

PowerFilm, Inc.

PowerFilm Announces Results for the Year Ended 31 December 2007

17 March 2008, LONDON, UK and AMES, IOWA – PowerFilm, Inc. (AIM: PFLM) ('the Company' or 'PowerFilm'), the developer and manufacturer of thin flexible solar panels, today announces its results for the year ended 31 December 2007.

Highlights

- Net income doubled to \$1,885,565 for the year ended 31 December 2007 (2006: \$927,047)
- Revenue of \$8,312,994 for the year ended 31 December 2007 (2006: \$6,090,047)
- Gross margin for the year ended 31 December 2007 of 36%, (2006: 31%)
- Progress continued throughout 2007 with the implementation of the Company's plans to reach 10 MW and 24 MW installed capacity by the end of 2009 and the end of 2010, respectively
- Production of sellable product from its four new 13-inch silicon deposition machines achieved
- Advances being made in the development of the initial meter-wide silicon deposition machine
- Land has been purchased and the building has been ordered for the meter-wide expansion facility; building is expected to commence in the second quarter of 2008
- PowerFilm has successfully combined improved laminates with the advanced down-web printed interconnect technology to enable high throughput manufacturing of building integrated solar products
- Successful raising of £7.9 million (\$15.5 million) in a follow-on fundraising in June 2007 to expand production capacity further to 24 MW annual capacity. The Company continues to be fully funded for its expansion plans

Frank Jeffrey, Co-Founder and CEO of PowerFilm, said, "In the past year PowerFilm continued to make strong fundamental progress with its growth plans throughout the company. The previously announced short-term delays in adding production capacity are being addressed head-on, and since then we have made good advancements in the period."

Mike Coon, COO and CFO of PowerFilm, said, "In 2007 PowerFilm has seen profits double, gross profit margins expand, and it has achieved additional growth by further enhancing an already strong balance sheet with a follow-on equity fundraising."

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A copy of this announcement will be available on the PowerFilm website at <http://www.powerfilmsolar.com>.

The common shares of PowerFilm, Inc. are traded on the AIM Market of the London Stock Exchange and are not registered under the US Securities Act 1933, as amended. Such shares may not be offered or sold to residents of the United States or to persons acting on their behalf, or to other persons who are "United States Persons" within the meaning of Regulation S as promulgated under the Securities Act of 1933, unless such shares have been registered under the Securities Act or there is an available exemption from registration.

Chairman and CEO's Statement

PowerFilm has had a good year resulting in profits doubling and increased gross margins. The Company continues to stand out from its peers by expanding volumes produced while driving up profits. There have been delays in bringing production capacity online which are currently being addressed, although they will inevitably have implications for sales.

PowerFilm has maintained its status as an industry leader in the development and commercialisation of thin film solar technology and this has been reflected in the global demand for its product targeted at the portable, remote, military and building integrated markets. The Company's commitment to finalising the development and testing of the building integrated product will remain a top priority.

Significant progress has been made with the expansion of production capacity. The additional 13-inch silicon deposition machines have succeeded in increasing capacity and we have advanced the meter-wide technology.

PowerFilm continues to experience a high level of demand. We also succeeded in advancing the Company's thin film electronics development programme for backplane drivers for flexible displays and we foresee potential growth for the Company from this development.

PowerFilm's outlook for 2008 is for sustained growth and continued profitability. While we experienced setbacks in the sales growth of the business, we nevertheless expect growth in 2008 revenue to exceed 40% over that achieved in 2007.

Merlin Hanson
Chairman

Frank R. Jeffrey
CEO

Operational Review

Product Overview

Having developed its thin film solar technology, PowerFilm manufactures and sells a range of thin flexible solar panels in a variety of sizes and configurations. The Company's solar panels are manufactured on a flexible, thin plastic substrate that is as thin as 1/1000th of an inch (0.025 mm) thick. Its solar panels are much thinner and more lightweight, flexible and durable than rigid crystalline panels. This enables easier integration into roofing materials and allows for simple, robust, low cost building installations. To create its solar panel products, PowerFilm has pioneered the production of thin, flexible solar panels on plastic substrates through a proprietary roll-to-roll manufacturing process.

Technology and Manufacturing

PowerFilm has developed a proprietary thin film manufacturing process which consists of roll-to-roll manufacturing of solar cells using an amorphous silicon sunlight absorber layer deposited on a flexible plastic substrate. The Company's proprietary manufacturing process includes an automated low-cost interconnection of individual solar cells within the overall solar panel.

Key elements of PowerFilm's proprietary production process are:

- Roll-to-roll manufacturing
- Plastic, flexible substrate
- Amorphous silicon absorber layer
- Automated cell connection process (printed interconnects, laser scribing, laser welding)
- Roll-form encapsulation
- Low-cost integration

Ongoing Research and Development

The Company has an ongoing research and development program for further improvements to the Company's established technology base.

Production Capacity Expansion Project

The Company's production capacity expansion project is being completed in stages. Four more thirteen inch production lines came online in early 2008, and further production capacity is planned with the addition of meter-wide production lines to complete the project.

Land has been purchased for the new meter-wide facility and building is expected to commence in the second quarter of 2008.

Meter-Wide Manufacturing

Many of the components for the initial meter-wide silicon deposition machine are in place. The chamber is expected to arrive in April 2008. Installation of the machine will follow in the existing building. Meter-wide production is expected to commence in early to mid summer.

Technical challenges overcome in the design of the meter-wide silicon deposition machine include:

- Large area radio frequency (RF) power distribution;
- Gas flow impacting uniformity and gas phase dust nucleation; and
- Web path design.

The Company's current manufacturing process uses a one-third meter-wide (thirteen inch) web. This 3 times web width increase is expected to reduce further the Company's direct manufacturing cost by reducing equipment and labor costs per unit.

Further Technology Advancements: Next Generation Printed Interconnect

PowerFilm's low-cost technology platform continues to form the basis for the Company's ongoing commercial and financial progress. In 2007, PowerFilm implemented further technology advancements through employing the next generation of its proprietary low-cost printed interconnect, the process whereby the Company creates and connects solar cells into modules on the roll of the flexible plastic substrate.

PowerFilm has executed the manufacturing stage of this next generation of laser and printing technology. The new technology is delivering a six times throughput improvement on the Company's current machines which represents the achievement of a critical milestone for meeting the Company's low-cost manufacturing goals for building integrated solar products.

Building Integrated Solar Update

It is a top priority of the Company to finalize the development and testing of the building integrated solar products as market demand for building integrated solar products is especially strong.

Building integrated solar product testing includes recently available laminates with enhanced physical properties for building integrated solar applications.

The new roll lamination equipment designed for the building integrated laminates is being fine tuned for the material requirements of these new laminates.

Portable and Remote Power Update

PowerFilm is launching a new line of compact, lightweight solar chargers for the consumer market. These products can charge cell phones, laptops, handheld GPS units, etc. Twelve volt batteries are also able to be recharged.

The Company is experiencing continued demand from the oil and gas industry for its products for remote recharging of data collection systems, as well as from the GPS asset tracking industry for improved asset management of trucking fleets. One of the Company's large customers in GPS asset tracking has been redesigning its product which is causing an interim delay in sales to that customer. This had an impact on 2007 sales and will inevitably impact 2008 sales.

Military Products Update

PowerFilm continues to have contracts with the US Army for technology improvements and product development and is developing lightweight recharging products for the individual soldier.

Thin Film Electronics Update

PowerFilm's collaborative effort with Hewlett-Packard to develop thin, flexible low-cost backplane drivers for flexible displays is progressing well. In 2007 the Company brought a new developmental machine online which is enabling strong progress toward a demonstrable array. Potential display applications range from printer displays, displays on cell phones, PDA's, to laptop displays.

Outlook

PowerFilm can expect to see continued growth going forward into 2008 with continued profitability, albeit below current market expectations. One-off delays in 2007 in delivery of the four thirteen inch machines and the initial meter-wide machine, and the delay in the launch of the building integrated solar product will impact sales in 2008.

Changes have been made to address these points, including implementing changes to the way PowerFilm is sourcing machine components, as well as increasing the sales team and expanding the tradeshow schedule.

The outlook for global market demand for solar power products remains strong. Sales accounts with OEM customers developing portable and remote applications do take longer to develop. However, once PowerFilm specifies a custom OEM solution and then supplies panels to an OEM customer the result typically is a high-value long-term customer with growing volume.

The strong global demand for solar products is underpinned by continued pressure on both grid connected electricity and portable and remote power supplies in developed and developing countries. Market interest in economically competitive, environmentally-friendly energy supply sources that are an alternative to fossil fuels is becoming increasingly mainstream. Existing and new national level and state level solar subsidy programs in both Europe and the US are generally expected to remain in place for at least the next two to three years. This is likely to continue to help prime demand for solar power products. We anticipate the eventual reduction and elimination of solar subsidies and believe that we will be well placed to compete on a low-cost manufacturing basis.

Financial Review

Successful Follow-on Fundraising to Expand Capacity Further

In June 2007, PowerFilm successfully raised £7.9 million (\$15.5 million) by means of a placing of 2,633,333 new common shares. The proceeds of the fundraising are for expanding production capacity to 24 MW annual installed capacity. The fundraising was supported by existing large institutional investors as well as new ones.

Financial Results

Net income doubled to \$1,885,565 for the year ended 31 December 2007, compared with \$927,047 for the year ended 31 December 2006.

Revenue of \$8,312,994 was realized for the year ended 31 December 2007, compared with \$ 6,090,047 for the year ended 31 December 2006. This was an increase of 37%.

Gross margin for the year ended 31 December 2007 was 36%, compared with 31% for the year ended 31 December 2006.

The Company's IPO in May 2006, follow-on equity fundraising in June 2007, and profits generated from product sales provide a strong financial position to fund fully the expansion project to 24 MW. The Company's balance sheet as at 31 December 2007 includes cash and cash equivalents of \$4,928,212, securities available-for-sale of \$12,650,000, and cash held for property and equipment construction of \$15,000,000. These three accounts total \$32,578,212. This includes funds from a tax-exempt bond fundraising of \$5,000,000 for the land and building for the new meter-wide facility. An offsetting long-term liability of \$4,875,000 is shown on the balance sheet.

The Company has significant development contracts in place which support the majority of the research and development, thus reducing the need for internally funded research and development. Selling, general, and administrative expenses were \$1,256,387 for 2007, compared to \$865,938 for the previous year.

Interest and dividend income for the year ended 31 December 2007 was \$1,063,209, compared to \$404,439 for the previous year, reflecting the additional follow-on fundraising funds.

The financial statements of PowerFilm are prepared on the basis of current US generally accepted accounting principles (US GAAP).

Accounts Audited

The financial information in this announcement is from the Company's audited accounts for the years ended 31 December 2007 and 2006. The Company's complete financial statements and footnotes will be included in the Company's annual report and will be available upon request.

The information presented herein has been prepared on the basis of current US generally accepted accounting principles (US GAAP).

Financial Statements

PowerFilm, Inc.

Statements of Income Years Ended December 31, 2007 and 2006

	12 months ended 31-Dec-07	12 months ended 31-Dec-06
	(\$)	(\$)
Operating revenues:		
Sales	5,792,047	4,236,916
Development contracts	2,520,947	1,853,131
	<u>8,312,994</u>	<u>6,090,047</u>
Cost of revenues	<u>5,301,424</u>	<u>4,178,310</u>
	<u>3,011,570</u>	<u>1,911,737</u>
Operating expenses	<u>1,256,387</u>	<u>865,938</u>
Operating income	<u>1,755,183</u>	<u>1,045,799</u>
Other income (expense):		
Interest and dividend income	1,063,209	404,439
Interest (expense)	(20,100)	(46,619)
Other income	36,273	52,428
	<u>1,079,382</u>	<u>410,248</u>
Income before income taxes	2,834,565	1,456,047
Income taxes	<u>949,000</u>	<u>529,000</u>
Net income	<u>1,885,565</u>	<u>927,047</u>
Basic earnings per share	<u>0.05</u>	<u>0.03</u>
Diluted earnings per share		

\$0.05 \$0.03

PowerFilm, Inc.

Balance Sheets
December 31, 2007 and 2006

	12 months ended 31-Dec-07 (\$)	12 months ended 31-Dec-06 (\$)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, net of cash held for property and equipment construction	4,928,212	6,656,621
Accounts receivable	1,017,247	876,385
Securities available-for-sale	12,650,000	-
Inventories	1,492,523	454,231
Prepaid expenses	74,555	61,749
Income tax receivable	193,000	-
Deferred income taxes	60,000	6,000
Total current assets	20,415,537	8,054,986
CASH HELD FOR PROPERTY AND EQUIPMENT CONSTRUCTION	15,000,000	8,000,000
PROPERTY AND EQUIPMENT		
Machinery and equipment	3,726,204	1,882,020
Leasehold improvements	206,409	64,906
Equipment construction in progress	3,327,076	2,235,777
	7,259,689	4,182,703
Less accumulated depreciation	(1,468,661)	(1,169,202)
	5,791,028	3,013,501
OTHER ASSETS	166,524	19,986

	41,373,089	19,088,473
	12 months ended 31-Dec-07	12 months ended 31-Dec-06
	(\$)	(\$)
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	125,000	-
Trade accounts payable	311,090	422,450
Other payables and accrued expenses	698,158	406,987
Income tax payable	-	211,000
Total current liabilities	1,134,248	1,040,437
LONG-TERM LIABILITIES		
Revenue bonds payable, less current maturities	4,875,000	-
Subordinated debentures	300,000	420,000
Deferred income taxes	187,000	148,000
Total long-term liabilities	5,362,000	568,000
COMMITMENTS		
STOCKHOLDERS' EQUITY		
Common stock	365,404	330,092
Additional paid-in capital	31,762,286	16,176,343
Retained earnings	2,859,166	973,601
Accumulated other comprehensive (loss)	(110,015)	-
	34,876,841	17,480,036
	41,373,089	19,088,473

PowerFilm, Inc.

Statements of Cash Flows
Years Ended December 31, 2007 and 2006

	12 months ended 31-Dec-07	12 months ended 31-Dec-06
	(\$)	(\$)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	1,885,565	927,047
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	312,437	167,884
Provision for doubtful accounts	-	103
Deferred taxes	(15,000)	128,000
Stock-based compensation expense	191,228	161,833
Tax benefit resulting from stock awards exercised	72,000	-
Changes in working capital components		
(Increase) in accounts receivable	(140,862)	(458,327)
(Increase) in inventories	(1,038,292)	(245,119)
(Increase) in prepaid expenses	(12,806)	(61,749)
(Increase) in income tax receivable	(193,000)	-
Increase (decrease) in trade accounts payable	(111,360)	408,184
Increase in other payables and accrued expenses	181,156	160,566
Increase (decrease) in income tax payable	(211,000)	211,000
Net cash provided by operating activities	920,066	1,399,422
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,089,964)	(2,553,734)
Purchase of securities available-for-sale	(16,150,000)	-
Proceeds from sale of securities available-for-sale	3,500,000	-
(Increase) in cash held for property and equipment construction	(7,000,000)	(8,000,000)
(Increase) in other assets	(4,240)	(3,127)
Net cash (used in) investing activities	(22,744,204)	(10,556,861)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from long-term debt	5,000,000	100,000
Payment of deferred revenue bond issuance costs	(142,298)	-
Principal payments on long-term debt	-	(500,579)
Cash received on committed shares	-	4,650
Proceeds from issuance of common stock, net	15,238,027	16,096,552
Net cash provided by financing activities	20,095,729	15,700,623
Net increase (decrease) in cash and cash equivalents	(1,728,409)	6,543,184

CASH AND CASH EQUIVALENTS

Beginning	6,656,621	113,437
Ending	4,928,212	6,656,621

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION, cash payments for:

Interest paid	28,500	49,419
Income taxes	1,368,000	190,000

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

Conversion of subordinated debentures to common stock	120,000	-
(Loss) on interest rate swap agreement	(110,015)	-

Forward-looking Statements

This release includes forward-looking statements which are based on certain assumptions and reflect management's current expectations as contemplated under the Safe Harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Some of these factors include: uncertainty as to whether our strategies, partnerships and business plans will yield the expected benefits; general global economic conditions; general industry and market conditions and growth rates; increasing competition; the ability to identify, develop and achieve commercial success for new products, services and technologies; changes in technology; changes in laws and regulations, including government incentive programs; intellectual property rights; our ability to secure and maintain strategic relationships, including key supply relationships; the availability and cost of capital; the availability of, and our ability to retain, key personnel; and the failure of the Company to effectively integrate acquisitions. Additional factors are discussed in our public disclosure materials from time to time. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.