



Thin Film Electronics ASA, Corp. ID. NO 889 186 232
P.O. Box 2911 Solli, NO-0230 Oslo, Norway. www.thinfilm.no

Interim report and financial statements for the first quarter 2010

Advancements in opening new markets:

- Several new toys and game concepts which use Thinfilm Memory™ are under development
- The new Thinfilm Memory Controller will open new markets and further increase Thinfilm Memory's leadership in cost efficiency
- The work on the next generation of higher density printed memories has started

During the quarter, Thin Film Electronics ASA ("Thinfilm") has further increased its market activities. At present, ThinfilmMemory™ production is now ready to move from pilot to commercial volumes. Furthermore, the Company is designing an inexpensive Thinfilm Memory Controller, and has started development of the next generation of higher density printed memories.

Thinfilm has increased its market activities in 2010. These additional efforts have mainly targeted inventors and manufacturers of toys and games, where Thinfilm sees significant near-term commercial prospects. "We experience a high degree of interest from this audience, and we have now reached a point where several new toys and game concepts which use ThinfilmMemory are under development," says Rolf Åberg, CEO of Thinfilm.

Last year, Thinfilm was the first in the world to produce polymer memories at large scale using roll-to-roll printing. Over the last months, Thinfilm has made further progress together with its partners in moving from pilot to regular production.

Thinfilm is designing a new low-cost memory reader and writer. "The Thinfilm Memory Controller will open new markets and enable a broader range of applications for our technology," Åberg continues, and explains that the memory controller will further increase the cost leadership of Thinfilm's printed memory compared to alternatives, such as magnetic cards and flash, on a per-chip/per-device basis. It will also smooth the integration of the ThinfilmMemory into game designs, and hence ensure shorter time-to-market for memory-enhanced games. Furthermore, it enables new stand-alone hand-held toy designs, and also provides a low-cost and small-footprint reader/writer technology platform for applications in other industries.

Thinfilm has started the work on higher density printed memories. The next generation of memories currently under development will increase memory capacity with small changes in layout.

Higher-density printed memories are expected to be coupled with printed primary batteries, sensors and displays, creating disposable packaging and status indicator elements. Very promising research and development is carried out in the field of printed electronics, and many types of electronic components can today be printed. "To integrate them in fully printed electronic systems still needs some breakthroughs, not least on printed transistors," says Åberg.

About Thinfilm and printed electronics: 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. Thinfilm's current main product offering is a 20-bit non-volatile rewriteable memory printed in a high-volume roll-to-roll process.

Printed electronics 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 the power consumption during read and write is negligible, and during stand-by, no connection to external power is required. Data is retained without power consumption and the electric current required to write information is so small that operation using a standard battery would last years, and likely be limited by the battery's lifetime and not its original amount of power.

Other events in 2010

- On 7 January 2010 Thinfilm further strengthened its management team when Davor Sutija joined Thinfilm as Executive Vice President, Business Development and Marketing.
- Geir Harald Aase joined Thinfilm on 7 April 2010 to become Vice President of Communications and Investor Relations.
- An updated company presentation was released on 8 April 2010.
- Thinfilm attended the Engage & New York Toy Show, 16-18 February 2010.
- Thinfilm gave a master class lecture and exhibited at the Printed Electronics Europe 2009 conference 12-14 April 2010. Approximately 900 people attended the conference in Dresden, making it the biggest event on the topic in Europe.
- A new and updated web site was launched, at www.thinfilm.no, in January.

Condensed consolidated financial report as at 31 March 2010

Thinfilm's revenue in the first quarter was less than NOK 0.1 million and related to administrative services. In the first quarter of 2009, similar revenue amounted to NOK 0.3 million.

Other operating costs (i.e. all operating costs excluding depreciation and impairment charge) in the quarter were NOK 6.2 million, including the notional cost of subscription rights (share based compensation) of NOK 1.1 million. The corresponding numbers for the first quarter of 2009 were NOK 5.6 million and NOK 0.3 million. Excluding share based remuneration, costs are slightly lower than the same period in 2009 but higher than in the fourth quarter of 2009. This is due to the increase in sales and marketing manning and activities. There were five full-time employees in the group at the end of the quarter, and in addition Thinfilm made 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 less than NOK 0.1 million in the quarter, compared to a gain of NOK 0.5 million in the same period of 2009. Interest income is insignificant at the current rates.

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 quarter was a loss of NOK 6.2 million, corresponding to a loss of NOK 0.04 per basic share. In the first quarter of 2009, the loss amounted to NOK 4.8 million corresponding to NOK 0.22 per basic share.

The group's cash balance decreased by NOK 5.0 million in the quarter, reflecting the payable costs. The cash balance on 31 March 2010 amounted to NOK 4.8 million. The available liquidity is deemed to be adequate until the warrants exercise period in the second quarter of 2010.

Outlook

It is the duty of the board to point out that until Thinfilm earns recurring revenue, and the printed electronics markets have evolved further, there is inherent uncertainty attached to Thinfilm's business.

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.

Oslo, 6 May 2010

The board of directors of Thin Film Electronics ASA

Contact persons:

Geir Aase, VP Comm & IR

tel: +47 4803 7571

e-mail: [geir.aase\(at\)thinfilm.se](mailto:geir.aase@thinfilm.se)

Erling Svela, CFO

tel: +47 4062 1040

e-mail: [erling.svela\(at\)thinfilm.se](mailto:erling.svela@thinfilm.se)

Thinfilm web site: www.thinfilm.no

Thin Film Electronics ASA Group

Condensed consolidated interim financial statements

31 March 2010 (Unaudited)

Consolidated statements of comprehensive income

<i>Amounts in NOK 1,000</i>	Note	1 January -31 March 2010	1 January -31 March 2009	1 January -31 December 2009
Revenue		44	305	4 457
Other operating costs	7	(6 167)	(5 634)	(20 743)
Depreciation and impairment charge	3	(17)	(46)	(111)
<u>Operating profit (loss)</u>		<u>(6 140)</u>	<u>(5 375)</u>	<u>(16 397)</u>
<u>Net financial items</u>		<u>(45)</u>	<u>546</u>	<u>439</u>
<u>Profit (loss) before income tax</u>		<u>(6 185)</u>	<u>(4 829)</u>	<u>(15 958)</u>
Income tax expense		0	0	0
<u>Profit (loss) for the period</u>		<u>(6 185)</u>	<u>(4 829)</u>	<u>(15 958)</u>
Profit (loss) per share basic and diluted	5	(NOK 0.04)	(NOK 0.22)	(NOK 0.18)

<i>Amounts in NOK 1,000</i>	Note	1 January -31 March 2010	1 January -31 March 2009	1 January -31 December 2009
Profit (loss) for the period		(6 185)	(4 829)	(15 958)
Currency translation		39	(520)	(439)
<u>Total comprehensive income for the period, net of tax</u>		<u>(6 146)</u>	<u>(5 349)</u>	<u>(16 397)</u>

Consolidated statements of financial position

<i>Amounts in NOK 1,000</i>	Note	31 March 2010	31 March 2009	31 December 2009
ASSETS	6			
<u>Non-current assets</u>				
Property, plant and equipment	3	154	623	168
<u>Current assets</u>				
Trade and other receivables		216	1 759	174
Cash and cash equivalents		4 844	4 927	9 844
<u>Total assets</u>		<u>5 060</u>	<u>6 686</u>	<u>10 018</u>
EQUITY AND LIABILITIES				
<u>Equity</u>				
Ordinary shares	4	16 018	2 413	16 018
Share premium		4 064	120	4 064
Other paid-in equity		3 405	2 493	2 464
Currency translation		(8)	(128)	(47)
Retained earnings		(22 535)	(5 221)	(16 350)
		944	(323)	6 149
<u>Liabilities</u>	6			
Trade and other payables		4 270	7 632	4 037
<u>Total equity and liabilities</u>		<u>5 214</u>	<u>7 309</u>	<u>10 186</u>

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
Balance at 1 January 2010		16 018	4 064	2 464	(47)	(16 350)	6 149
Share based compensation	4			941			941
Comprehensive income					39	(6 185)	(6 146)
Balance at 31 March 2010		16 018	4 064	3 405	(8)	(22 535)	944
Balance at 1 January 2009		2 413	120	2 224	392	(392)	4 757
Share based compensation	4			269			269
Comprehensive income					(520)	(4 829)	(5 349)
Balance at 31 March 2009		2 413	120	2 493	(128)	(5 221)	(323)
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)
Balance at 31 December 2009		16 018	4 064	2 464	(47)	(16 350)	6 149

Consolidated cash flow statements

<i>Amounts in NOK 1,000</i>	Note	1 January -31 March 2010	1 January -31 March 2009	1 January -31 December 2009
CASH FLOW FROM OPERATING ACTIVITIES				
Operating profit (loss)		(6 140)	(5 375)	(16 397)
Adjusted for:				
Gain on sale of fixed assets				(3 512)
Share-based payment (equity part)	4	941	269	1 183
Depreciation and impairment	3	17	46	111
Changes in working capital and other changes		162	1 068	(984)
Interest paid		1		(1)
Net cash from (used on) operating activities		(5 019)	(3 992)	(19 600)
CASH FLOW FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment	3			
Sale of fixed assets				3 905
Interest received		2	39	65
Net cash from (used on) investing activities		2	39	3 970
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	4			16 606
Net cash from financing activities		0	0	16 606
Currency translation effects on cash and bank deposits		17	(410)	(422)
Net increase (decrease) in cash and bank deposits		(5 000)	(4 363)	554
Cash and bank deposits at the beginning of the period		9 844	9 290	9 290
CASH AND BANK DEPOSITS AT THE END OF THE PERIOD		4 844	4 927	9 844

The group had no bank draft facilities at 31 March 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 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.

2 Basis of preparation, accounting policies, resolution

This condensed interim financial report for the first quarter 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 periods.

This consolidated interim financial report has not been subject to audit. The report was resolved by the board of directors on 6 May 2010.

3 Property, plant and equipment

Amounts in NOK 1 000

	Tangible assets
Three months ended 31 March 2010	
Net book value on 1 January 2010	168
Additions	0
Disposals	0
Depreciation, impairment and other movements	(14)
Net book value on 31 March 2010	154

Three months ended 31 March 2009

Net book value on 1 January 2009	743
Additions	0
Disposals	0
Depreciation, impairment and other movements	(120)
Net book value on 31 March 2009	623

Year ended 31 December 2009

Net book value on 1 January 2009	743
Additions	0
Disposals	(393)
Depreciation, impairment and other movements	(182)
Net book value on 31 December 2009	168

4 Shares, warrants and subscription rights

Number of shares	Number of class A shares	Number of class B shares	Number of shares
Shares on 1 January 2010			145 622 654
Shares on 31 March 2010			145 622 654
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
Shares on 31 March 2009	20 937 609	0	21 937 109

Number of shares	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 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 2009	14 000 000		14 000 000
Shares on 31 December 2009	145 622 654	0	145 622 654
	1 Jan.-31 Mar. 2010	1 Jan.-31 Mar. 2009	1 Jan.-31 Dec. 2009
Number of warrants and subscription rights			
Subscription rights opening balance	115 607 212	696 111	696 111
Grant of incentive subscription rights	1 000 000		5 500 000
Terminated and expired			(274 444)
Allotment of warrants			109 685 545
Warrants and subscription rights	116 607 212	696 111	115 607 212

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 31 March 2010 was NOK 1.70 per share.

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. 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.-31 Mar. 2010	1 Jan.-31 Mar. 2009	1 Jan.-31 Dec. 2009
Profit (loss) attributable to the equity holders of the company (NOK 1 000)	(6 185)	(4 829)	(15 874)
Weighted average basic number of ordinary shares	145 622 654	21 937 109	90 560 499
Weighted average diluted number of ordinary shares	245 549 377	21 937 109	147 135 735
Profit (loss) per share, basic and diluted	NOK (0.04)	NOK (0.22)	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 three months ended 31 March 2010 Thinfilm has recorded NOK 240 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 14 per cent of the shares in Thinfilm, has charged NOK 300 thousand plus expenses for his services provided in January-March 2010.

8 Events occurring after the balance sheet date

Between 31 March 2010 and the presentation of this condensed consolidated financial information, no events having any substantial impact on the result for the first quarter of 2010 or the value of Thinfilm's assets and liabilities at 31 March 2010 have occurred.

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