



THINFILM

Thin Film Electronics ASA, org. no. 889 186 232

P O Box 1872 Vika, NO-0124 Oslo, Norway

Interim report for fourth quarter and preliminary result for 2007

Activities in the fourth quarter

Thin Film Electronics ASA ("Thinfilm") redirected its business in fourth quarter of 2006. Since then the company has focussed solely on the rapidly growing market of Printed Electronics. The activities throughout 2007 have been concentrated on business development of Thinfilm's existing technology, with the corresponding technical development and support for the commercialisation of printed memories.

In the fourth quarter the joint technical development activities outlined in the joint development agreements signed earlier in the year, have progressed according to plan. Several partners are working with Thinfilm to take the technology into production, i.e. scaling from laboratory-scale trial printing into volume production capability. In the quarter the technical staff at Thinfilm has continued to be fully focused on the volume manufacturing aspects of 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. The technical work has been performed in Thinfilm's laboratory in Linköping as well at partner sites. A demonstrator unit has been designed and built in cooperation with Cartamundi. By use of the demonstrator unit and a PC with standard interface technology, a user can read information from and write information to a memory printed on game cards.

In addition to the technical development work, Thinfilm has in the fourth quarter been actively pursuing additional partners and licensees aiming at broadening the applications and the customer base. As a result, two new important joint development agreements were signed and announced in the quarter. The announcements were both made at the annual 'Printed Electronics USA' conference in San Francisco, California, USA on 13 November 2007.

Agfa-Gevaert N.V. in Mortsels, Belgium and Thinfilm announced that the companies had entered into a joint development agreement to enhance materials for the volume production of printed memory devices. The objective of the joint collaboration is to enable low-cost production of printed memories by using Orgacon™, the Agfa business group's conductive polymer product line. Agfa's existing conductive polymer materials formulation will be optimized for memory cell electrodes, which is expected to significantly enhance the manufacturability and performance of Thinfilm's memory technology.

InkTec Co., Ltd. in South Korea and Thinfilm announced that they had entered into a joint development agreement to develop metal inks, processes and print conditions for volume production of printed memory devices. The joint collaboration is focused on optimizing InkTec Co., Ltd.'s silver inks for memory cell electrodes to enhance the manufacture and performance of Thinfilm's memory technology.

Thinfilm met its goal for 2007 of establishing strategic alliances for the complete value chain which can provide printed electronics for commercial applications. Seven important and valuable joint development agreements were entered into in

the year. The agreements are all contributing to and aiming for Thinfilm's 2008 goal of volume production of the Company's memory technology commencing before the end of 2008.

Corporate matters and events after 31 December 2007

On 21 November 2007 Thinfilm applied for listing of its Class A shares on the Oslo Axess market place of Oslo Børs. The preparation of the application including due diligence activities was a major task for the company's management in the fourth quarter, and significant costs were incurred.

An extraordinary general meeting on 12 December 2007 elected a new board commencing its duty on 1 January 2008:

Morten Opstad (chairman)
Catharina Göthe
William Salaneck
Katarina Segerborg
Rolf Åberg

The same extraordinary general meeting resolved an authorisation to the board to issue Class A shares. 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 a total of NOK 16.0 million before fees and expenses amounting to 3.8 per cent of the capital. The funds will be used for operations and business development.

Thinfilm's class A shares were listed at Oslo Axess as of 30 January 2008. A prospectus was issued in connection with the listing. The prospectus is available in electronic format at www.thinfilm.se. A copy of the prospectus in paper format can be obtained free of charge by contacting the Company's legal advisors, Advokatfirma Ræder DA, Munkedamsveien 45 Vika Atrium, Postboks 1600 Vika, NO-0119 Oslo, Norway, tel. (+47) 2327 2700, e-mail: lcv@raeder.no, attn. Lise C. Vestby.

Thinfilm interim financial statements at 31 December 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, and in addition Thinfilm uses outsourced services and contracted specialists.

As of the third quarter 2007 Thinfilm has reported 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 0.4 million. About half of this amount related to Thinfilm's printed memory technology. The revenue in 2007 amounted to NOK 3.1 million, of which about NOK 0.3 million related to Thinfilm's printed memory technology and the rest related to sale of equipment no longer in use because of the change in direction of Thinfilm's technical and commercial activities. In August 2007 Cartamundi paid a licence fee of EUR 20,000 which marked an important milestone by being the first commercial revenue from Thinfilm's printed memory technology. The revenue in 2006 amounted to NOK 0.6 million and related to services to associated companies.

Other operating costs (i.e. all operating costs excluding depreciation and impairment charge) in the fourth quarter were NOK 11.2 million, up from NOK 5.7 million in the preceding quarter. The costs related to the listing project amounted to NOK 3.0 million in the quarter. The quarter also includes one-off net payroll costs of NOK 0.6 million related to a settlement related to an earlier year.

Other operating costs in the year were NOK 32.2 million, compared to NOK 30.6 million in 2006. In 2006, the costs were related to a significantly larger organisation. Costs were planned to be reduced in 2007 after staff reductions resolved in 2006 and effected in the first quarter of 2007. Fees from various legal and financial advisors and other external costs in connection with preparations for introduction of Thinfilm's Class A shares at Oslo Axess amounted to NOK 3.6 million in 2007. In addition to the listing project costs in the second half of 2007, the costs related to the patent portfolio have continued at a higher level than anticipated earlier. The practical aspects of reducing the number of active patent families has been more time-consuming than estimated.

Non-cash share-based remuneration expense has been accrued for since the company granted Subscription Rights on 28 June 2007 to employees and persons hired on consulting contracts. The amount in 2007 was NOK 0.8 million.

The ongoing cash costs amounted to NOK 5.4 million in the quarter.

Depreciation remains 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.

Net other financial items, mainly interest income, amounted to a NOK 1.6 million gain in the quarter, and amounted to NOK 1.9 million in the year. Following the private placement of 3,200,000 shares in June 2007, raising NOK 25.6 million, the company's interest income has increased, and some one-off interest and currency gains amounting to NOK 1.0 million were recorded in the fourth quarter. In 2006, the financial items amounted to only NOK 0.1 million because the net interest income was counteracted by 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.

At the end of 2007 there were 19,357,609 Class A shares in the company, which were traded OTC in Oslo and transactions reported at the Norwegian Securities Dealers Association's system. There were about 1,400 shareholders. There were a total of 979,500 Class B shares in issue to three shareholders. Class B shares are conditional and do not carry voting rights. The number of Class A shares increased by 1,600,000 in the private placement on 25 January 2008.

The net result in the quarter was a loss of NOK 9.4 million, corresponding to NOK 0.50 loss per basic share. In the year the loss was NOK 27.7 million, representing NOK 1.48 loss per share.

The group's cash balance decreased by NOK 10.5 million in the quarter, but the cash position improved by NOK 3.2 million in the year. The private placement of shares in June 2007 raised NOK 25.6 million and exceeded the negative cash flow from operations. The cash balance at the end of the year amounted to NOK 19.6 million while payables amounted to NOK 9.8 million. Following the private placement on 25 January 2008 raising NOK 16.0 million before expenses Thinfilm has adequate funding for its planned activities. The equity ratio is 54 per cent.

Outlook

Thinfilm will continue to actively pursue its business development activities within printed electronics in 2008 by setting up new additional alliances with strategic partners and licensees around the world. Some of the alliances already entered

into in 2007 are expected to be deepened and further expanded upon as well. Announcements will be made as and when new agreements are entered into or if and when existing agreements are expanded.

Over the last year Thinfilm has established a base to broaden the applications and the technology support to enable printed memories entering into high volume production. This work will continue in 2008. It remains Thinfilm's ambition to earn license or royalty revenue within 12 months.

Thinfilm's current staffing has the adequate interdisciplinary competence to carry out the activities currently planned for in 2008. Thinfilm may choose to expand its workforce during the year as and when more capacity is required and commercially justified by being supported by partner and/or customer projects.

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.

26 February 2008

Morten Opstad
Chairman

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

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Thin Film Electronics ASA Group
Condensed consolidated interim financial information

31 December 2007
(Unaudited)

Thin Film Electronics ASA Group – 31 December 2007 (Unaudited)

(All amounts in NOK thousands unless otherwise stated)

Condensed consolidated interim balance sheets

ASSETS	Note	31.12.2007	31.12.2006
<u>Non-current assets</u>			
Property, plant and equipment	4	391	987
<u>Current assets</u>			
Trade and other receivables		1 517	1 701
Cash and cash equivalents		19 578	16 372
Total current assets		21 095	18 073
Total assets		21 486	19 060
EQUITY AND LIABILITIES			
<u>Equity</u>			
Ordinary shares	5	2 237	1 885
Share premium		8 230	10 681
Other reserves		575	686
Retained earnings		624	624
Total equity		11 666	13 876
<u>Liabilities</u>			
Trade and other payables		9 820	5 184
Total equity and liabilities		21 486	19 060

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

Thin Film Electronics ASA Group – 31 December 2007 (Unaudited)

(All amounts in NOK thousands unless otherwise stated)

Condensed consolidated interim profit and loss statements

Period			Accumulated	
Q4 2007	Q4 2006	Note	31.12.2007	31.12.2006*
438	94	Revenue	3 136	555
(11 242)	(10 236)	Other operating costs	(32 186)	(30 574)
(139)	(2 592)	Depreciation and impairment charge	(504)	(40 025)
(10 943)	(12 734)	Operating profit (loss)	(29 554)	(70 044)
1 584	241	Finance (net)	1 855	126
(9 359)	(12 493)	Profit (loss) before income tax	(27 699)	(69 918)
0	0	Income tax expense	0	0
(9 359)	(12 493)	Profit (loss) for the period	(27 699)	(69 918)
Profit (loss) per share				
(NOK 0.50)	(NOK 0.73)	basic and diluted	6 (NOK 1.48)	(NOK 4.11)

* The period started on 22 December 2005.

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

Thin Film Electronics ASA Group – 31 December 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 on 15 February 2006	5	161	81 223	-	-	81 384
Share issue on 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 on 27 June 2007		352	25 248	-	-	25 600
Currency translation		-	-	-	(617)	(617)
Share based compensation		-	-	-	506	506
Net profit (loss) until 31 December 2007		-	(27 699)	-	-	(27 699)
Balance at 31 December 2007		2 237	8 230	624	575	11 666

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

Thin Film Electronics ASA Group – 31 December 2007 (Unaudited)

(All amounts in NOK thousands unless otherwise stated)

Condensed consolidated interim cash flow statements

	Note	1.1.2007- 31.12.2007	22.12.2005 - 31.12.2006
CASH FLOW FROM OPERATIONS			
-Cash generated from operations		(24 167)	(26 800)
-Interest paid		(8)	(223)
Net cash used on operating activities		(24 175)	(27 023)
CASH FLOW FROM INVESTING ACTIVITIES			
-Investment in tangible fixed assets	4	(82)	(76)
-Acquisition of business activity		-	(39 986)
-Interest received		1 863	349
Net cash used on investment activities		1 781	(39 713)
CASH FLOW FROM FINANCING ACTIVITIES			
-Proceeds from issuance of class A shares	5	25 600	83 000
-Proceeds from issuance of class B shares		-	108
Net cash from financing activities		25 600	83 108
Net increase (decrease) in cash		3 206	16 372
Cash at beginning of year		16 372	-
CASH AT END OF PERIOD		19 578	16 372

The group had no bank draft facilities at 31.12.2007

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

Thin Film Electronics ASA Group – 31 December 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 on 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 AS ("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 by the Board of Directors on 26 February 2008.

2 Basis of preparation

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

3 Accounting policies

The IFRS 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
Twelve months ended 31 December 2006	
Opening net book amount on 22 December 2005	0
Acquisition	40 000
Additions	103
Disposals	112
Depreciation, amortisation, impairment and other movements	39 004
Closing net book amount on 31 December 2006	<u>987</u>
Twelve months ended 31 December 2007	
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>

Thin Film Electronics ASA Group – 31 December 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 on 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
On 31 December 2006	17 137 109	16 157 609	979 500
Opening balance on 1 January 2007	17 137 109	16 157 609	979 500
Share issue 27 June 2007	3 200 000	3 200 000	0
On 31 December 2007	20 337 109	19 357 609	979 500

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. The SRs vest in four equal tranches over four years, and expire in May 2012.

6 Profit (loss) per share

	Twelve months ended 31 December	
	2007	2006
Weighted average number of ordinary shares	18 706 424	16 993 449
Profit (loss) per share for profits attributable to the equity holders of the company	(NOK 1.48)	(NOK 4.11)

7 Contingent liabilities

There is a degree of uncertainty related to the financial interrelation with Smart Material SA ("Smart"), a Belgian company which to Thinfilm's 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 as part of OldCos business. The agreement was amended in August 2006 and Thinfilm 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 31 December 2007.

8 Related-party transactions

In the twelve months ended 31 December 2007,

- The company has charged Fast Search & Transfer ASA for patent work amounting to NOK 114.
- Fast Search & Transfer ASA has charged Thinfilm for patent work amounting to NOK 960.
- The company has taken NOK 1,722 as cost for services provided from Ræder.

9 Events occurring after the balance sheet date

Thinfilm completed a private placement on 25 January 2008, raising NOK 16,0 million before expenses of NOK 0,6 million. The company's Class A shares have been listed at Oslo Axess from 30 January 2008.

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