

Interim Report for Third Quarter 2007

Activities in the third quarter

Thin Film Electronics' ("Thinfilm's") activities have in the quarter continued to be focused on business development and the corresponding technical support and development. Thinfilm is active in setting up strategic alliances for completing a value chain excelling in Printed Electronics, which is following the redirection of Thinfilm's business as resolved in the fourth quarter of 2006.

As a result of the focused business development activities, five important and valuable joint development agreements as well as one licence agreement were entered into in the second quarter. The signed agreements are all aiming for volume production of Thinfilm's memory technology in 2008.

In the third quarter the joint technical development activities outlined in the Joint Development Agreements, entered into in the second quarter, has commenced jointly with the respective partners. Those partners are vital in assisting Thinfilm to take the technology into production, i.e., scaling up lab-printing tests to volume production. The technical staff at Thinfilm has in the third quarter been fully focused on the manufacturing the memory cells and adopting the memories for the various applications. Specifically, the evolvable game cards of Cartamundi, Thinfilm's first licensee for printed memories, have been of prime focus.

A printing system for the development of printed memory has been acquired and installed in Thinfilm's premises in Linköping. The system, delivered by Thinfilm's partner OTB Engineering, will enable Thinfilm and OTB to significantly decrease the development time to mass productions of printed memories.

In addition to the technical development work, Thinfilm has in the third quarter been actively pursuing additional partners and licensees aiming at broadening the applications and the customer base.

Thinfilm currently has a patent portfolio in the areas of non-volatile memories suitable for printing. Each patent family represents one or more inventions for which a patent has been applied for. The patent portfolio has a wide coverage: Polymer memory materials/processing, electrode materials/processing, interfacial structures, cell design, memory architectures, circuitry design/layout, printing techniques and applications. The patent portfolio is reviewed regularly to ensure costs being low whereas maximum protection is maintained.

In the quarter, Thinfilm completed an internal review of all patent families to identify which patents were relevant to Thinfilm's current and future business and which patents could be disposed of or discontinued. The resolution of the internal process, maximizing protection whilst minimizing cost, resulted in a decision to keep 36 core patent families. Some old patents, related to Opticom's optical memories and some other patents that are less relevant for the business focused on printed memories will be sold or disposed of. Once the manufacturing processes, designs and products have been established and stabilised, the patent portfolio may be reduced further.

Beside the mentioned cost reduction process, the Company also has established a standard process for selection of prioritization among the most important new

inventions made either internally at Thinfilm or in cooperation with partners. This process will result in further protection of the technology and manufacturing process whilst minimizing the patenting costs.

Thin Film Electronics group interim financial statements 30 September 2007

The Thinfilm group comprises the parent company Thin Film Electronics ASA in Oslo, Norway and the subsidiary Thin Film Electronics AB in Linköping, Sweden. There are ten employees in the group, supplemented by outsourced services and contracted specialists.

As of this report, Thinfilm reports condensed interim financial information according to IFRS. Prior periods have been restated. The restatement has not implied any significant adjustment to the company's assets, equity or results as previously reported under Norwegian Accounting Standards.

Thinfilm's revenue in the quarter was NOK 0.3 million. Of this amount, about 2/3, or EUR 20,000 was a licence fee from Cartamundi. While small, it marked an important milestone by being the first commercial revenue from Thinfilm's printed memory technology. Year to date, revenue was NOK 2.7 million, largely from sale of equipment no longer in use because of the change in direction of Thinfilm's technical and commercial activities. Thinfilm has more equipment available for sale, but the prospects for more such sales are uncertain. In the third quarter of 2006, the revenue was NOK 0.2 million, and year to date revenue in 2006 was NOK 0.5 million. The revenue in 2006 related to services to associated companies.

Other operating costs (i.e. operating costs excluding depreciation and impairment charge) in the third quarter were NOK 5.7 million, down from NOK 6.9 million in the preceding quarter, and NOK 8.6 million in the same quarter of 2006. Year to date operating costs were NOK 20.9 million, on par with the same period in 2006. Staff reductions resolved in 2006 were completed in the first quarter of 2007. The cost level in the first half and into the third quarter was higher than forecasted in the outlook presented at the annual general meeting on 9 May 2007. The commercial efforts and technical development has continued at a higher level than forecasted. The costs related to the patent portfolio have been at a level higher than anticipated earlier, because the process of reducing the number of active patent families has been more time-consuming than estimated earlier.

Fees from various legal and financial advisors in connection with preparations for introduction of the Thinfilm class A shares at Oslo Axess amounted to NOK 0.6 million in the quarter. Also in the third quarter, non-cash share-based remuneration expense has been incurred, amounting to NOK 0.3 million. The underlying cash cost thus amounted to NOK 4.8 million in the quarter.

Depreciation remained low, only about NOK 0.1 million per quarter, because most of the assets acquired in 2006 were written down in 2006 to estimated sales value or fair value in future use.

Net other financial items, mainly interest income, amounted to NOK 0.2 million gain in the quarter, and amounted to NOK 0.3 million year to date. Following the private placement of 3,200,000 shares in June 2007, raising NOK 25.6 million, the company's interest income has increased. In 2006, the financial items year to date were negative, due to devaluation of an intercompany loan in the group denominated in SEK.

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 quarter was a loss of NOK 5.4 million, corresponding to NOK 0.27 loss per basic share. Year to date, the loss was NOK 18.3 million or NOK 1.01 per share.

The group's cash balance increased by NOK 19.9 million in the quarter, and NOK 13.7 million year to date. The private placement of shares in June 2007 raised NOK 25.6 million. Net cash used for operating activities amounted to NOK 12.1 million. The cash used is lower than the result for the period, due to beneficial working capital movement, of which at least NOK 5.6 million is estimated to reverse (cash outflow) by the end of the year. The cash balance at the end of the quarter amounted to NOK 30.1 million. Thinfilm has adequate funding for its planned activities.

Outlook

In the fourth quarter Thinfilm will continue to actively pursue its business development activities, by setting up new additional strategic alliances with partners.

In doing so, Thinfilm will create the necessary broadening of the applications and the technology support, to complete the value chain that enables printed memories to be produced in high volumes.

Thinfilm maintains its licensing model for intellectual property rights (patents and know how) and does not plan to do in-house manufacturing even though the printing system that was acquired in the third quarter would potentially allow Thinfilm to start in-house manufacturing. The acquired system will primarily be used for process development supporting the joint development activities that were initiated with multiple partners in the second quarter of 2007, aimed for volume manufacturing in 2008.

Thinfilm's current staffing has the adequate level and interdisciplinary competence to carry out the activities planned for in the fourth quarter of 2007 and moving forward into 2008. 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 from partners and customers, Thinfilm may expand its staff as and when required and financially supported by partners and/or customers.

Thinfilm's technical staff in Linköping, Sweden, will in the coming quarters continue to focus its efforts in supporting the productization of Cartamundi's evolvable game cards.

Thinfilm has resolved to apply for listing of its class A shares at Oslo Axess. The board has also resolved to call an extraordinary general meeting to resolve a authorisation to the board to issue shares and to elect a new board which shall satisfy the requirements for gender balance in the board and the independency requirements.

19 November 2007

Morten Opstad
Chairman

The financial statements and this report have not been subject to audit.

Contact person:

Johan Carlsson, CEO
Morten Opstad, Chairman

tel: +46 706 007 605
tel: +47 2327 2700

e-mail: johan.carlsson@thinfilm.se
e-mail: mop@raeder.no

Thinfilm web site: www.thinfilm.se

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

30 September 2007
(Unaudited)

Thin Film Electronics ASA Group – 30 September 2007 (Unaudited)

(All amounts in NOK thousands unless otherwise stated)

Condensed consolidated interim balance sheets

	Note	30.9.2007	30.9.2006	31.12.2006
ASSETS				
<u>Non-current assets</u>				
Property, plant and equipment	4	497	3 592	987
<u>Current assets</u>				
Trade and other receivables		777	620	1 701
Cash and cash equivalents		30 078	25 840	16 372
<u>Total current assets</u>		30 855	26 460	18 073
<u>Totalt assets</u>		31 352	30 052	19 060
EQUITY AND LIABILITIES				
<u>Equity</u>				
Ordinary shares	5	2 237	1 885	1 885
Share premium		35 929	81 223	10 681
Other reserves		632	952	686
Retained earnings		(17 716)	(57 425)	624
<u>Total equity</u>		21 082	26 635	13 876
<u>Liabilities</u>				
Trade and other payables		10 270	3 418	5 184
<u>Totalt equity and liabilities</u>		31 352	30 052	19 060

The notes on pages 6 to 7 are an integral part of this condensed interim financial information

Thin Film Electronics ASA Group – 30 September 2007 (Unaudited)

(All amounts in NOK thousands unless otherwise stated)

Condensed consolidated interim profit and loss statements

Period				Accumulated	
Q3 2007	Q3 2006	Note	30.9.2007	30.9.2006*	2006*
280	174		2 698	461	555
(5 740)	(8 603)		(20 944)	(20 338)	(30 574)
(140)	(123)		(365)	(37 433)	(40 025)
(5 600)	(8 552)	4	(18 611)	(57 310)	(70 044)
186	80		271	(115)	126
(5 414)	(8 472)		(18 340)	(57 425)	(69 918)
-	-		-	-	-
(5 414)	(8 472)		(18 340)	(57 425)	(69 918)
Profit (loss) per share					
(NOK 0,27)	(NOK 0,49)	6	(NOK 1,01)	(NOK 3,38)	(NOK 4,11)

* The period started on 22 December 2005.

The notes on pages 6 to 7 are an integral part of this condensed interim financial information

Thin Film Electronics ASA Group – 30 September 2007 (Unaudited)

(All amounts in NOK thousands unless otherwise stated)

Condensed consolidated interim statements of changes in equity

	Note	Share capital	Share premium	Retained earnings	Other reserves	Total
Balance at 22 December 2005		1 616	-	-		1 616
Share issue 15 February 2006	5	161	81 223	-		81 384
Share issue 31 March 2006	5	108	-	-		108
Currency translation		-	-	-	686	686
Net profit (loss) until 31 December 2006		-	(70 542)	624	-	(69 918)
Balance at 31 December 2006		1 885	10 681	624	686	13 876
Balance at 1 January 2007		1 885	10 681	624	686	13 876
Share issue 27 June 2007	5	352	25 248	-	-	25 600
Currency translation		-	-	-	(241)	(241)
Share based compensation		-	-	-	187	187
Net profit (loss) until 30 September 2007		-	-	(18 340)	-	(18 340)
Balance at 30 September 2007		2 237	35 929	(17 716)	632	21 082
Balance at 22 December 2005		1 616	-	-		1 616
Share issue 15 February 2006	5	161	81 223	-		81 384
Share issue 31 March 2006	5	108	-	-		108
Currency translation		-	-	-	952	952
Net profit (loss) until 30 September 2006		-	-	(57 425)	-	(57 425)
Balance at 30 September 2006		1 885	81 223	(57 425)	952	26 635

The notes on pages 6 to 7 are an integral part of this condensed interim financial information

Thin Film Electronics ASA Group – 30 September 2007 (Unaudited)

(All amounts in NOK thousands unless otherwise stated)

Condensed consolidated interim cash flow statements

		1.1.2007	22.12.2005	22.12.2005
	Note	-30.09.2007	-30.09.2006	-31.12.2006
CASH FLOW FROM OPERATIONS				
- Cash generated from operations		(12 098)	(17 308)	(26 800)
- Interest paid		(4)	-	(223)
Net cash used on operating activities		(12 102)	(17 308)	(27 023)
CASH FLOW FROM INVESTING ACTIVITIES				
- Investment in tangible fixed assets	4	(71)	(76)	(76)
- Aquisition of business activity		-	(39 986)	(39 986)
- Interest received		279	102	349
Net cash used on investment activities		208	(39 960)	(39 713)
CASH FLOW FROM FINANCING ACTIVITIES				
- Proceeds from issuance of class A shares	5	25 600	83 000	83 000
- Proceeds from issuance of class B shares		-	108	108
Net cash from financing activities		25 600	83 108	83 108
Net increase (decrease) in cash		13 706	25 840	16 372
Cash at beginning of year		16 372	-	-
CASH AT END OF THE PERIOD		30 078	25 840	16 372

*The company had no bank draft facilities at 30.9.2007

The notes on pages 6 to 7 are an integral part of this condensed interim financial information

Thin Film Electronics ASA Group – 30 September 2007 (Unaudited)

(All amounts in NOK thousands unless otherwise stated)

Selected notes to the condensed consolidated interim financial information

1 General information

Thin Film Electronics ASA ("Thinfilm" or "the company") was founded 22 December 2005. The group was formed on 15 February 2006 when Thinfilm purchased the business, including the subsidiary Thin Film Electronics AB ("TFE AB"), from Thin Film OldCo ASA ("OldCo").

The objectives of the company is 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 approved for by the Board of Directors on 19 November 2007.

2 Basis of preparation

This condensed interim financial information for the nine months ended 30 September 2007 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2006, as described in the annual financial statements for the year ended 31 December 2006.

4 Capital expenditure

	Tangible and intangible assets
Nine months ended 30 September 2006	
Opening net book amount 22 December 2005	0
Aquisition	40 000
Additions	103
Disposals	112
Depreciation, amortisation, impairment and other movements	36 398
Closing net book amount 30 September 2006	<u>3 592</u>
Nine months ended 30 September 2007	
Opening net book amount at 1 January 2007	987
Additions	71
Disposals	96
Depreciation/amortisation, impairment and other movements	465
Closing net book amount at 30 September 2007	<u>497</u>

Thin Film Electronics ASA Group – 30 September 2007 (Unaudited)

(All amounts in NOK thousands unless otherwise stated)

5 Capital

	Number of shares	Number of class A shares	Number of class B shares
Opening balance 22 December 2005	16 157 609	16 157 609	0
Capital increase 15 February 2006	0	0	0
Share issue 31 March 2006	979 500	0	979 500
At 30 September 2006	17 137 109	16 157 609	979 500
Opening balance 1 January 2007	17 137 109	16 157 609	979 500
Share issue 27 June 2007	3 200 000	3 200 000	0
At 30 September 2007	20 337 109	19 357 609	979 500

On 28 June 2007 Thinfilm Electronics ASA granted 665.000 subscription rights (SRs) at a price of NOK 10.80 per share. The SRs vest in 4 equal tranches over four years, and expire on May 2012.

6 Profit (loss) per share

	Nine months ended 30 September	
	2007	2006
Weighted average number of ordinary shares	18 156 889	16 972 065
Profit (loss) per share for profits attributable to the equity holders of the company	(NOK 1,01)	(NOK 3,38)

7 Contingent liabilities

There is a degree of uncertainty related to the financial interrelation with Smart Material SA, a Belgian company to which to Thinfilms knowledge is owned and controlled by Hans Gude Gudesen (HGG). HGG provided services to OldCo via Smart Material SA. The agreement was transferred to Thinfilm Electronics ASA as part of OldCos business. The agreement was amended in August 2006 and Thinfilm Electronics ASA has formally terminated the agreement in January 2007. Smart has not presented any claims against Thinfilm under the agreement. In case Smart or HGG should present claims against Thinfilm, Thinfilm may present counter claims. The board holds the opinion that Thinfilm is not obliged and will not have to pay anything to Smart or HGG. Consequently, there is no net receivable nor payable to Smart or PGG in the balance sheet as of 30 September 2007.

8 Related-party transactions

In the nine months to 30 September 2007,

- The company has charged Fast Search & Transfer ASA for patent work amounting to 114.
- Fast Search & Transfer ASA has charged Thinfilm for patent work amounting to 720.
- Law firm Ræder has charged Thinfilm for services amounting to 228.

9 Events occurring after the balance sheet date

The board has resolved to apply for a listing of the company's class A shares at Oslo Axess. The board has also resolved to call an extraordinary general meeting to resolve a authorisation to the board to issue shares and to elect a new board which shall satisfy the requirements for gender balance in the board and the independency requirements.

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