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Interim report for the third quarter and financial information for the first nine months of 2009

Activities in the third quarter

Thin Film Electronics ASA ("Thinfilm") is focused on providing low-power, non-volatile, rewritable polymer memory technology and products in the rapidly growing market of Printed Electronics. During 2009, Thinfilm has established large-scale production capabilities, as well as further expanded its existing business relationships and started building a presence for its printed polymer memory among suppliers to certain consumer markets, such as the toys and games market.

A primary and noteworthy achievement, announced on 22 September 2009, was the successful manufacturing results achieved in partnership with PolyIC GmbH & Co. KG ("PolyIC"), a joint venture between Siemens and Leonhard Kurz. Thinfilm and PolyIC announced that the companies have jointly manufactured fully functional non-volatile rewritable polymer memory products in a high-volume roll-to-roll printing process. The high-yield printing process gives leading production performance, and the resulting memory product meets low voltage requirements for consumer products, such as in the toys and games industry. These high-yield, high-volume production results further expand Thinfilm's capability of delivering printed memory products in high volumes.

From a business perspective, Thinfilm, together with its partner Cartamundi, is currently focused on establishing customer relationships in the toys and games market. During the third quarter, the company has deepened existing relationships, as well as established new relationships with potential customers both in North America and Asia. Thinfilm's non-volatile, rewritable (RAM) memory, combined with a reader/writer device, provides a platform for toys and games designers to create the next generation of interactive toys and games, where the memory could be linked to, e.g., the online world or gaming consoles. For example, it will be possible to connect physical objects such as toys with electronic media via a USB/Bluetooth connection to the Thinfilm writer/reader-unit designed for memory tags. This means that suppliers can add interactivity to their existing product lines as well as create entirely new toys and games with added value for both consumers and brand owners.

For the purposes of business development and promotion of its unique printed polymer memory technology in the Asian Printed Electronics market, Thinfilm exhibited and gave a speech at the annual 'Printed Electronics Asia 2009' conference in Tokyo, Japan.

The technology staff at Thinfilm has in the third quarter further improved the high-volume manufacturing efficiencies for printed memory products, as well as adapted Thinfilm's memory technology to specific consumer products, in particular in the toys and games market. The technology team also continues being actively engaged in sales support activities.

Key events in 2009

- In 9 February, Cartamundi and Thinfilm announced an extension to Cartamundi's production and commercialization rights for 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 in March the successful production of fully functional printed memory products in a high-volume roll-to-roll ("R2R") printing process. On April 14, 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 technical laboratory equipment formerly used in the development of hybrid memory was sold in March 2009. The transaction was completed in the second quarter 2009. The cash proceeds amounted to SEK 4.8 million.
- Starting in 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.
- A rights issue raising NOK 12.1 million in new equity before expenses was completed in June.
- A private placement raising NOK 5.7 million before expenses was completed in July.
- In June, CEO Johan Carlsson left Thinfilm. Former CEO Rolf Åberg, who continued as a board member, took over the CEO position.
- On 22 September, PolyIC and Thinfilm announced high-volume production of roll-to-roll printed polymer memories enabling next-generation of interactive toys and games.

Condensed consolidated financial report as at 30 September 2009

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

Thinfilm's revenue in the first nine months was NOK 4.4 million of which NOK 3.5 million related to sale of equipment no longer in use. The revenue in the third quarter was negligible. In the first nine months of 2008, the revenue was NOK 1.3 million, of which NOK 0.6 million was related to the printed memory technology.

Other operating costs (i.e. all operating costs excluding depreciation and impairment charge) in the quarter were NOK 3.8 million, compared to NOK 11.5 million in the first half. The cost savings implemented in the first half of 2009 has full effect in this quarter, which also has seasonally lower costs. In the first nine months, the other operating costs amounted to NOK 15.3 million compared to NOK 19.6 million in the same period of 2008. There were five fulltime 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 nine months. In 2008, the net financial income of NOK 0.6 million in the same period was mainly interest income. The interest income is insignificant at the prevailing interest rates in 2009.

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 third quarter was a loss of NOK 3.8 million, and in the first nine months the loss was NOK 10.6 million, corresponding to NOK 0.15 loss per basic share. The result in the first nine months of 2008 was a loss of NOK 18.2 million corresponding to NOK 0.84 per basic share.

Thinfilm incurred about NOK 1.2 million in expenses in connection with the rights issue in June and the private placement completed in July. These expenses have been charged to the share premium fund.

The group's cash balance decreased by NOK 1.2 million in the quarter. In the first nine months the cash balance has increased by NOK 4.2 million. NOK 16.0 million was spent on operations, while NOK 16.6 million was obtained in new equity and NOK 4.0 million collected from sale of assets. The cash balance at 30 September 2009 amounted to NOK 13.5 million. The available liquidity is adequate.

Outlook

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

Specifically, in the fourth quarter, Thinfilm will intensify its business development activities in the toys and games market. Thinfilm, and its partner Cartamundi will jointly participate as an exhibitor at TAGIE, the Toy and Game Inventor Expo, which is the premier toy and game industry event. TAGIE will be held on 19-20 November 2009 in Chicago, USA.

Furthermore, for the purpose of business development and the global promotion of its printed memory product, Thinfilm will participate as an exhibitor at the largest printed electronic conference in North America, the 'Printed Electronics USA 2009' conference in San Jose, California, in December 2009.

The technology staff will continue to provide technical sales support and assistance for commercialization of the technology with manufacturing partners. The team is also involved in assisting toys and games companies to implement and integrate the printed memory product into specific toys and games.

The rapidly growing printed electronics market is still in its very early stage. Thinfilm sees a number of near-term commercial opportunities for relatively simple applications of its printed polymer memory technology. These applications will both serve as the initial commercial usages of the Thinfilm polymer memory technology, as well as provide funds for the more advanced longer-term opportunities, as the printed electronics market grows and matures over the coming decade.

Linköping, 11 November 2009

The board of directors of Thin Film Electronics ASA

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Thin Film Electronics ASA Group

Condensed consolidated interim financial report (IFRS)

30 September 2009 (Unaudited)

Condensed consolidated interim profit and loss statements

<i>Amounts in NOK 1,000</i>	Note	1 July-30 Sep. 2009	1 July-30 Sep. 2008	1 Jan.-30 Sep. 2009	1 Jan.-30 Sep. 2008	1 Jan.-31 Dec. 2008
Revenue		29	348	4 388	1 340	2 001
Other operating costs	7	(3 800)	(5 338)	(15 322)	(19 606)	(26 207)
Depreciation and impairment charge	3	(19)	(206)	(93)	(519)	(489)
Operating profit (loss)		(3 790)	(5 196)	(11 027)	(18 785)	(24 695)
Net financial items		9	101	384	574	347
Profit (loss) before income tax		(3 781)	(5 095)	(10 643)	(18 211)	(24 348)
Income tax expense		0	0	0	0	0
Profit (loss) for the period		(3 781)	(5 095)	(10 643)	(18 211)	(24 348)
Profit (loss) per share basic and diluted	5	(NOK 0.03)	(NOK 0.23)	(NOK 0.15)	(NOK 0.84)	(NOK 1.12)

Condensed consolidated interim statements of comprehensive income

<i>Amounts in NOK 1,000</i>	Note	1 July-30 Sep. 2009	1 July-30 Sep. 2008	1 Jan.-30 Sep. 2009	1 Jan.-30 Sep. 2008	1 Jan.-31 Dec. 2008
Profit (loss) for the period		(3 781)	(5 095)	(10 643)	(18 211)	(24 348)
Currency translation		(18)	14	(405)	99	323
Total comprehensive income for the period, net of tax		(3 799)	(5 081)	(11 048)	(18 112)	(24 025)

Condensed consolidated interim balance sheets

<i>Amounts in NOK 1,000</i>	Note	30 September 2009	30 September 2008	31 December 2008
ASSETS	6			
<u>Non-current assets</u>				
Property, plant and equipment	3	191	516	743
<u>Current assets</u>				
Trade and other receivables		394	1 025	1 399
Cash and cash equivalents		13 501	15 166	9 290
		14 086	16 707	10 689
Total assets		14 086	16 707	11 432
EQUITY AND LIABILITIES				
<u>Equity</u>				
Ordinary shares	4	16 018	2 413	2 413
Share premium		3 088	24 152	78
Other reserves		2 525	2 111	2 616
Retained earnings		(10 993)	(18 287)	(350)
		10 638	10 389	4 757
<u>Liabilities</u>	6			
Trade and other payables		3 447	6 318	6 675
Total equity and liabilities		14 085	16 707	11 432

The notes on pages 3-4 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	(1 050)			11 015
Share issue on 8 June 2009	4	1 540	4 060			5 600
Share based compensation	4			314		314
Comprehensive income				(405)	(10 643)	(11 048)
Balance at 30 September 2009		16 018	3 088	2 525	(10 993)	10 638
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			1 437		1 437
Comprehensive income				99	(18 211)	(18 112)
Balance at 30 September 2008		2 413	24 152	2 111	(18 287)	10 389
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		2 413	78	2 616	(350)	4 757

Condensed consolidated interim cash flow statements

<i>Amounts in NOK 1,000</i>	Note	1 July-30 Sep. 2009	1 July-30 Sep. 2008	1 Jan.-30 Sep. 2009	1 Jan.-30 Sep. 2008	1 Jan.-31 Dec. 2008
CASH FLOW FROM OPERATING ACTIVITIES						
Operating profit (loss)		(3 790)	(5 196)	(11 027)	(18 785)	(24 695)
Depreciation and impairment	3	19	206	93	519	489
Share-based payment		(203)	280	314	1 437	1 718
Gain on sale of fixed assets		(28)		(3 527)	(765)	(770)
Changes in working capital and other changes		(2 804)	(503)	(1 883)	(3 013)	(3 305)
Interest paid		(2)	(2)	(3)	(8)	(57)
Net cash from (used on) operating activities		(6 808)	(5 215)	(16 033)	(20 615)	(26 619)
CASH FLOW FROM INVESTING ACTIVITIES						
Purchases of property, plant and equipment	3		(13)		(637)	(791)
Sales of fixed assets		31		3 923	765	770
Interest received		8	261	53	745	868
Net cash from (used on) investing activities		39	248	3 976	873	847
CASH FLOW FROM FINANCING ACTIVITIES						
Proceeds from issuance of shares	4	5 650		16 615	15 398	15 398
Net cash from financing activities		5 650	0	16 615	15 398	15 398
Currency translation effects on cash and bank deposits		(33)	14	(347)	15	171
Net increase (decrease) in cash and bank deposits		(1 152)	(4 952)	4 211	(4 328)	(10 204)
Cash and bank deposits at the beginning of the period		14 653	20 118	9 290	19 494	19 494
CASH AND BANK DEPOSITS AT THE END OF THE PERIOD		13 501	15 166	13 501	15 166	9 290

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

The notes on pages 3-4 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 11 November 2009.

2 Basis of preparation, accounting policies

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

	Tangible assets
<u>Nine months ended 30 September 2009</u>	
Net book value on 1 January 2009	743
Additions	0
Disposals	(393)
Depreciation, impairment and other movements	(159)
Net book value on 30 September 2009	191
<u>Nine months ended 30 September 2008</u>	
Net book value on 1 January 2008	391
Additions	637
Disposals	0
Depreciation, impairment and other movements	(519)
Net book value on 30 September 2008	516
<u>Twelve months ended 31 December 2008</u>	
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	743

4 Shares and subscription rights

	Number of class A shares	Number of class B shares	Number of shares
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
Share issue on 8 June 2009	14 000 000		14 000 000
Shares on 30 September 2009	145 622 654	0	145 622 654
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 September 2008	20 957 609	979 500	21 937 109
Shares on 31 December 2008	20 957 609	979 500	21 937 109

	1 Jan.-30 Sep. 2009	1 Jan.-30 Sep. 2008	1 Jan.-31 Dec. 2008
Subscription rights and warrants opening balance	696 111	665 000	665 000
Grant of incentive subscription rights		31 111	31 111
Allotment of warrants	109 685 545		
Subscription rights and warrants closing balance	110 381 656	696 111	696 111

Thinfilm has granted subscription rights (SRs) to employees, consultants and board members. The SRs vest in four equal tranches over four years. Unvested subscription rights terminate on the holder's last working day. Vested subscription rights terminate 90 days after the holder's last working day. 665,000 SRs were granted on 28 June 2007 and 31,111 SRs were granted on 25 February 2008. The remaining number of subscription rights held by continuing persons on 30 September 2009 was 421,667 at an exercise price of NOK 12.88 per share. These SRs terminate on 9 May 2012.

For each new share 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. The warrants may be exercised in the periods 6-31 May 2010 and 1 September-6 November 2010.

5 Profit (loss) per share

	1 Jan.-30 Sep. 2009	1 Jan.-30 Sep. 2008	1 Jan.-31 Dec. 2008
Profit (loss) attributable to the equity holders of the company (NOK 1 000)	(10 643)	(18 211)	(24 348)
Weighted average basic number of ordinary shares	71 807 419	21 773 605	21 814 705
Weighted average diluted number of ordinary shares	112 767 376	21 835 076	21 814 705
Profit (loss) per share, basic and diluted	NOK (0.15)	NOK (0.84)	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.

When 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. 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 nine months ended 30 September 2009 Thinfilm has recorded NOK 1,308 thousand for services provided from law firm Ræder, in which Thinfilm's chairman is a partner. The amount includes Ræder's work with preparing and conducting the share issues on 5 June and 8 June 2009 including the prospectuses. John Markus Lervik, who at the date of this report controls about 14 per cent of the shares in Thinfilm, has charged NOK 400 thousand for his services, excluding expenses, provided in June-September 2009.

8 Events occurring after the balance sheet date

5,500,000 SRs were granted to employees and a service provider on 22 September 2009 at an exercise price of NOK 1.08 per share. These SRs terminate on 6 May 2014. The other terms of these SRs correspond to those reported in note 4 below.

Between 30 September 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 September 2009 have occurred.

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