



Thin Film Electronics ASA, Corp.ID. NO 889 186 232  
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## Interim report and financial statements for the first half 2010

### Further steps towards commercialization

- Thinfilm's prospect list is growing
- Our commercial agreement with Solvay paves the way for high volume production of Thinfilm Memory™
- Thinfilm has completed detailed design of its Memory Controller™

*During the quarter, Thin Film Electronics ASA ("Thinfilm") has seen a growth in number of prospects and taken further steps in opening new markets.*

**Thinfilm's prospect list is growing.** "Our focus on the toys and games market is bringing results, and our list of customer prospects is steadily growing," says Davor Sutija, CEO Thinfilm. "Several of the world's largest toy manufacturers are now considering concepts powered by Thinfilm Memory."

Thinfilm approaches the toy and game market from several directions, working directly with major toy distributors and via inventors who design and develop toy and game concepts. This broadened go-to-market approach has opened new doors to toy distributors.

"Toy inventors are working to land their concepts leveraging Thinfilm Memory, and we are at the same time also engaged in direct discussions with a number of toy companies across the world," explains Sutija.

**Partnership for volume production of polymer.** A commercial agreement with one of the world's leading chemical companies, Solvay, was announced in June and paves the way for high volume production of Thinfilm Memory and the next generation of printed electronic applications.

"The agreement with Solvay assures commercial supply of memory polymer in large quantities and makes it possible for other companies in Printed Electronics to begin production of Thinfilm Memory," Sutija continues.

Thinfilm will receive royalties from Solvay's sales of ferroelectric polymers and on sales of ink formulations containing such polymers.

**The EU certification is another important advancement.** After extensive testing, Thinfilm has received EN 71-3 certification that its non-volatile memory products meet the requirements regarding the chemical safety of toys.

"With several new toys and game concepts under development using Thinfilm Memory, this is well-timed news," says Dr. Christer Karlsson, CTO Thinfilm.

**The Thinfilm Memory Controller gives system cost leadership.** Thinfilm has completed detailed design of the Memory Controller and anticipates production of engineering samples in October.

"We now have designs that make printed memories cheaper on a system level – i.e. the total cost of memories plus the reader/writer device – than conventional silicon-based memory technologies such as EEPROM and Flash," says Sutija.

**Continued focus on partnerships for new printed devices.** The next generation of higher-density memories, currently under development, will be coupled with other printed circuit elements.

“To develop fully printed devices that include integrated memory, it is important for Thinfilm to work with strategic partners,” says Sutija.

**About Thinfilm and printed electronics:** Thinfilm is focused on providing low-power, non-volatile, rewritable polymer memory technology and products in the rapidly growing market of Printed Electronics. Thinfilm’s current main product offering is a 20-bit non-volatile rewriteable memory printed in a high-volume roll-to-roll process.

The Printed Electronics market 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 reduce manufacturing costs, as well as the environmental impact as compared to traditional semiconductor processes. Commercial applications of printed electronics 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 they will 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 as it is permanent, no connection to external power is required for data detainment. Also, the current required to write information is so small that operation would be limited by the battery’s lifetime and not its capacity.

#### **Other events in 2010**

- On 1 July 2010 Davor Sutija, previously EVP Business Development, was named CEO of Thinfilm. He took over from Rolf Åberg, who served as acting CEO since June, 2009. Mr. Åberg continues in an executive board position.
- Geir Harald Aase joined Thinfilm on 7 April 2010 as Vice President of Communications and Investor Relations.
- Thinfilm exhibited and presented at the LOPE-C conference in Frankfurt, 31 May-2 June 2010.
- Thinfilm presented at the invitation-only Solvay-COPE conference in Leuven, 4 May 2010.
- Thinfilm exhibited and presented at the Printed Electronics Summit in San José, 10-11 May 2010.
- Thinfilm gave a master class lecture and exhibited at the Printed Electronics Europe 2010 conference in Dresden, 12-14 April 2010.
- Thinfilm attended the Engage & New York Toy Shows, 16-18 February 2010.
- Thinfilm attended the International Toy Fair Nürnberg, 8-9 February, 2010.
- An updated company presentation was released on 7 May 2010.
- A new and updated web site was launched, at [www.thinfilm.no](http://www.thinfilm.no), in January.

## **Condensed consolidated financial report as at 30 June 2010**

Thinfilm's revenue in the first half of 2010 was less than NOK 0.1 million and related to administrative services. In the first half of 2009, similar revenue amounted to NOK 0.6 million and Thinfilm had NOK 3.5 million gain on sale of equipment no longer in use.

Other operating costs (i.e. all operating costs excluding depreciation and impairment charge) in the first half amounted to NOK 13.2 million, including the notional cost of subscription rights (share based compensation) of NOK 2.4 million. The corresponding numbers for the first half of 2009 were NOK 11.5 million and NOK 0.5 million. Excluding share based remuneration, costs were at the same level as in the same period in 2009. There were six full-time employees in the group at the end of the first half, and in addition Thinfilm makes use of outsourced services and specialist contractors. Depreciation is negligible because all costs related to equipment and intangible assets have been expensed. 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 loss of NOK 0.1 million in the first half, compared to a gain of NOK 0.4 million in the same period of 2009. Interest income and expense is 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 in 2010 or the year before. 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 first half was a loss of NOK 13.3 million, corresponding to a loss of NOK 0.08 per basic share. In the first half of 2009, the loss amounted to NOK 6.9 million corresponding to NOK 0.20 per basic share.

Because the warrants exercised in May raised NOK 9.9 million in new equity, the group's cash balance decreased by only NOK 0.7 million in the first half. The cash balance on 30 June 2010 amounted to NOK 9.1 million, while payables amounted to NOK 4.8 million. There will be a further warrants exercise period 1 September-6 November 2010.

## **Principal risks**

It is the duty of the board to present the principal risks of Thinfilm and its business. Thinfilm does not have any significant assets or liabilities with risk. Thinfilm does not have financial instruments, assets or liabilities, and has limited financial risks related to currency and interest rates.

The company's major risk is its business risk, meaning its ability to earn revenue. This risk is difficult to assess, because the operating history is limited and the target market is immature and 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 using the company's intellectual property rights ("IPR") or purchasing its offered products. This is in turn dependent on, firstly, Thinfilm's development and presentation of its technology and products, and secondly, the company's ability to legally protect its IPR, and to maintain a competitive advantage. Thinfilm is not aware of directly competing print technologies to its NVRAM memory.

Thinfilm operates at a loss and does not have assets suitable for secured borrowing. Following the warrants exercise in the first half of 2010, the equity is positive. The company will need to earn revenue or raise capital from other sources by the fourth quarter of 2010. The outstanding warrants, which expire on 6 November 2010, represent a source of new equity. It is inherently uncertain whether the company will be able to obtain additional capital and at which terms.

## **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. This is our Memory Everywhere™ vision.

Thinfilm's business development activities will keep focusing on the toys and games market. Development of next generation printed electronics products, combining printed memory with other technologies such as transistors, sensors, and displays, will also be pursued.

Thinfilm's technology staff will continue to provide technical pre-sales support, and aid commercialization efforts with manufacturing partners. Thinfilm will also work directly with toy and game inventors to integrate printed memory into specific designs. Development of next generation products is also on the R&D agenda.

Linköping, 18 August 2010

*The board of directors of Thin Film Electronics ASA*

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# Thin Film Electronics ASA Group

## Condensed consolidated interim financial statements

### 30 June 2010 (Unaudited)

#### Consolidated statements of comprehensive income

<i>Amounts in NOK 1,000</i>	Note	1 April -30 June 2010	1 April -30 June 2009	1 January -30 June 2010	1 January -30 June 2009	1 January -31 December 2009
Revenue		16	4 054	60	4 359	4 457
Other operating costs	7	(7 058)	(5 888)	(13 225)	(11 522)	(20 743)
Depreciation and impairment charge	3	(14)	(28)	(31)	(74)	(111)
<b>Operating profit (loss)</b>		<b>(7 056)</b>	<b>(1 862)</b>	<b>(13 196)</b>	<b>(7 237)</b>	<b>(16 397)</b>
Net financial items		(73)	(171)	(118)	375	439
Profit (loss) before income tax		(7 129)	(2 033)	(13 314)	(6 862)	(15 958)
Income tax expense		0	0	0	0	0
<b>Profit (loss) for the period</b>		<b>(7 129)</b>	<b>(2 033)</b>	<b>(13 314)</b>	<b>(6 862)</b>	<b>(15 958)</b>

Profit (loss) per share basic and diluted	5	(NOK 0.04)	(NOK 0.04)	(NOK 0.08)	(NOK 0.20)	(NOK 0.18)
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<i>Amounts in NOK 1,000</i>	Note	1 April -30 June 2010	1 April -30 June 2009	1 January -30 June 2010	1 January -30 June 2009	1 January -31 December 2009
Profit (loss) for the period		(7 129)	(2 033)	(13 314)	(6 862)	(15 958)
Currency translation		34	133	73	(387)	(439)
<b>Total comprehensive income for the period, net of tax</b>		<b>(7 095)</b>	<b>(1 900)</b>	<b>(13 241)</b>	<b>(7 249)</b>	<b>(16 397)</b>

#### Consolidated statements of financial position

<i>Amounts in NOK 1,000</i>	Note	30 June 2010	30 June 2009	31 December 2009
<b>ASSETS</b>	6			
<u>Non-current assets</u>				
Property, plant and equipment	3	142	211	168
<u>Current assets</u>				
Trade and other receivables		565	457	174
Receivable for subscribed shares			5 740	
Cash and cash equivalents		9 149	14 653	9 844
<b>Total current assets</b>		<b>9 714</b>	<b>20 850</b>	<b>10 018</b>
<b>TOTAL ASSETS</b>		<b>9 856</b>	<b>21 061</b>	<b>10 186</b>
<b>EQUITY AND LIABILITIES</b>				
<u>Equity</u>				
Ordinary shares	4	25 963	14 478	16 018
Share premium		4 007		4 064
Other paid-in equity		4 709	1 761	2 464
Subscribed not yet registered equity			5 600	
Currency translation		26	5	(47)
Retained earnings		(29 664)	(7 254)	(16 350)
<b>Total equity</b>		<b>5 041</b>	<b>14 590</b>	<b>6 149</b>
<u>Liabilities</u>	6			
Trade and other payables		4 815	6 471	4 037
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9 856</b>	<b>21 061</b>	<b>10 186</b>

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

## Consolidated statements of changes in equity

<i>Amounts in NOK 1,000</i>	Note	Share capital	Share premium	Other paid-in equity	Currency translation	Retained earnings (uncovered loss)	Total
<b>Balance at 1 January 2010</b>		16 018	4 064	2 464	(47)	(16 350)	6 149
Share issue 7 May 2010		32					32
Warrants exercise 31 May 2010		9 913	(57)				9 856
Share based compensation	4			2 245			2 245
<b>Comprehensive income</b>					73	(13 314)	(13 241)
<b>Balance at 30 June 2010</b>		<b>25 963</b>	<b>4 007</b>	<b>4 709</b>	<b>26</b>	<b>(29 664)</b>	<b>5 041</b>
Balance at 1 January 2009		2 413	120	2 224	392	(392)	4 757
Share issue on 5 June 2009	4	12 065	(120)	(980)			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)
<b>Balance at 30 June 2009</b>		<b>14 478</b>	<b>-</b>	<b>7 361</b>	<b>5</b>	<b>(7 254)</b>	<b>14 590</b>
Balance at 1 January 2009		2 413	120	2 224	392	(392)	4 757
Share issue on 5 June 2009	4	12 065	(120)	(943)			11 002
Share issue on 8 June 2009	4	1 540	4 064				5 604
Share based compensation	4			1 183			1 183
Comprehensive income					(439)	(15 958)	(16 397)
<b>Balance at 31 December 2009</b>		<b>16 018</b>	<b>4 064</b>	<b>2 464</b>	<b>(47)</b>	<b>(16 350)</b>	<b>6 149</b>

## Consolidated cash flow statements

<i>Amounts in NOK 1,000</i>	Note	1 April -30 June 2010	1 April -30 June 2009	1 January -30 June 2010	1 January -30 June 2009	1 January -31 December 2009
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Operating profit (loss)		(7 056)	(1 862)	(13 196)	(7 237)	(16 397)
Adjusted for:						
Gain on sale of fixed assets			(3 499)		(3 499)	(3 512)
Share-based payment (equity part)	4	1 304	248	2 245	517	1 183
Depreciation and impairment	3	14	28	31	74	111
Changes in working capital and other changes		139	(146)	303	921	(984)
Interest paid			(1)	(1)	(1)	(1)
Net cash from (used on) operating activities		(5 599)	(5 232)	(10 618)	(9 225)	(19 600)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Purchases of property, plant and equipment	3					
Sale of fixed assets			3 892		3 892	3 905
Interest received		2	6	4	45	65
Net cash from (used on) investing activities		2	3 898	4	3 937	3 970
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Proceeds from issuance of shares	4	9 888	10 965	9 888	10 965	16 606
Net cash from financing activities		9 888	10 965	9 888	10 965	16 606
Currency translation effects on cash and bank deposits		14	96	31	(314)	(422)
Net increase (decrease) in cash and bank deposits		4 305	9 726	(695)	5 363	554
Cash and bank deposits at the beginning of the period		4 844	4 927	9 844	9 290	9 290
<b>CASH AND BANK DEPOSITS AT THE END OF THE PERIOD</b>		<b>9 149</b>	<b>14 653</b>	<b>9 149</b>	<b>14 653</b>	<b>9 844</b>

The group had no bank draft facilities at 30 June 2010.

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

## Notes to the consolidated financial statements

### 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 the Oslo Axess at Oslo Børs.

The objectives of the company are research, development, production and commercialisation of technology and products for 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 the first half of 2010 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 2009.

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 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 period.

This consolidated interim financial report has not been subject to audit. The report was resolved by the board of directors on 18 August 2010.

### 3 Property, plant and equipment

*Amounts in NOK 1 000*

	<b>Tangible assets</b>
<b><u>Three months ended 30 June 2010</u></b>	
Net book value on 1 January 2010	168
Additions	0
Disposals	0
Depreciation, impairment and other movements	(26)
<b>Net book value on 30 June 2010</b>	<b>142</b>
 <i>Three months ended 30 June 2009</i>	
Net book value on 1 January 2009	743
Additions	0
Disposals	(393)
Depreciation, impairment and other movements	(139)
<b>Net book value on 30 June 2009</b>	<b>211</b>
 <i>Year ended 31 December 2009</i>	
Net book value on 1 January 2009	743
Additions	0
Disposals	(393)
Depreciation, impairment and other movements	(182)
<b>Net book value on 31 December 2009</b>	<b>168</b>

### 4 Shares, warrants and subscription rights

Number of shares	Number of class A shares	Number of class B shares	Number of shares
<b>Shares on 1 January 2010</b>			
			<b>145 622 654</b>
Share issue as board remuneration 7 May 2010			288 500
Warrants exercised 6-31 May 2010			90 409 370
<b>Shares on 30 June 2010</b>			<b>236 032 024</b>
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 5 June 2009	109 685 545		109 685 545
<b>Shares on 30 June 2009</b>	<b>131 622 654</b>	<b>0</b>	<b>131 622 654</b>

<b>Number of shares</b>	<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 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/1 July 2009	14 000 000		14 000 000
Shares on 31 December 2009	145 622 654	0	145 622 654

<b>Number of warrants and subscription rights</b>	<b>1 January -30 June 2010</b>	<b>1 January -30 June 2009</b>	<b>1 January -31 December 2009</b>
Warrants and subscription rights opening balance	115 607 212	696 111	696 111
Grant of incentive subscription rights	1 200 000		5 500 000
Terminated and expired subscription rights			(274 444)
Allotment of warrants		109 685 545	109 685 545
Exercise of warrants	(90 120 870)		
Warrants and subscription rights	26 686 342	110 381 656	115 607 212

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. 90,409,370 warrants were exercised in the period 6-31 May 2010. There is a final exercise period 1 September-6 November 2010, after which latter date the warrants expire.

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 30 June 2010 was NOK 1.69 per share.

## 5 Profit (loss) per share

	<b>1 January -30 June 2010</b>	<b>1 January -30 June 2009</b>	<b>1 January -31 December 2009</b>
Profit (loss) attributable to the equity holders of the company (NOK 1 000)	(13 314)	(6 862)	(15 958)
Weighted average basic number of ordinary shares	160 607 633	34 663 057	90 560 499
Weighted average diluted number of ordinary shares	246 833 017	34 663 057	147 135 735
Profit (loss) per share, basic and diluted	<b>NOK (0.08)</b>	NOK (0.20)	NOK (0.18)

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. Thinfilm's contingent liability on 31 December 2009, for which no claim has been received, became obsolete in February 2010. Thinfilm has not issued any guarantees.

## 7 Related party transactions

In the six months ended 30 June 2010 Thinfilm has recorded NOK 413 thousand for services provided from law firm Ræder, in which Thinfilm's chairman is a partner. John Markus Lervik, who at the date of this report controls about 10 per cent of the shares in Thinfilm, has charged NOK 600 thousand plus expenses for his services provided in January-June 2010.

## 8 Events occurring after the balance sheet date

Between 30 June 2010 and the presentation of this condensed consolidated financial information, no events having any substantial impact on the result for the first half of 2010 or the value of Thinfilm's assets and liabilities at 30 June 2010 have occurred.

## Responsibility statement

We confirm, to the best of our knowledge, that the condensed consolidated financial statements with notes for the period 1 January to 30 June 2010 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 these condensed financial statements 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 statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

Linköping, 18 August 2010

Morten Opstad, *Chairman*

Catarina Göthe, *Board member*

Margreta Josefsson, *Board member*

William R. Salaneck, *Board member*

Rolf Åberg, *Board member*

Davor Sutija, *CEO*

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