

Interim report and financial statements for the third quarter 2010

From stand-alone memory to printed systems

- Partnership with PARC enables higher density memories and entry to new markets
- The Thinfilm Memory Controller will accelerate market launch of smart toys powered by Thinfilm
- Successful placement of new shares funds development of next-generation memory products and go-to-market activities

Thinfilm's application roadmap is moving from stand-alone memories towards integrated systems.

Thin Film Electronics ASA ("Thinfilm") has concentrated its go-to-market efforts on toys and games. As a result of these activities, several of the world's large toy manufacturers are now evaluating concepts including Thinfilm Memory.

"Toys and games will continue to be an important market for Thinfilm Memory. We will also add resources to support the development of printed ID and sensor tags powered by Thinfilm Memory," says Davor Sutija, Thinfilm CEO.

The next generation of Thinfilm Memory products will be coupled with other electronic circuit elements to make fully printed systems. Target products are expected to include ID tags, sensor tags, and disposable price labels.

"RFID will boom earlier than expected. Item level tagging is the largest single market opportunity for the application of Thinfilm Memory," Sutija believes. "Thinfilm is uniquely positioned with low-power rewritable memory that meets the standards and cost-targets of this new industry."

Strategic partnership with PARC

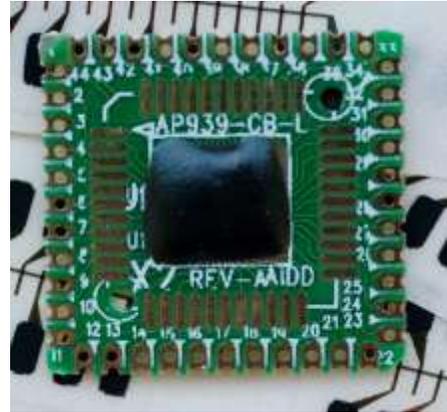
"To develop fully printed devices that include addressable memory, we need high-performance printed transistors. Our strategic partnership with PARC enables us to design higher density memories and enter new markets," says Sutija.

By combining Thinfilm memory technology and PARC transistor technology, the project's first goal is the design of an addressable memory array for commercial production. "We aim to have the first design for a 128 bit memory with printed circuitry ready early next year," Sutija continues. The design will include printed circuit elements that will reduce the number of contact pads and reduce the size – the 'footprint' – of Thinfilm Memory.

Thinfilm Memory Controller available

“Toy manufacturers have been working on concepts for new interactive games that include Thinfilm Memory, and have done extensive testing of our technology,” says Sutija. “With the release of our new Memory Controller, this will allow them to design smaller, more cost effective reader/writer units that we believe will accelerate market launch of smart toys powered by Thinfilm,” continues Christer Karlsson, Thinfilm CTO.

By storing user and game flow information, Thinfilm Memory enables evolution of characters and skill levels, and makes cards and toys ‘intelligent’. The information is written and read by a reader/writer built into the game or available as a separate hand-held device. The central component of the reader is the Thinfilm Memory Controller, an application-specific integrated circuit (ASIC).



The Thinfilm Memory Controller is an application-specific integrated circuit (ASIC), shown here as mounted and gunked on a test board.

Issue of new Thinfilm shares subscribed 3.5 times

The gross proceeds from the placement closed 01 October amount to NOK 18.7 million. Including the two proposed warrants issued to each share subscribed, the potential gross proceeds are NOK 62.9 million.

“The successful placement will fund the development of next-generation memory products and go-to-market activities,” 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.

Printed RFID tags are predicted to rapidly gain market share over the coming years. According to IDTechEx, the numbers of printed and chipless RFID tags sold globally will rise from 12 million in 2011 to 209 billion in 2021.

The demand for low cost tags is expected to be fuelled by retailers’ adoption of standard EPC RFID tags in open supply chains. Governments will also drive the RFID boom. The public sector is the largest customer for RFID today, and in the future the use of RFID in transit ticketing, people identification and animal tagging is forecasted to grow.

In parallel to the embracement of item level ID tagging, NFC enabled phones will put an RFID-compatible reader in people’s pockets, purses, and backpacks. Major communication device companies are targeting RF applications for consumer mass markets. Examples of these applications are location tags, advertising and smart packaging.

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.

About Thinfilm’s product roadmap

Thinfilm is developing higher-density memories. Together with PARC Thinfilm is designing a 128 bit addressable array memory that includes printed transistors.

Thinfilm will also partner with other companies to develop system products equipped with Thinfilm Memory. Target products are expected to include:

1. Sensor tags coupled with printed sensors, measuring temperature, humidity, etc., and printed battery.
2. Proximity ID tags (that can be read without contacting the tag). This means integrating low cost transistors and antenna with Thinfilm Memory.
3. Disposable price labels in stores with printed display and memory powered by printed batteries.
4. NFC RFID. RFID tags compliant with NFC (Near Field Communication) and EPC (Electronic Product Code).



Roadmap Products and Applications

New breakthroughs in materials and ink formulation make it possible to print high quality transistors. Transistors are needed to ‘drive’ the logic for system products. The numbers of printed transistors needed defines the timeline for Thinfilm’s system products roadmap. The

figure above indicates a timeline between 24 to 36 months, with sensor tags and ID tags as the first system products.

Other events in 2010

- Partnership for volume production of polymer: Solvay and Thinfilm entered a commercial Agreement on 1 June 2010.
- Thinfilm Memory EU Certified: Certification that Thinfilm Memory™ products meet EU standards for safety of toys received on 18 June 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 presented at PARC Forum in Palo Alto on 28 October 2010. The presentation is available at <http://www.parc.com/event/1249/from-stand-alone-memory-to-printed-systems.html>
- Thinfilm exhibited and presented at the Printed Electronics ASIA 2010 conference in Hong Kong 13-14 October 2010
- 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, in January.

Condensed consolidated financial report as at 30 September 2010

Thinfilm did not earn revenue in the third quarter. In the first nine months of 2010, the revenue was less than NOK 0.1 million and related to administrative services. Similar revenue amounted to NOK 0.9 million and Thinfilm had NOK 3.5 million gain on sale of equipment no longer in use in the same period of 2009.

Other operating costs (i.e. all operating costs excluding depreciation and impairment charge) amounted to NOK 19.2 million year to date, including the notional cost of subscription rights (share based compensation) of NOK 3.4 million. The corresponding numbers for the same period of 2009 were NOK 15.3 million and NOK 0.4 million. Excluding share based remuneration, the underlying cash cost increase was thus only NOK 0.9 million. There were six full-time and one part-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 0.2 million in the first nine months, 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 recognized the deferred tax asset in its balance sheet, because this potential asset does not yet qualify for inclusion.

The net result year to date was a loss of NOK 19.4 million, corresponding to a loss of NOK 0.10 per basic share. In the first three quarters of 2009, the loss amounted to NOK 10.6 million. Result per share is not comparable because the number of shares increased substantially because of the 5:1 rights issues in June 2009.

Because the warrants exercised in May raised NOK 9.9 million in new equity, the group's cash balance decreased by only NOK 6.2 million in the first nine months, of which NOK 5.5 million reduction was in the third quarter. The cash balance on 30 September 2010 amounted to NOK 3.6 million, while net of receivables and payables amounted to NOK 3.7 million payable. Consequently, the company's liquidity was constrained.

The company's balance sheet comprises essentially cash, receivables, payables and accruals, and net equity. The intangible property rights in form of patents and know how, have not been capitalized. At 30 September 2010, the equity was virtually nil. The company conducted a successful private placement on 1 October 2010, raising new equity and working capital amounting to NOK 18.7 million before expenses. The new capital has been registered and the equity is positive at the date of this report. The second and final exercise period for warrants runs from 1 September to 6 November 2010. A letter and exercise form was sent to all holders of warrants on 20 October 2010. The board takes for its basis that the outstanding warrants will be exercised and adds NOK 2.1 million equity and liquidity.

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 operates at a loss and does not have assets suitable for secured borrowing. At 30 September 2010, the equity was virtually nil. Following the successful private placement on 1 October 2010, the equity is positive at the date of this report.

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 sales activities will continue focusing on the toys and games market. Business development activities will focus on this market and development of next generation printed electronics products.

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, 3 November 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 September 2010 (Unaudited)

Consolidated statements of comprehensive income

<i>Amounts in NOK 1,000</i>	Note	1 July- 30 September 2010	1 July- 30 September 2009	1 January- 30 September 2010	1 January- 30 September 2009	1 January- 31 December 2009
Revenue		-	29	60	4 388	4 457
Other operating costs	7	(6 004)	(3 800)	(19 229)	(15 322)	(20 743)
Depreciation and impairment charge	3	(15)	(19)	(46)	(93)	(111)
Operating profit (loss)		(6 019)	(3 790)	(19 215)	(11 027)	(16 397)
Net financial items		(77)	9	(195)	384	439
Profit (loss) before income tax		(6 096)	(3 781)	(19 410)	(10 643)	(15 958)
Income tax expense		0	0	0	0	0
Profit (loss) for the period		(6 096)	(3 781)	(19 410)	(10 643)	(15 958)

Profit (loss) per share basic and diluted	5	(NOK 0.03)	(NOK 0.03)	(NOK 0.10)	(NOK 0.15)	(NOK 0.18)
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<i>Amounts in NOK 1,000</i>	Note	1 July- 30 September 2010	1 July- 30 September 2009	1 January- 30 September 2010	1 January- 30 September 2009	1 January- 31 December 2009
Profit (loss) for the period		(6 096)	(3 781)	(19 410)	(10 643)	(15 958)
Currency translation		101	(18)	174	(405)	(439)
Total comprehensive income for the period, net of tax		(5 995)	(3 799)	(19 236)	(11 048)	(16 397)

Consolidated statements of financial position

<i>Amounts in NOK 1,000</i>	Note	30 September 2010	30 September 2009	31 December 2009
ASSETS	6			
<u>Non-current assets</u>				
Property, plant and equipment	3	133	191	168
<u>Current assets</u>				
Trade and other receivables		509	394	174
Cash and cash equivalents		3 604	13 501	9 844
Total current assets		4 113	13 895	10 018
TOTAL ASSETS		4 246	14 086	10 186
EQUITY AND LIABILITIES				
<u>Equity</u>				
Ordinary shares	4	25 963	16 018	16 018
Share premium		3 803	3 088	4 064
Other paid-in equity		5 870	2 538	2 464
Currency translation		127	(13)	(47)
Retained earnings		(35 760)	(10 993)	(16 350)
Total equity		3	10 638	6 149
<u>Liabilities</u>	6			
Trade and other payables		4 243	3 448	4 037
TOTAL EQUITY AND LIABILITIES		4 246	14 086	10 186

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 issue 7 May 2010		32					32
Warrants exercise 31 May 2010		9 913	(261)				9 652
Paid-in, not registered equity				5			5
Share based compensation	4			3 401			3 401
Comprehensive income					174	(19 410)	(19 236)
Balance at 30 September 2010		25 963	3 803	5 870	127	(35 760)	3
Balance at 1 January 2009		2 413	120	2 224	392	(392)	4 757
Share issue on 5 June 2009	4	12 065	(120)	(930)			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	4 060	1 608	(13)	(11 035)	10 638
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 July-30 September 2010	1 July-30 September 2009	1 January-30 September 2010	1 January-30 September 2009	1 January-31 December 2009
CASH FLOW FROM OPERATING ACTIVITIES						
Operating profit (loss)		(6 019)	(3 790)	(19 215)	(11 027)	(16 397)
Adjusted for:						
Gain on sale of fixed assets			(28)		(3 527)	(3 512)
Share-based payment (equity part)	4	1 156	(203)	3 401	314	1 183
Depreciation and impairment	3	15	19	46	93	111
Changes in working capital and other changes		(532)	(2 804)	(229)	(1 883)	(984)
Interest paid		(1)	(2)	(2)	(3)	(1)
Net cash from (used on) operating activities		(5 381)	(6 808)	(15 999)	(16 033)	(19 600)
CASH FLOW FROM INVESTING ACTIVITIES						
Purchases of property, plant and equipment	3					
Sale of fixed assets			31		3 923	3 905
Interest received		1	8	5	53	65
Net cash from (used on) investing activities		1	39	5	3 976	3 970
CASH FLOW FROM FINANCING ACTIVITIES						
Proceeds from issuance of shares	4	(204)	5 650	9 684	16 615	16 606
Net cash from financing activities		(204)	5 650	9 684	16 615	16 606
Currency translation effects on cash and bank deposits		39	(33)	70	(347)	(422)
Net increase (decrease) in cash and bank deposits		(5 545)	(1 152)	(6 240)	4 211	554
Cash and bank deposits at the beginning of the period		9 149	14 653	9 844	9 290	9 290
CASH AND BANK DEPOSITS AT THE END OF THE PERIOD		3 604	13 501	3 604	13 501	9 844

The group had no bank draft facilities at 30 September 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 in 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 nine months 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 had very little working capital at 30 September 2010, when the net equity was close to 0 (nil). There were insignificant assets readily available for sale to cover future expenses. Thinfilm conducted a private placement of 23,314,000 shares on 1 October 2010, raising NOK 18.7 million additional funds and equity before expenses.

This consolidated interim financial report has not been subject to audit. The report was resolved by the board of directors on 3 November 2010.

3 Property, plant and equipment

Amounts in NOK 1 000

	Tangible assets
<u>Nine months ended 30 September 2010</u>	
Net book value on 1 January 2010	168
Additions	0
Disposals	0
Depreciation, impairment and other movements	(35)
Net book value on 30 September 2010	133
<i>Nine months ended 30 September 2009</i>	
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
<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)
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
Share issue as board remuneration 7 May 2010			288 500
Warrants exercised 6-31 May 2010			90 409 370
Shares on 30 September 2010			236 032 024
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
Share issue 8 June/1 July 2009	14 000 000		
Shares on 30 September 2009	145 622 654	0	131 622 654

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/1 July 2009	14 000 000		14 000 000
Shares on 31 December 2009	145 622 654	0	145 622 654

Number of warrants and subscription rights	1 January-30 September 2010	1 January-30 September 2009	1 January-31 December 2009
Warrants and subscription rights opening balance	115 607 212	696 111	696 111
Grant of incentive subscription rights	7 400 000		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	32 886 342	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. 90,120,870 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 under incentive programmes. The SRs vest in four equal tranches over four years from the date of grant and expire on the fifth anniversary following the general meeting that resolved the programme. Unvested subscription rights terminate on the holder's last working day. Vested subscription rights may be exercised up to 90 days after the holder's last working day. The board granted 6,200,000 SRs at an exercise price of NOK 0.80 per share on 30 September 2010. The weighted average exercise price of the outstanding SRs on 30 September 2010 was NOK 1.27 per share.

5 Profit (loss) per share

	1 January-30 September 2010	1 January-30 September 2009	1 January-31 December 2009
Profit (loss) attributable to the equity holders of the company (NOK 1 000)	(19 410)	(10 643)	(15 958)
Weighted average basic number of ordinary shares	186 025 378	72 004 754	90 560 499
Weighted average diluted number of ordinary shares	248 710 105	112 964 711	147 135 735
Profit (loss) per share, basic and diluted	NOK (0.10)	NOK (0.15)	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 nine months ended 30 September 2010 Thinfilm has recorded NOK 779 thousand for services provided from law firm Ræder, in which Thinfilm's chairman is a partner. Board member Rolf Åberg was acting CEO until 30 June 2010 and has performed sales and marketing on a part-time employment basis in the third quarter. The aggregate salary amount to Mr. Åberg in January-September 2010 was SEK 1,134 thousand. John Markus Lervik, who at the date of this report controls between 5 and 10 per cent of the shares in Thinfilm, has charged NOK 840 thousand plus expenses for his services provided in January-June 2010.

8 Events occurring after the balance sheet date

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

Thinfilm conducted a private placement of 23,314,000 shares on 1 October 2010, raising NOK 18.7 million additional funds and equity before expenses. At the date of this report, the capital has been paid in and registered.

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