21	484	86	1 863
Net cash from (used on) investing activities		<u>611</u>	<u>1 259</u>	<u>625</u>	<u>2 345</u>	<u>4 576</u>
CASH FLOW FROM FINANCING ACTIVITIES						
Proceeds from issuance of class A shares	5			15 398		25 600
Net cash from financing activities		<u>0</u>	<u>0</u>	<u>15 398</u>	<u>0</u>	<u>25 600</u>
Net increase (decrease) in cash, cash equivalents and bank overdrafts		<u>(6 644)</u>	<u>(325)</u>	<u>624</u>	<u>(6 196)</u>	<u>3 122</u>
Cash cash equivalents and bank overdrafts at the beginning of the period		<u>26 762</u>	<u>10 501</u>	<u>19 494</u>	<u>16 372</u>	<u>16 372</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>20 118</u>	<u>10 176</u>	<u>20 118</u>	<u>10 176</u>	<u>19 494</u>

The group had no bank draft facilities at 30 June 2008

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

Thin Film Electronics ASA Group – 30 June 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 20 August 2008.

2 Basis of preparation, accounting principles

This condensed interim financial information for the first half year of 2008 ending on 30 June 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 definition, rarely equal the related actual results. There were no changes in the first half 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 have financial instruments. There has been no change of impact or material incidents in 2008.

4 Capital expenditure

	Tangible assets
<u>Twelve months ended 31 December 2007</u>	
Opening net book amount on 1 January 2007	987
Additions	82
Disposals	0
Depreciation/amortisation, impairment and other movements	(678)
Closing net book amount on 31 December 2007	<u>391</u>
<u>Six months ended 30 June 2007</u>	
Opening net book amount on 1 January 2007	987
Additions	49
Disposals	0
Depreciation/amortisation, impairment and other movements	(382)
Closing net book amount on 30 June 2007	<u>654</u>
<u>Six months ended 30 June 2008</u>	
Opening net book amount on 1 January 2008	391
Additions	624
Disposals	0
Depreciation/amortisation, impairment and other movements	(303)
Closing net book amount on 31 March 2008	<u>712</u>

Thin Film Electronics ASA Group – 30 June 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 June 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 June 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.

6 Profit (loss) per share

	1 January -30 June 2008	1 January -31 June 2007	1 January -31 December 2007
Profit (loss) attributable to the equity holders of the company (NOK 1 000)	(13 116)	(12 926)	(27 699)
Weighted average number of ordinary shares	21 690 955	17 137 109	18 706 424
Basic profit (loss) per share	NOK (0.60)	NOK (0.75)	NOK (1.48)

Because Thinfilm operates at a loss, the diluted result per share would have been a smaller loss, and has therefore not been calculated.

7 Contingent liabilities

There were no changes in the first half 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 six months ended 30 June 2008,

- Fast Search & Transfer ASA has charged Thinfilm for patent work amounting to NOK 480.
- The company has taken NOK 472 as cost for services provided from law firm Ræder.

9 Events occurring after the balance sheet date

Between 30 June 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 June 2008 have occurred.

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

(All amounts in NOK thousands unless otherwise stated)

Responsibility statement

We confirm, to the best of our knowledge, that the condensed consolidated financial information for the period 1 January to 30 June 2008 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 8. We also confirm, to the best of our knowledge, that the report issued in concert with this condensed financial information 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 information, a description of the principal risks and uncertainties for the remaining six months of the financial year.

Stockholm, 20 August 2008

Morten Opstad, *Chairman*

Catarina Göthe, *Board member*

William R. Salaneck, *Board member*

Katarina Segerborg, *Board member*

Rolf Åberg, *Board member*

Johan Carlsson, *CEO*

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