

The cover features a background image of several large rolls of thin film material, likely for electronics, arranged in a row. The rolls are partially unspooled, showing a dark, textured surface. The image is overlaid with a blue and white geometric pattern in the top right corner. The title 'Thin Film Electronics ASA Annual Report' is written in white, sans-serif font, and the year '2013' is written in a large, white, sans-serif font, oriented vertically on the left side.

Thin Film Electronics ASA Annual Report

2013

The logo consists of a stylized graphic of three horizontal lines with diagonal strokes, resembling a circuit or a signal, positioned above the word 'THINFILM'.

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Memory Everywhere™



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A message from the CEO



Dear Shareholders,

I'm very happy to report that Thinfilm experienced a breakthrough year in 2013. Significant commercial traction, strong topline financial results, continued progress along our product roadmap, and notable strides in our manufacturing capabilities all contributed to Thinfilm's evolution from a technology company to a firm that's delivering innovative products to new markets throughout the world.

It was also a year during which Thinfilm's commercial success coincided with a rising interest in the Internet of Things (IoT), which is now commonly referred to, more accurately, as the Internet of Everything (IoE). Considering our aspiration to be a primary enabler of IoE, this convergence made 2013 a seminal year for Thinfilm shareholders and employees, and positions us well for continued success moving forward.

Over the course of the year, Thinfilm achieved several critical commercial wins. An agreement with an international luxury goods company led to the formal launch of our Brand Protection Solution™ in Q3 and the first use of our Thinfilm Memory™ product for this purpose. In December, we entered into a strategic alliance with Brady Corporation which gives them exclusive rights to distribute timer labels based on Thinfilm Smart Label™ technology for visitor and healthcare identification applications.

Thinfilm also extended its agreement with the Bemis Company to encompass both brand protection for flexible packaging and intelligent packaging solutions over the course of two years.

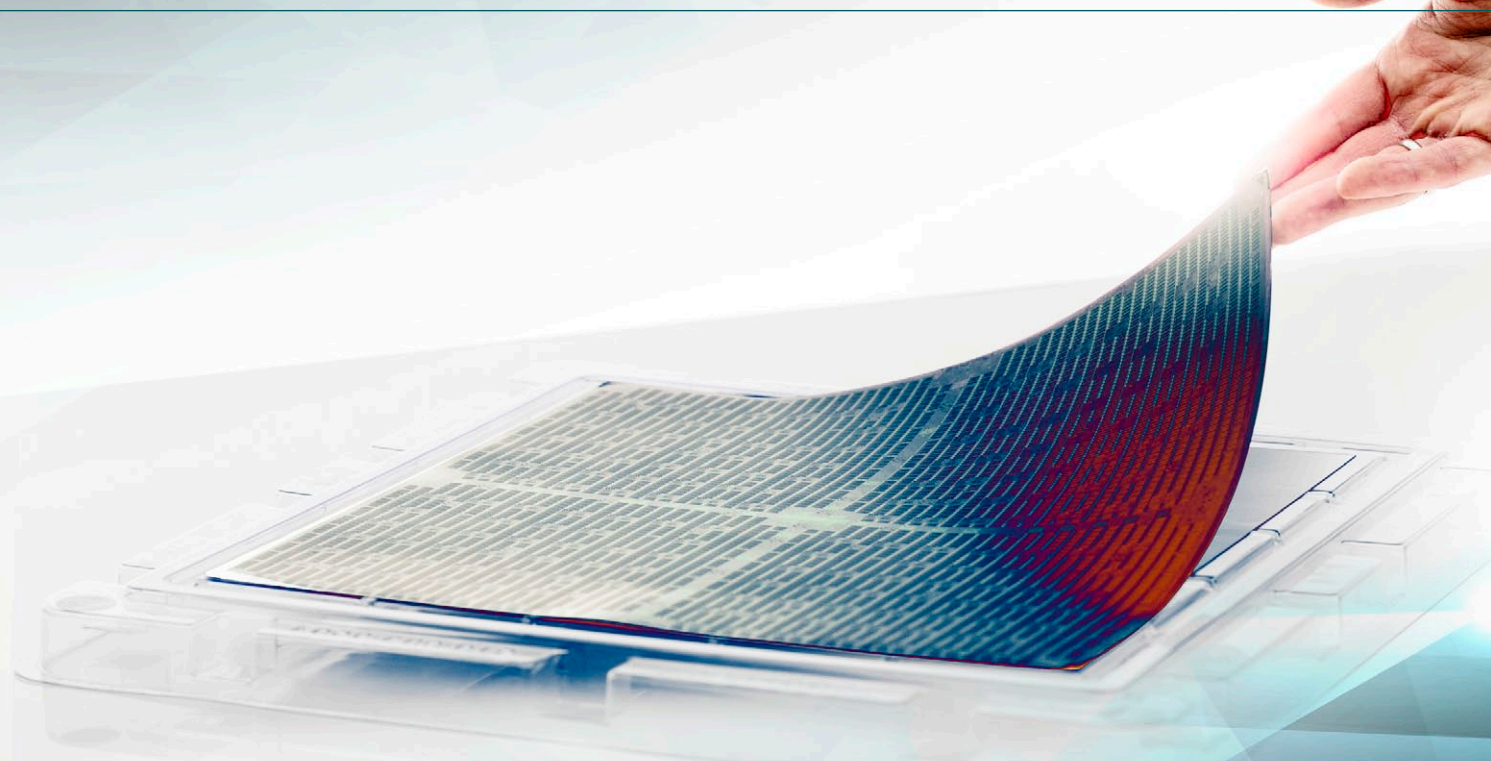
Financially, we achieved revenue of NOK 11.5 million (USD 1.9 million)

– a 137% increase year over year from 2012. The Company also raised NOK 318 million (USD 53 million), including a NOK 280 million (USD 47 million) investment from a leading global fund and NOK 8.5 million (USD 1.4 million) from PARC, a Xerox company, capital infusions that significantly accelerated our roadmap and serve as a clear indication of Thinfilm's increasing international presence and growing reputation.

"In January Thinfilm bought Kovio Technology, a Silicon Valley firm with expertise in Near Field Communication (NFC). This is a system which allows a user simply to tap an NFC tag with a portable device, like a smartphone, to send or receive data. NFC is a more sophisticated version of RFID ... By incorporating NFC, [Thinfilm] smart labels will be able to communicate wirelessly."

– *The Economist*, Q1 2014

On the technology front, Thinfilm successfully demonstrated the first-ever closed integrated system based on printed and organic electronics. This revolutionary low-voltage transistor technology can be used to drive displays, control sensors, and write to Thinfilm Memory, and also makes it possible to use thin film batteries for printed integrated systems.



Kovio NFC Barcodes™ are manufactured on a 300 mm flexible foil substrate.

In Q4, Thinfilm launched a high-definition, roll-to-roll printing facility at its product development site in Linköping, Sweden, which gives us the ability to develop high-volume print processes for integrated devices and deliver state-of-the-art logic. This facility has the capacity to print up to 50 million integrated systems or, alternatively, 200 million brand protection labels per year, and serves as a second production site for Thinfilm Memory.

In December, Thinfilm initiated negotiations to acquire the industry's leading printed-dopant polysilicon NFC technology from Kovio, Inc., and completed the transaction in January of 2014. Lauded by industry experts, the deal included over 200 patents as well as manufacturing and development equipment. Adding NFC to our printed electronic memory and sensor platform accelerates our product roadmap by two years and will allow for the seamless exchange of information between Thinfilm's Smart Labels™ and NFC-enabled phones and tablets.

"The acquisition of Kovio technology is an astute strategic move by Thinfilm. Kovio has impressive capability, NFC products and IP that will accelerate Thinfilm's product roadmap, in addition to giving Thinfilm a substantial presence in Silicon Valley."

– Raghu Das, CEO, IDTechEx

As a result of the acquisition, we established the Thinfilm NFC Innovation Center at our San Jose, California, location, and retained an experienced team of 20+ Kovio employees that will build out the Center's competence in design, process development, and manufacturing. By the end of 2014, we expect to integrate printed NFC with Thinfilm Smart Labels, making them wireless and readable with NFC-enabled smart devices.

During the year Thinfilm also announced three strategic additions to the management team, with John Afzelius-Jenevall joining as CFO, Dr. Peter Fischer joining as Chief Product Officer, and Henrik Sjöberg joining as SVP, Product Development. Other key moves focused on strengthening the Sales and Business Development team. Kai Lepänen was appointed Vice President, Europe, Patty Britton, Vice President, North America, and Koji Katsumoto was promoted to Vice President, Japan.

As the Company continues its journey into 2014, the question before us is this: How does Thinfilm follow up a breakthrough year? With another breakthrough year, of course. And by continuing to be a thought leader regarding the Internet of Everything. We believe IoE is a megatrend powered by embedded intelligence, and we're confident that our technology will drive the ongoing ubiquity of that intelligence. As we stay the course and successfully execute according to plan, the opportunities ahead will be both abundant and compelling.

On behalf of Thinfilm, thank you for your continued trust and support. I look forward to communicating with you over the course of what I anticipate will be a productive and eventful 2014.



Davor Sutija

CEO

7 April 2014

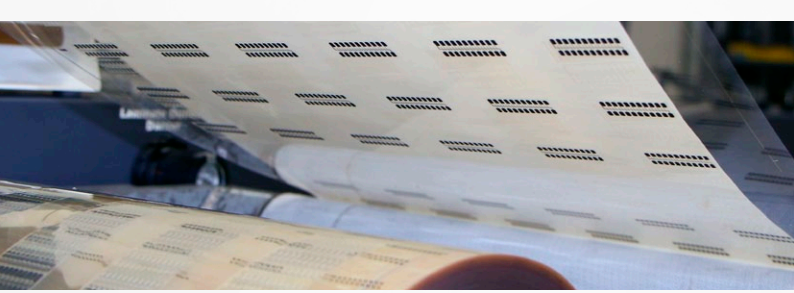
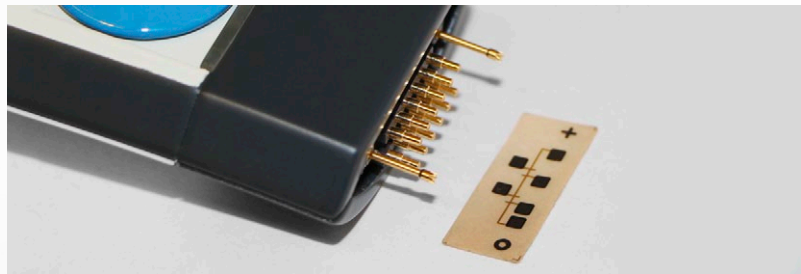
Highlights 2013



137%

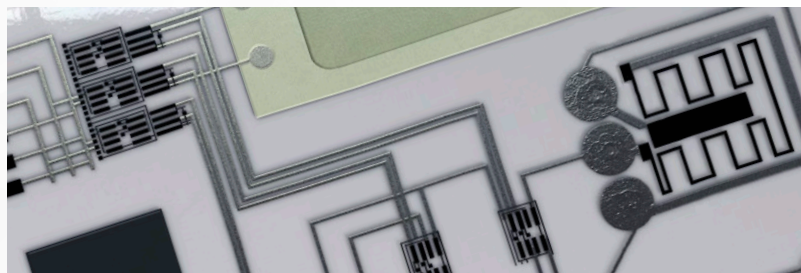
Thinfilm achieved revenue of NOK 11.5 million (USD 1.9 million) in 2013, 137% revenue growth year over year from 2012.

Thinfilm Brand Protection Solution™, a system of specialized memory labels to help combat counterfeiting, was delivered to a fast-moving consumer goods customer and a luxury goods customer.



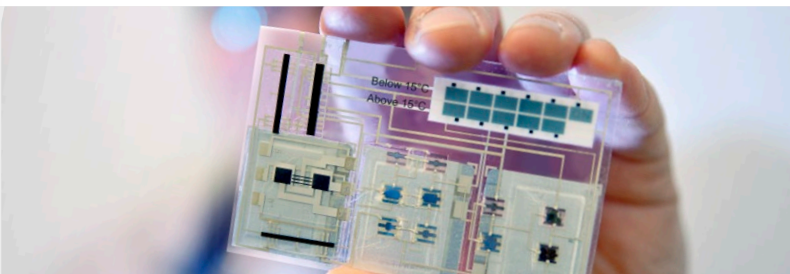
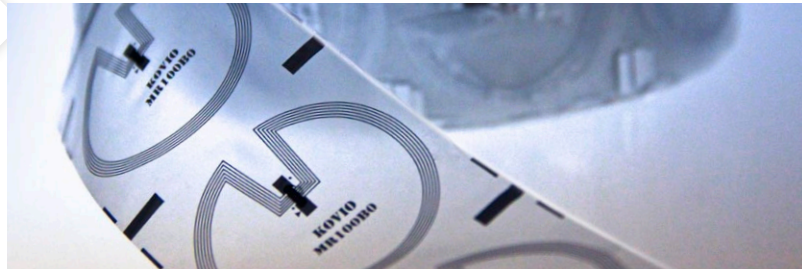
Thinfilm entered an agreement with Brady Corporation, an international manufacturer of high-value labels, to deliver Thinfilm Smart Labels™ to healthcare and identification markets.

The Bemis Company and Thinfilm extended their commercial agreement in flexible packaging.



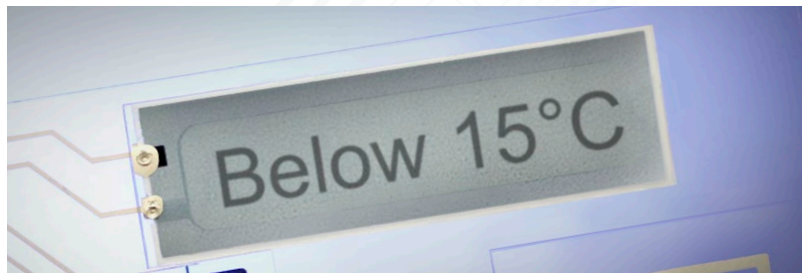
The management and sales teams were significantly strengthened to meet increased market interest in Thinfilm products.

Following the close of the last quarter, Thinfilm acquired the leading printed-dopant polysilicon NFC technology, originally developed by Kovio, Inc.



Thinfilm demonstrated the first fully stand-alone, printed electronic label for its Thinfilm Smart Label™ product line.

Thinfilm demonstrated a low-voltage display driver with complementary organic logic.



Thinfilm opened its high-definition printing facility in Linköping, Sweden, with its first high-volume, roll-to-roll printer with an annual capacity of 50 million integrated systems or 200 million brand protection labels.

About Thinfilm and Printed Electronics

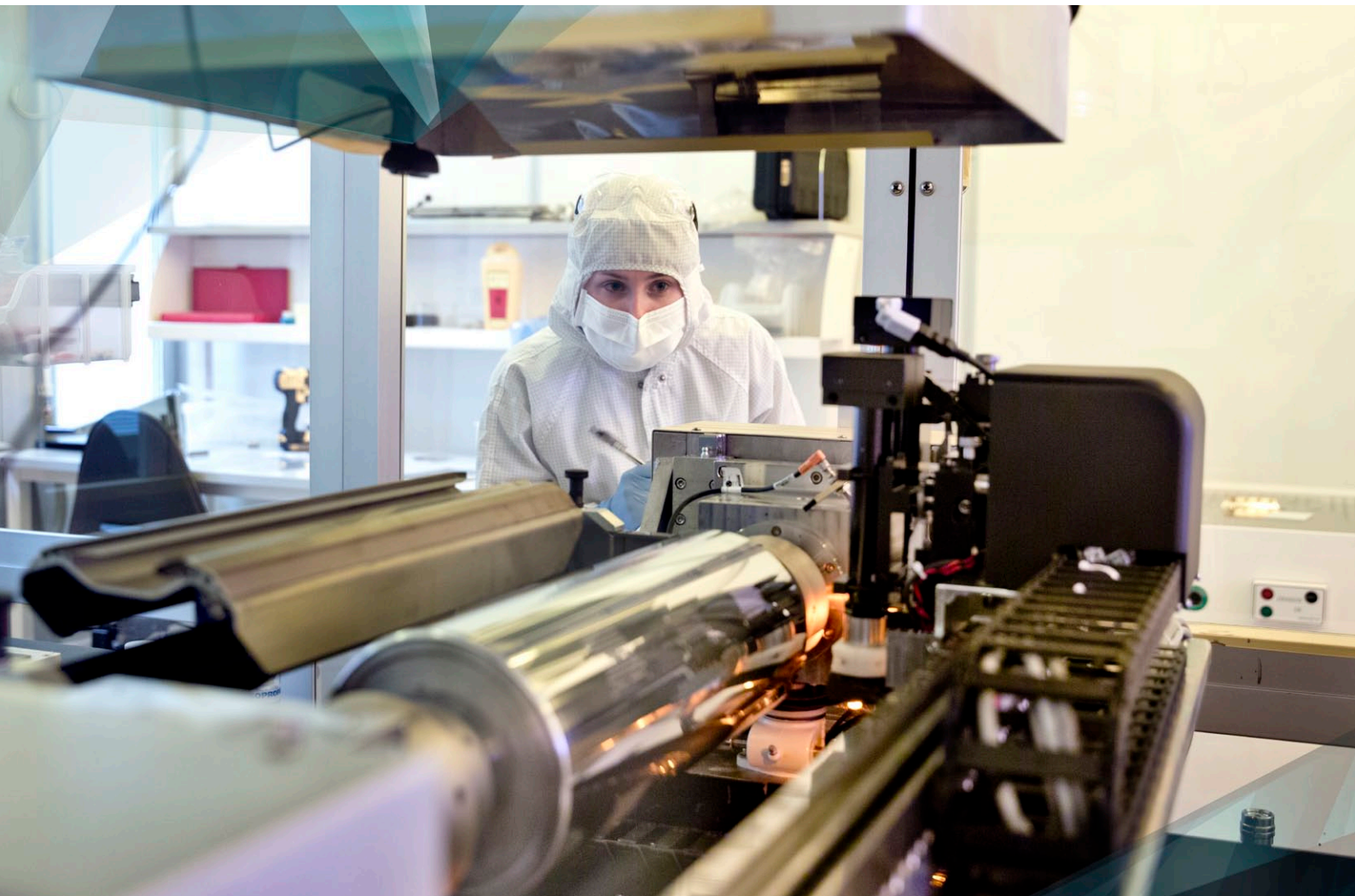
About Thinfilm

Thin Film Electronics ASA ("Thinfilm") is a publicly listed Norwegian company with its headquarters in Oslo, Norway, product development and production in Linköping, Sweden, product development, production, and business development in San Jose, California, USA, and a sales office in Tokyo, Japan. In addition, manufacturing is provided through a production partner, InkTec, in Pyongtaek, South Korea.

Thinfilm is a leader in the development of printed electronics. The first to commercialize printed, rewritable memory, the Company is creating printed systems that include memory, sensing, display, and wireless communication, all at a low cost unmatched by any other electronic technology. Thinfilm's roadmap integrates technology from a strong and growing ecosystem of partners. Our goal is to enable the

Internet of Everything by bringing intelligence to disposable goods. Printing electronics uses far fewer process steps than traditional semiconductor fabrication. This reduces manufacturing costs and lessens the environmental impact of manufacturing electronic memory and logic.

Thinfilm's printed memory and logic are bringing low-cost electronics to the trillions of disposable products and items that we use every day. Low-cost, ubiquitous smart labels will store and communicate information, a vital part of the Internet of Everything. This is our Memory Everywhere™ vision.



An employee in Linköping, Sweden, oversees the roll-to-roll printing of Thinfilm Memory™.



Thinfilm's state-of-the-art, high-volume Kroenert printer has an annual capacity of 50 million integrated systems or 200 million brand protection labels.

Thinfilm Product Families

Memory Labels: Thinfilm Memory™ stores digital data on a label thinner than a human hair, for just a few cents. It is rewritable and permanent, storing data without the need of external power.

Brand Protection Solution: The Thinfilm Brand Protection Solution™ is a two-part system that can help manufacturers protect their brands from counterfeiting and grey market activity. It consists of adhesive labels that generate a distinct forensic electrical signature. A Thinfilm authentication unit reads the label.

Sensor Labels: Thinfilm is developing a line of intelligent labels that will sense information and store data for 80% to 90% less than the cost of conventional electronics. This is part of Thinfilm's vision to bring the Internet of Everything to even the lowest-cost items.

Display Labels: Thinfilm Display Labels™ will use ultra-low-cost display media to communicate information stored in the Thinfilm Memory. Data may be written to the memory through a contact-based interface, stored wirelessly or, as on our sensor labels, generated by other functions on the label.

NFC Smart Labels: Following the acquisition of Kovio's NFC technology, Thinfilm has accelerated its plans for the launch of NFC-enabled sensor and display labels. Thinfilm Smart Labels™ will initially use the Kovio NFC Barcode™ protocol to enable seamless data exchange from a sensor label to a smart phone. The protocol is currently supported by Google Android and most major NFC controller manufacturers.

Report from the Board of Directors



Morten Opstad
Chairman



Rita Glenne
Board Member



Margareta Josefsson
Board Member



Tor Mesøy
Board Member



Rolf Åberg
Board Member



Preeti Mardia
Board Member



Davor Sutija
CEO

Thinfilm Experiences a Breakthrough Year in 2013

Our evolution from technology developer to product company

Over the past year, Thinfilm experienced tremendous progress in the field of printed electronics and as an organization. Significant commercial traction led to several customer wins, strategic alliances and partner agreements. There was impressive progress along our technical development roadmap, as well as compelling advancements in our manufacturing capabilities and capacity. The Company made a number of key organizational enhancements, most notably the strengthening of our management team and additions to the Sales and Business Development group. Topline financial performance was solid and Thinfilm exceeded all of its stated financial targets. All of these critical achievements and more contributed to an amazing 12-month period that saw Thinfilm evolve from a development company that was primarily focused on printed electronics technology to a commercially viable product company that is now introducing leading-edge products to new markets worldwide.

In addition to 2013 being a seminal year for Thinfilm, it was also a period during which the Internet of Things (IoT) – a concept now commonly referred to as the Internet of Everything (IoE) – truly gained a foothold among global technology leaders and bolstered its status as a megatrend for the ages. In fact, some experts are comparing the trend and the impact it could have on society to the Industrial Revolution. In any event, the timely convergence of these two factors – Thinfilm's nascent commercial success and the broader upswell of IoE engagement by global industry leaders – not only made it a particularly exciting year for Thinfilm shareholders and employees, but one that positions us very well as we head into the months and years to come.

Highlights, achievements, and future opportunities

Thinfilm started out 2013 by signing two commercial agreements. The first was with a global consumer packaged-goods company and represented the first use of our Thinfilm Memory™ product for brand protection. The second was an agreement with Brady, an

international manufacturer of high-value labels, to develop fully printed integrated system labels with memory and logic. A prototype of this closed-system smart label was delivered to Brady in November. Both of these commercial agreements effectively extended the use of printed memory labels to new applications and demonstrated the versatility of Thinfilm technology.

Other notable Q1 events included the hiring of Heidi Arnesen to oversee the marketing and communications function, the launch of a new corporate website, and the establishment of a Thinfilm subsidiary in Japan to strengthen our presence in Asia.

During the second quarter of 2013, Thinfilm saw significant commercial interest in its Thinfilm Brand Protection Solution™, a unique system that provides security many times greater than conventional products such as holograms.

June proved to be a momentous month on the technology front. Thinfilm successfully demonstrated a low-voltage display driver using complementary organic logic to control a printed electrochromic display – the first known demonstration of its kind in the history of printed electronics. Demonstrating near-ideal low-voltage transistor circuits with a fully organic stack means that the same transistor technology can drive displays, control sensors, and write to Thinfilm Memory. It also makes possible the use of thin film batteries for printed integrated systems.

Also in June, Thinfilm launched its high-definition, roll-to-roll printing facility at the company's product development site in Linköping, Sweden, which became fully operational in Q4. This facility allows Thinfilm to develop mass-manufacturing print processes for integrated devices, and the registration and resolution of the new equipment aids us in making smaller devices and delivering state-of-the-art logic. This next-generation printing facility now has the capacity to print up to 50 million integrated systems or upwards of 200 million brand protection labels per year.

On the organizational front, Thinfilm made several strategic moves to strengthen both its executive management team and Sales and

Business Development team. John Afzelius-Jenevall started as CFO on 1 August 2013. John was previously Vice President, Corporate Development, with Orkla ASA. Dr. Peter Fischer, previously the CTO of Plastic Logic, joined the firm as our Chief Product Officer. Dr. Henrik Sjöberg, who joined Thinfilm in March of 2013, was promoted to SVP, Product Development, in November. John, Peter, and Henrik are all members of the management team.

Kai Leppänen joined the company as Vice President, Sales and Business Development, for Europe. Kai was previously SVP for Opera Software ASA. Patty Britton joined Thinfilm as Vice President Sales and Business Development, North America. Patty was previously Vice President Marketing and Business Development at Topflight Corporation. Koji Katsumoto, who initially joined Thinfilm in January 2013, was promoted to Vice President, Sales and Business Development, for Japan.

The second half of 2013 saw Thinfilm receive a significant capital investment from Invesco Perpetual Funds, one of the largest independent investment managers in the UK. The firm acquired 56 million shares at a subscription price of NOK 2.50 per share, representing 13% of the company. It also received 46.7 million warrants, which were exercised in October, bringing Invesco's total investment in Thinfilm to NOK 280 million (USD 47 million). Upon closing of the Invesco investment early in the fourth quarter, Thinfilm effectively received full funding for its first two generations of products – Thinfilm Memory™ and standalone Thinfilm Smart Labels™. This sizable investment by one of the UK's leading funds is a reflection of our increasing international presence and provides significant capital that will accelerate our ambitious roadmap.

We also formally launched our Thinfilm Brand Protection Solution™ in Q3 with the delivery of a customized system to a global leader in the fast-moving consumer goods market. In addition, using low-voltage logic announced in June, we were able to make significant technical progress on our integrated system products. This progress resulted in an October demonstration of the first complete, closed, sensor system based on printed and organic electronics.

In December, Thinfilm expanded its strategic alliance with Brady Corporation. Under the agreement, Brady receives exclusive rights to distribute timer labels based on Thinfilm Smart Label technology for visitor and healthcare identification applications. With Brady's large and diverse customer base, the relationship opens new markets to Thinfilm and puts our printed electronics technology at the forefront of the labeling industry.

Soon after the Brady announcement, Thinfilm extended its commercial agreement with the Bemis Company to encompass both brand protection for flexible packaging and intelligent packaging solutions over the course of two years. Bemis also secured access to additional Thinfilm technologies for brand protection applications in flexible packaging and beverage labeling.

Factory acceptance tests of Thinfilm's first internal high-volume, roll-to-roll production system were passed in Q4. In December, Thinfilm received delivery of the system, designed and built by Kroenert GmbH, and began installation at its development site in Linköping, Sweden. In mid-February 2014, site acceptance tests were completed. With a

capacity of up to 200 million units of printed memory labels, the new system will provide a platform for process development and pilot printing of printed logic, and offers a second production site for Thinfilm Memory.

In December, we made the first delivery of brand protection labels based on Thinfilm Memory to an international luxury goods company. The labels were received at the customer's factory in China and products were released in Q1 2014 using the Thinfilm Brand Protection Solution. Similar brand protection applications are being pursued by the Bemis Company for integrated use in flexible packaging.

Following the close of Q4 2013, Thinfilm acquired the industry's leading printed-dopant polysilicon near field communication (NFC) technology, which was originally developed by MIT and Kovio. As part of the transaction, Thinfilm acquired certain assets of Kovio, Inc., including over 200 patents and manufacturing and development equipment. The Kovio NFC communication protocol has been validated by the industry and is currently supported in major mobile platforms such as Google Android and will be included in the next releases of all major NFC controllers. Adding NFC to our printed electronic memory and sensor platform accelerates our product roadmap by two years and will allow the seamless exchange of information between Thinfilm Smart Labels and NFC-enabled phones and tablets.

As a result of the acquisition, we established the Thinfilm NFC Innovation Center at our San Jose, California, location – in the heart of Silicon Valley – and retained an experienced team of 20+ Kovio employees that will build out the Center's competence in design, process development, and manufacturing. The new site is an ideal location to recruit additional talent into Thinfilm and continue to build the Thinfilm ecosystem, both commercially and technically. By the end of 2014, we expect to integrate printed NFC with Thinfilm Smart Labels, making them wireless and readable with NFC-enabled smart devices.

It is important to note that Thinfilm participated in a number of high-profile industry, academic, and other thought leadership events throughout 2013, many of which included sponsorship roles and speaking engagements. Thinfilm also received a substantial amount of industry and mainstream press – particularly as it related to the Internet of Things and the role we can play in it with printed electronics. Two key Thinfilm-focused pieces were published in *Forbes* and *The Economist*.

Financially, we are in a strong position heading into 2014. Thinfilm achieved revenue of NOK 11.5 million (USD 1.9 million) – a 137% increase year over year from 2012. The Company raised a total of NOK 317 million (USD 53 million), including the NOK 280 million (USD 47 million) investment mentioned previously as well as NOK 8.5 million (USD 1.4 million) from PARC, a Xerox company, capital infusions that significantly accelerated our roadmap and serve as a clear indication of Thinfilm's strong business model and reputation.

In closing, the Board believes Thinfilm substantially strengthened its platform for success over the course of the past year. In accelerating its roadmap by two years and establishing an impressive level of commercial traction, the Company is in a unique position from which it can continue to disrupt the conventional electronics space and become a

major force in powering the Internet of Everything.

Organization, personnel and the environment

The Board would like to thank all Thinfilm employees, contractors, and partners for their dedicated efforts and for the results achieved in 2013.

Thinfilm continued to strengthen its organization and internal capabilities during 2013. The number of employees increased by some 74%, compared to 2012. At the end of 2013, the group employed 40 people (72% men and 28% women). Twelve nationalities were represented in the work force, reflecting that Thinfilm is a company with a global scope of operations and international reach. Being at the forefront of technological innovation, successful recruitment and development of staff is central to Thinfilm's success. During 2013, an increasingly strong interest to work for the Company was registered, and Thinfilm has, over the last years, recorded a very high employee retention rate. The Board is pleased that the Company is able to attract, recruit, and retain world-class engineers and other expertise, and sees this as a recognition of Thinfilm's leading position in the printed electronics industry and as a sign that Thinfilm will be able to maintain its growth in the future. At the end of 2013, 38% of the employees were Ph.D.s.

During 2013, Thinfilm continued to strengthen its sales and business development team by recruiting additional staff in both North America and Europe, and the Company is now better positioned to meet the increasing interest from potential customers and partners in these regions.

Moreover, the management team was expanded to six officers to include both product management and technology transfer expertise.

The Board believes that the working environment at Thinfilm is pleasant, stimulating, safe, and beneficial to all employees, and complies fully with relevant laws and regulations. There were no workplace injuries to the Company's employees causing absence from work, and no significant incidents involving the Company's assets have occurred. Sick leave was less than 1% in 2013, and was consistently low in previous years.

Thinfilm employees are covered by benefit programs in line with practices in their respective countries. In addition to employees of the parent company and its subsidiaries, Thinfilm has contracted specialists in business development, technology, design, accounting, and other services. Patenting and other intellectual property rights (IPR) services are procured from AWA Patent and from an IPR consultant.

Thinfilm practices equal opportunities in all aspects. The Board considers the equality to be as good as possible, and has not found reason to initiate any particular measures. The Company has reviewed and updated its ethical guidelines, which include an emphasis on the Company's personnel policies.

Thinfilm's Board of Directors consists of three women and three men, the composition of which satisfies the gender requirements of the Norwegian public limited companies act. The Board includes Mr. Morten Opstad (Chairman), Mr. Rolf Åberg, Ms. Rita Glenne,

Ms. Margareta Josefsson, Ms. Preeti Mardia, and Mr. Tor Mesøy.

The current Board, with the exception of Ms. Josefsson, was elected for two years at the annual general meeting on 8 May 2013, and the term expires at the ordinary general meeting in 2015. Ms. Josefsson was elected at the annual general meeting 10 May 2012 for two years and the term expires at the ordinary general meeting in 2014.

Thinfilm follows all relevant environmental rules and regulations.

Group financial statements

Thinfilm's revenue in 2013 amounted to NOK 11.5 million, an increase of NOK 6.7 million compared to 2012 (NOK 4.9 million). Sales revenue amounted to NOK 5.3 million in 2013 (2012: NOK 1.9 million), while revenue related to government grants and other funded projects amounted to NOK 6.2 million over the same period (2012: NOK 2.9 million). Sales revenue in 2013 was mainly related to technology access fees and delivery of prototypes, demonstrators, product development projects, and products to strategic customers and partners.

Payroll costs amounted to NOK 46.9 million, including the notional (non-cash) cost of share-based compensation of NOK 18.3 million. Corresponding numbers for 2012 were NOK 24.1 million and NOK 5.6 million. The increase in payroll costs is caused by higher manning levels to accelerate development of printed integrated systems and to meet the increasing interest from potential customers and partners. The significant increase in the cost of share-based compensation was mainly driven by the significant increase in the share price in 2013 as well as grants of subscription rights to new and existing employees. At the end of 2013, there were 40 employees in the group (compared to 23 full-time employees at the end of 2012).

Costs of external services amounted to NOK 27.7 million in 2013 (2012: NOK 15.7 million), out of which NOK 20.7 million was related to strategic development projects with external technology and material partners (2012: NOK 9.4 million). The increase was mainly driven by increased external development work. The work and results from these strategic development projects have a substantial value for Thinfilm as they included development of printed logic and other system components, material properties, and large-scale printing techniques. These development projects also included activities related to the SkatteFUNN (tax credit) scheme, and the net contribution of NOK 1.1 million was accounted for as revenue in Q4 2013. The costs of other external services in 2013 increased by some 20% compared to the preceding year. These services relate to the use of contracted specialists in various professions (business development, legal, accounting, marketing, and design). The increase is broadly distributed across the different services and is a consequence of the increased activity level in the company compared to the preceding year. Patent costs were approximately 50% lower in 2013 compared to the year before, largely caused by a more streamlined patent portfolio and reduced maintenance fees.

Costs of premises and supplies were NOK 10.0 million in 2013, up from NOK 4.9 million in the preceding year. The increase is largely explained by expanded office and laboratory facilities in Linköping, Sweden, including commissioning and ramp-up of operations of the 1000m² class 100 clean room for high-definition printing, and costs related to commissioning of new printing equipment in said clean room.

Sales and marketing costs amounted to NOK 7.6 million in 2013, out of which NOK 4.4 million was related to travel, accommodation, and other sales-related costs. The corresponding figures for 2012 were NOK 5.3 million and NOK 2.7 million, respectively. The cost increase was largely caused by a significantly expanded scope of sales and marketing activities towards existing and prospective customers, and an increased number of employees taking part in such activities.

Depreciation charges on tangible fixed assets amounted to NOK 1.6 million in 2013 (2012: NOK 0.5 million). The Company invested NOK 17.1 million in 2013 (2012: NOK 1.9 million), largely related to high-definition gravure printing machines, and in particular, the new roll-to-roll printing line in Linköping, Sweden.

Net financial items in 2013 amounted to a gain of NOK 1.7 million, mainly related to interest income on cash deposits and, to some extent, net exchange rate gains related to variations in SEK, USD, and JPY. In 2012, net financial items amounted to a gain of approximately NOK 0.3 million.

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 significant tax costs in 2013 or the prior year. The Company has not recognized these deferred tax assets in its balance sheet because these potential asset do not yet qualify for inclusion.

The net result for 2013 was a loss of NOK 81.6 million, representing a loss of NOK 0.21 per basic share. In 2012, the loss amounted to NOK 46.4 million corresponding to a similar loss of NOK 0.14 per basic share (as the number of shares has increased over the period).

At the end of 2013, cash and bank deposits amounted to NOK 266.4 million, which represented some 90 per cent of the total assets of NOK 293.4 million. In 2012, the cash position amounted to NOK 32.9 million and approximately 80 per cent of the balance sheet. Accounts payable amounted to NOK 35.7 million at the end of 2013 (2012: NOK 9.8 million), including NOK 15.9 million in provisions for employer's tax expense related to share-based remuneration (share-based liability), (2012: NOK 2.6 million). The significant increase of this liability in 2013 is mainly due to the substantial share price rise during the year. The Company does not have any financial debt and the equity ratio was 88 per cent at the end of 2013, versus 75 per cent at the end of 2012.

The group's cash balance increased by NOK 233.6 million in 2013 (compared to an increase of NOK 25.5 million in 2012), largely explained by three principal cash flow elements. First, operating and development activities resulted in a cash outflow of NOK 46.1 million (2012: NOK 39.5 million). This corresponds to the operating loss excluding change in net working capital, share-based remuneration, set-off of receivables related to the extended collaboration and licensing agreement between PARC, a Xerox company, and ThinFilm and other changes. Second, cash outflow related to investing activities amounted to NOK 17.1 million in 2013, mainly due to investments in fixed assets in the Linköping, Sweden, facility. Third, the cash inflow from financing activities more than offset the two first categories with proceeds from issuance of shares of NOK 295.2 million (2012: NOK 66.4 million), mainly related to the investment by Invesco in October 2013 and the exercise of warrants in March 2013. Funds available at year-end, i.e., cash position plus receivables less payables, amounted to NOK 238.8 million (includ-

ing the share-based liability of NOK 15.9 million).

Given the financial position described above, the Company's cash position is adequate to cover all incurred and accrued expenses at the date of this report as well as all projected expenses for the foreseeable future.

Parent company financial statements

Revenue in the parent company amounted to NOK 10.4 million in 2013 (2012: NOK 3.8 million), where NOK 5.4 million was recorded as sales revenue and NOK 5.0 million related to government grants being recognized as revenue over the period. Sales revenue in 2012 amounted to NOK 1.9 million.

Personnel and payroll costs were NOK 14.2 million in 2013, up from NOK 8.9 million in the preceding year. The increase is largely explained by higher average manning levels and increased cost (non-cash) of share-based remuneration. The parent company employed, on average, six full-time employees, compared to an average of five full-time employees during 2012.

External purchases of services amounted to NOK 23.2 million in 2013, a significant increase from NOK 12.6 million in the preceding year. Of the total amount for 2013, NOK 17.6 million was related to strategic development projects with external technology and material partners (2012: NOK 7.0 million), NOK 2.0 million related to legal, financial, and accounting services (2012: NOK 1.7 million) and NOK 3.6 million related to marketing, business development, technology, IPR, and design services (2012: NOK 3.9 million). Purchase of services from subsidiaries increased from NOK 22.1 million in 2012 to NOK 39.5 million in 2013, largely explained by an increased activity level in the Swedish subsidiary, but also increased sales and marketing activities leading to increased payments to the sales offices in the US and Japan. The Swedish Krona strengthened against the Norwegian Krone during the year and was, on average, 5% stronger in 2013 compared to the average for 2012. The corresponding figure for the USD was a 1 per cent strengthening.

Because the company had a project qualified for the SkatteFUNN (tax credit) scheme in 2013, the net contribution of NOK 1.1 million has been credited to costs (2012: NOK 1.1 million).

Costs related to sales and marketing activities amounted to NOK 4.4 million in 2013, up from NOK 3.5 million the preceding year. The increase is caused by expanded intensity and geographical scope of marketing activities, including increased participation in trade fairs.

Financial items amounted to a net cost of NOK 9.5 million in 2013, compared to a cost of NOK 2.0 million in 2012. An impairment charge amounting to NOK 11.6 million was made in 2013 on the shares in the subsidiaries (2012: impairment charge of NOK 2.3 million). Interest income on cash deposits amounted to NOK 1.4 million in 2013 (2012: NOK 0.5 million), while other financial items amounted to a gain of NOK 0.7 million (mainly related to net exchange gains to SEK and USD). Other financial items amounted to a loss of NOK 0.1 million in 2013.

The net result for 2013 for ThinFilm ASA was a loss of NOK 81.2 million. The Board of Directors proposes that the loss is carried forward as uncovered loss. The Board does not propose a dividend for 2013.

Share capital

Thinfilm shares have been listed on Oslo Axess since 30 January 2008.

On 12 March 2012, Thinfilm accomplished a private placement of 25,000,000 new shares in the Company at a price of NOK 1.80 per share, thereby raising NOK 45 million in new capital. At the 2012 annual general meeting, it was resolved to issue one warrant for every two shares subscribed for and issued in this private placement, i.e., a total of 12,500,000 warrants. The warrant had a term until 22 March 2013, with a short exercise period at the end of the term, and an exercise price per share of NOK 2.20. During the exercise period 11-22 March 2013, Thinfilm received notice of exercise of 12,172,500 warrants (97.4% of the exercisable warrants), thereby raising approximately NOK 26.8 million in new capital.

On 6 September 2013, it was announced that funds managed by Invesco Asset Management Limited had agreed to acquire 56,000,000 shares in the Company at a subscription price of NOK 2.50 per share totaling NOK 140,000,000 (USD 23 million) equal to 13% of the shares in Thinfilm. At the 2 October 2013 extraordinary general meeting of Thinfilm, it was resolved to issue said shares, and upon subscription in the offering, Invesco also received 46,666,666 warrants, each with an exercise price of NOK 3.00. On 30 October 2013, the Board of Directors of Thinfilm resolved to accept Invesco's exercise of said warrants adding another NOK 140,000,000 (USD 24 million) of capital to the Company.

At the end of 2013, there were 471,625,812 shares in the Company which were held by approximately 2,600 shareholders. Par value is NOK 0.11 per share.

The closing price of Thinfilm shares was NOK 5.94 on the last trading day in 2013, an increase of 208 per cent compared to the closing price at the end of 2012 (NOK 1.93). The Oslo Axess All-share index increased by 66 per cent in the same period. Share turnover amounted to NOK 625 million versus NOK 230 million in 2012. The annual general meeting in 2013 authorized the Board to complete one or more placements by issuing up to 36,597,389 shares, which at the time corresponded to 10 per cent of the Company's registered share capital. Following the private placements on 29 October and 20 December 2013, in which 1,538,754 shares were issued to PARC, a Xerox company. Hence, the remaining authorization amounted to 35,058,635 shares at the end of 2013. The authorization expires at the annual general meeting in May 2014.

The annual general meeting in 2013 resolved an authorization to the Board to grant up to 36,597,389 independent subscription rights to employees and to individual consultants performing similar work in Thinfilm, but limited so that the total number of outstanding subscription rights under all subscription rights programs shall not exceed 10 per cent of the share capital. By the end of 2013, the Board had granted 6,950,000 subscription rights under this authorization and the total number of outstanding subscription rights was 25,325,000. Further 3,120,000 subscription rights have been granted, 4,200,000 exercised, and 120,000 forfeited to date in 2014. Consequently, the total number of subscription rights on 10 April 2014 is 24,125,000, hence well within the 10% limitation. The authorization expires at the annual general meeting 2014.

There are no authorizations to the Board for the Company to acquire its own shares.

Risk and risk management

Thinfilm is exposed to various risks of a financial and operational nature. In the Board's view, the Company's strategic positioning in the industry and the establishment of a framework for risk management that is adapted to the scope and nature of the business contribute to limiting the risk.

Thinfilm is subject to certain financial risks related to currency and interest rates. These risks are, however, insignificant as the Company does not have any financial debt or other financial instruments. Thinfilm does not have any significant trade receivables or other receivables with any credit risk. Reference is made to Note 4 to the consolidated financial statements.

The Company's predominant risk is mainly related to market and business risks, which may be summarized in the following points; (i) Many of Thinfilm's intended markets are still immature, and there is a potential risk of delays in the timing of sales, (ii) to some extent, Thinfilm is dependent on continued collaboration with existing technology, material, and manufacturing partners, and (iii) product development risks related to eventual cost-functionality competitiveness of the products Thinfilm is developing.

Going forward, Thinfilm foresees two important revenue sources: (i) Sales of its own manufactured products and (ii) licensing/royalty revenue, where partners and customers pay for using the Company's intellectual property rights (IPR). Thinfilm's ability to earn revenue partly depends on continued successful technology and product development as well as the Company's ability to legally protect its IPR. This is, in turn, dependent on the Company's ability to attract and retain competent staff and the adequacy of Thinfilm's patenting and other IPR-protection activities. Thinfilm is not aware of directly competing technologies to its printed memory or its printed integrated sensor systems, in either stand-alone or RF-enabled forms.

Thinfilm operates at a loss. At the date of this report, the Company's cash position is adequate to cover all expenses for 2014 and into 2015.

Going concern and events in 2014

The Board confirms that the financial statements of the Group as well as the parent company have been prepared under the going concern assumption. The Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Moreover, the Board has formed a judgment that, as at the date of approving the financial statements, the Group has adequate resources to fund operations for the rest of 2014 and into 2015.

On 21 January 2014, Thinfilm entered into an agreement to acquire assets and intellectual property rights from Kovio, Inc. The purchase price amounted to USD 2.7 million in cash and USD 1.0 million in shares, both of which have been settled in full. This transaction is accounted for as a Business Combination in accordance with the principles in IFRS 3.

Since 31 December 2013 and until the date of these financial statements, the Board has granted a total of 3,120,000 subscription rights under the subscription rights-based incentive program resolved by the annual general meeting 2013. The exercise price of the subscription rights is NOK 5.00 - 6.10 per share.

Between 31 December 2013 and the presentation of this report, no events with any substantial impact on the result for 2013 or the value of Thinfilm's assets and liabilities at the end of 2013 have occurred.

Corporate governance

The Board adopted, in 2007, policies for corporate governance to safeguard the interests of the Company's owners, employees, and other stakeholders. These principles and associated rules and practices are intended to create increased predictability and transparency, and thus reduce uncertainties connected with the business. These principles and rules are reviewed annually by the Board.

The Board has ensured that Thinfilm's guidelines for corporate governance have been followed carefully. The Company's internal rules of governance accord with guidelines in the Norwegian Code of Practice for Corporate Governance dated 23 October 2012 ("the Code"). The Board's updated review of corporate governance at the end of 2013 is included in the annual report. Pursuant to the Norwegian Accounting Act §3-3b, the Company has updated corporate governance principles related to internal control and risk management of financial reporting, which is described in section 10 of the Board's updated review of corporate governance.

In addition to the Company's guidelines for corporate governance, specific instructions have been prepared with regard to: policy for ethical guidelines, policy for reporting and IR, policy for contact with shareholders, policy for assignments to auditor, policy for information management in an unusual situation, and policy for CEO's remuneration of other executives.

The general meeting 2013 resolved guiding and binding executive remuneration policies. The statement, including the policies and the actual remuneration to the management in 2013, has been included in the notes to the financial statements. The CEO of the parent company is also CEO for the Group and serves as CEO in Thinfilm AB and the Chairman in Thinfilm, Inc., without additional remuneration.

Outlook

Thinfilm concentrates its efforts around three main areas: 1) commercializing memory products, including brand protection, 2) developing and commercializing wireless, integrated systems and smart labels, and 3) building an ecosystem of partners and alliances to complement the Company's own technology, and to license this technology to customers. Thinfilm has a unique and cost-competitive stand-alone memory product and Brand Protection Solution™, and will continue to work toward large-scale commercialization of these products. The investment level may increase from current levels, as the Company may enter into joint venture structures with scale-up partners. In addition, Thinfilm will work toward commercialization of the integrated systems such as the Thinfilm Display Label™ and the Thinfilm Sensor Label™ for disposable goods, healthcare, packaging, and more. Thinfilm has established partnerships for display, sensor, and battery technology, and demonstrated the first prototype of a printed temperature-sensor label with battery in early October 2013. Commercialization of first-generation integrated systems is expected in 2014.

The integration of near field communication (NFC) into Thinfilm's printed integrated systems is expected to offer additional growth opportunities. Applications for consumer mass markets will likely include brand protection, logistics, healthcare, and smart packaging. Successful demonstrations of prototypes and products are expected to attract significant interest from prospective customers and partners, as well as from established companies offering competing products based on conventional technologies.

In January 2014, Thinfilm acquired technology, intellectual property, and manufacturing assets from Kovio, Inc. The acquisition provides Thinfilm with in-house NFC technology. Thinfilm expects to accelerate its wireless roadmap with demonstrations of NFC-enabled systems in 2014. Thinfilm continues to see significant interest in the Company and its technology, and is in ongoing discussions with both existing and new parties. Both the Board of Directors and management are very optimistic that Thinfilm will be able to enter new commercial and strategic relationships in the near future for the development and commercialization of printed integrated systems and Thinfilm Smart Labels™.

The Board of Directors of Thin Film Electronics ASA, Oslo, Norway, 10 April 2014

Morten Opstad
Chairman

Rita Glenne
Board Member

Margareta Josefsson
Board Member

Tor Mesøy
Board Member

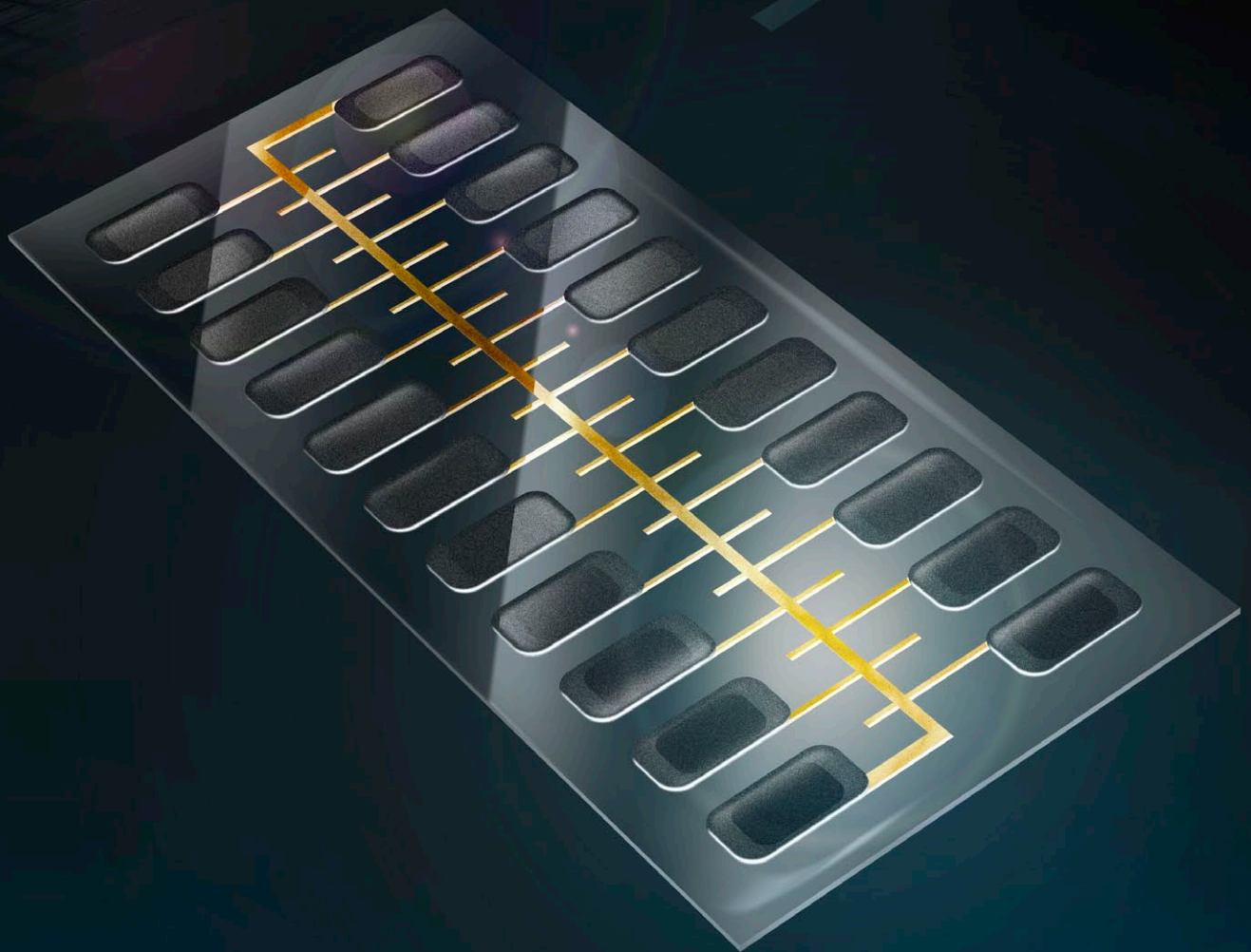
Rolf Åberg
Board Member

Preeti Mardia
Board Member

Davor Sutija
CEO



The microscopic inspection of Kovio NFC Barcode™ integrated circuits.



Thinfilm Memory™ is the cornerstone of the Company's product portfolio.

Consolidated Financial Statements 2013 (IFRS)

Consolidated statements of comprehensive income

Amounts in NOK 1,000	Note	2013	2012
Sales revenue	12	5 334	1 949
Other revenue	13, 14	6 206	2 924
Total revenue		11 540	4 873
Salaries and other payroll costs	15	(46 859)	(24 143)
Services		(27 665)	(15 694)
Depreciation and impairment charge	6, 7	(1 630)	(507)
Premises, supplies	16	(9 956)	(4 895)
Sales and marketing		(7 591)	(5 303)
Other expenses		(1 105)	(1 057)
Operating profit (loss)	20	(83 266)	(46 725)
Interest income		1 427	469
Other financial income		683	86
Interest expense		(6)	(6)
Other financial costs		(451)	(229)
Net financial items		1 665	320
Profit (loss) before income tax		(81 601)	(46 405)
Income tax expense	17	0	0
Profit (loss) for the year		(81 601)	(46 405)
Profit (loss) per share for profit attributable to the equity holders of the Company during the year			
– basic and diluted, NOK per share	19	(0,21)	(0,14)
Profit (loss) for the year		(81 601)	(46 405)
Currency translation		244	(37)
Total comprehensive income for the year		(81 357)	(46 442)

The notes on pages 21 to 35 are an integral part of these consolidated financial statements.

Consolidated statements of financial position

Amounts in NOK 1,000	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets	7, 18		
Property, plant and equipment	6	18 927	2 732
Total non-current assets		18 927	2 732
Current assets			
Trade and other receivables	8	8 018	4 399
Cash and bank deposits	9	266 435	32 850
Total current assets		274 453	37 249
Total assets	21	293 379	39 981
EQUITY	10		
Ordinary shares		51 879	38 918
Other paid-in capital		413 453	117 504
Currency translation		311	67
Retained earnings		(207 940)	(126 339)
Total equity	22	257 703	30 150

LIABILITIES**Current liabilities**

Trade and other payables	11	35 677	9 831
Total liabilities	21	35 677	9 831
Total equity and liabilities		293 379	39 981

The notes on pages 21 to 35 are an integral part of these consolidated financial statements.

The Board of Directors of Thin Film Electronics ASA. Oslo, Norway, 10 April 2014.

Morten Opstad	Rita Glenne	Margareta Josefsson	Tor Mesøy	Rolf Åberg	Preeti Mardia	Davor Sutija
Chairman	Board Member	Board Member	Board Member	Board Member	Board Member	CEO

Consolidated statements of changes in equity

Amounts in NOK 1,000	Note	Share capital	Other paid in equity	Currency translation	Retained earnings	Total
Balance at 1 January 2013		38 918	117 503	67	(126 339)	30 150
Warrants exercise 11-22 March		1 339	25 431			26 770
Share issue 8 May, Board remuneration		9				9
Share-based compensation			5 145			5 145
Share issue employees		150	1 253			1 403
Share issue Invesco, 02 October		6 160	126 693			132 853
Share issue PARC, 29 October		48	2 349			2 398
Share issue Invesco, 30 October		5 133	129 059			134 192
Share issue PARC, 20 December		121	6 019			6 141
Comprehensive income				244	(81 601)	(81 357)
Balance at 31 December 2013		51 879	413 453	311	(207 940)	257 703
Balance at 1 January 2012		33 500	50 663	104	(79 934)	4 332
Share issue to employees 28 February		30	204			235
Private placement 12 March		2 750	40 336			43 086
Share issue 10 May, Board remuneration		9				9
Share-based compensation			4 369			4 369
Share issue 20 September, PARC		84	1 378			1 462
Warrants B exercise 1-12 October		2 537	20 501			23 038
Share issue to employee 8 November		8	52			60
Comprehensive income				(37)	(46 405)	(46 442)
Balance at 31 December 2012	10	38 918	117 503	67	(126 339)	30 150

Consolidated cash flow statements

Amounts in NOK 1,000	Note	2013	2012
Cash flows from operating activities			
Operating profit (loss)		(83 266)	(46 725)
Adjusted for:			
- Share-based remuneration	15, 22	5 145	4 369
- Depreciation and impairment charge	6	1 630	507
- Changes in working capital and non-cash items		30 362	2 398
Interest paid		0	0
Net cash from (used on) operating activities		(46 130)	(39 450)
Cash flows from investing activities			
Purchases of property, plant and equipment	6	(17 099)	(1 924)
Interest received		1 446	469
Net cash from (used on) investing activities		(15 653)	(1 455)
Cash flows from financing activities			
Proceeds from issuance of shares		295 170	66 427
Net cash from financing activities	10	295 170	66 427
Currency translation effects on cash balances		198	(11)
Net change in cash and bank deposits		233 585	25 511
Cash and bank deposits at the beginning of the year		32 850	7 339
Cash and bank deposits at the end of the year	9	266 435	32 850

The group had no bank draft facilities at the end of 2013 or 2012.

The notes on pages 20 to 35 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Information about the group

Thin Film Electronics ASA ("Thinfilm ASA" or "the Company") was founded on 22 December 2005. Thin Film Electronics ASA Group ("Thinfilm") consists of the parent company Thinfilm ASA and the subsidiaries Thin Film Electronics AB ("Thinfilm AB"), Thin Film Electronics, Inc. ("Thinfilm, Inc.") and Thin Film Electronics KK ("Thinfilm KK"). The group was formed on 15 February 2006 when Thinfilm ASA purchased the business and assets, including the subsidiary Thinfilm AB, from Thin Film OldCo AS ("OldCo"). Thinfilm, Inc. was incorporated in the US during April 2011. Thinfilm KK was incorporated in Japan during January 2013. The accounting year corresponds to the calendar year. Thinfilm AB is held 100 per cent and has been consolidated from 15 February 2006. Thinfilm, Inc. is held 100 per cent and has been consolidated from 1 May 2011. Thinfilm KK is held 100% and has been consolidated since 1 February 2013.

The purpose of Thinfilm ASA is research, development, production, and commercialization of technology and products of physical storage of information, as well as related activities including participation in other companies.

The Company is a public limited liability company incorporated and domiciled in Norway. The address of its registered office is Henrik Ibsens gate 100, Oslo, Norway. The Company's shares were admitted to listing at the Oslo Axess on 30 January 2008.

These group consolidated financial statements were resolved by the Board of Directors on 10 April 2014.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied. For the purpose of ease of reading, the terms "balance sheet" and "accounting" and variations of these have been used interchangeably with the IFRS terms "statement of financial position" and "recognition."

2.1 Basis of preparation

The annual financial statements have been prepared on a historical cost basis. The financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies adopted are consistent with those of the previous financial year, except for the recognition of SkatteFUNN as described in Note 14. IFRS is continuously developed and recently published standards, amendments, and interpretations have been reviewed and considered. None of the new standards, amendments, and interpretations that apply as of 1 January 2013 had any impact on the result or equity of Thinfilm in 2013.

2.2 Consolidation

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. Inter-company transactions, balances, and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred.

2.3 Foreign currency translation

a) Functional and presentation currency

The consolidated financial statements are presented in Norwegian kroner (NOK), which is also the functional currency for the parent company.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

c) Group companies

On consolidation, exchange differences arising from the translation

of the net investment in foreign operations including hedging instruments, are included in other comprehensive income. When a foreign operation is partially disposed of or sold, such exchange differences are reversed and recognized in the income statement as part of the gain or loss on the sale.

2.4 Property, plant and equipment

These are mainly laboratory test equipment, printing machines, and office equipment. Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method as follows:

- Installations 7 years
- Laboratory equipment 5 years
- Office equipment 3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the income statement.

2.5 Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

b) Patents and licenses

Acquired patents and licenses are shown at historical cost. Patents

and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. As of 31 December 2013, Thinfilm had 13 patent families filed in various countries, but has not recognized these assets in its balance sheet as they not yet qualify for inclusion.

c) Research and development

Research costs are taken as cost as they are incurred. An intangible asset arising from development expenditure on an individual project is capitalized only when the group reliably can measure the expenditure and can demonstrate;

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- how the asset will generate future economic benefits
- the group's ability to obtain resources to complete the project

Development costs are amortized over the period of expected use of the asset. As of 31 December 2013, no such assets have been recognized in Thinfilm's balance sheet. The amount of research and development expenditure recognized as an expense in 2013 amounts to NOK 32,735 thousand (2012: NOK 18,396 thousand).

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.6 Impairment of operating assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill are reviewed for possible reversal of any previous impairment at each reporting date.

2.7 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

2.8 Cash and bank deposits

Cash and bank deposits include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and any bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to raising new equity are shown as a deduction to the equity, net of tax.

2.10 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at carrying value.

2.11 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.12 Employee remuneration

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

The Company has only defined-contribution pension plans. Contributions are expensed and paid when earned.

2.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates, and discounts, and after eliminating sales within the group.

The group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and when the specific criteria have been met for each of the group's activities, as described below.

(a) Sales of goods

The group manufactures and sells fully printed rewritable memories and printed integrated systems in the form of products delivered to customers, prototype development projects, engineering samples, and technology demonstration kits to strategic customers and partners. Sales of goods are recognized when the group has delivered and shipped products to the customer at the specified location and when the risks and rewards of ownership are transferred to the customer. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction, and the specifics of each arrangement.

(b) Rendering of services

The group provides engineering and support services to strategic customers and partners. Revenue from services provided at an hourly rate is recognized when, or in the same period as, the group has provided the services. Revenue from services related to achieving certain milestones are recognized upon receipt if achievement represents substantive work and approximates value of achieving that milestone.

(c) Technology access revenue

The group grants technology access rights to strategic customers and partners, i.e., the right to work with ThinFilm and its technology to develop bespoke printed products and systems. Revenue from granting technology access rights is generally recognized on a straight-line basis over the period or contract term the technology access is granted, however, with the exception of revenue from technology access agreements that involve a lump-sum payment (without termination rights) which is recognized at the time the agreement is entered into.

(d) Interest income

Interest income is recognized using the effective interest method.

2.14 Government grants

Grants from the government are recognized at their fair value in profit or loss where there is a reasonable assurance that the grant will be received and the group has complied with all attached conditions. Grants received where the group has yet to comply with all attached conditions are recognized as a liability (and included in deferred income within trade and other payables) and released to profit or loss when all attached conditions have been complied with.

Similarly, awarded grants not yet received, but where the group has complied with all attached conditions, are recognized in profit or loss with its offset in trade and other receivables. Grants are recognized as other operating revenue over the periods in which the related costs are accrued (for which the contributions are intended to compensate).

2.15 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases and the leasing fee is charged to the profit and loss statement.

2.16 Share-based remuneration

The group may issue independent subscription rights to employees and individual consultants performing similar work, and accounts for these transactions under the provisions of IFRS 2. The group recognizes two types of expenses related to grant of subscription rights: (i) Notional cost of subscription rights is recognized at time of grant and calculated based on the Black-Scholes model (share price at time of grant, exercise price, expected volatility, duration, and risk-free interest rate). The subscription rights vest in four tranches of 25 per cent on each anniversary of the grant, i.e., each tranche has a different duration. The notional cost of subscription rights as share-based remuneration is expensed but the equity effect is nil because the contra item is a notional equity injection of equal amount. (ii) Employer's tax expense is accrued based on the net present value of the subscription right as an option on the balance sheet date. The value varies with the share price and may entail a net reversal of costs.

2.17 Construction contracts

A construction contract is defined by IAS 11, "Construction contracts," as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

The group uses the "percentage of completion method" to determine the appropriate amounts to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

2.18 Operating segments

Operating segments, according to IFRS 8, are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources, assessing performance and making

strategic decisions, has been identified as the Chief Executive Officer (CEO). It is therefore determined that Thinfilm has only one operating segment and no segment information is provided.

3. Segment information

Thinfilm's business consists of sale of products, services and development of printed memory and systems that include memory, sensing, display, and wireless communication. The CEO has determined

that the Group has only one operating segment. Consequently, no additional segment information is disclosed.

4. Financial risk

4.1 Financial risk factors

Thinfilm is exposed to certain financial risks related to exchange rates and interest level. These are, however, insignificant compared to the business risk.

a. Market risk factors

(i) Currency risk

The group has the major part of its operations in Sweden (in addition to certain operations in the US, expanded in 2014) and there is thus a currency risk related to costs between SEK and NOK (and between USD and NOK). The Company's revenue is predominantly denominated in USD and NOK. The management monitors this risk but has not initiated particular actions to reduce it.

The currency risk related to the balance sheet is mostly related to the net investment in the Swedish subsidiary. The management monitors this risk but has not initiated particular actions to reduce it.

(ii) Interest risk

Thinfilm does not have any financial debt. The group has cash in bank in SEK, USD and JPY at floating rates, meaning that there are risks of currency losses when mark rates drop as interest rates vary over time.

b. Credit risk

The Company has no substantial credit risk as there are no significant receivables. Thinfilm has not issued guarantees or mortgages. However, as a part of assuming manufacturing assets of Kovio,

Inc. mentioned in Note 25, Thinfilm in January 2014 issued a USD 600,000 Letter of Credit to the property owner of the Thinfilm NFC Innovation Center.

c. Liquidity risk

Thinfilm does not have financial debt and has hitherto been able to raise adequate equity. As described in section Share Capital above, the Company raised more than NOK 300 million in 2013. Thinfilm believes that the cash held at year-end, as a consequence of the capital raising activities in 2013, is sufficient to fund the operations of the Company for the foreseeable future.

4.2 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate the fair values of such items. Accounts payable and accrued liabilities with due date within 12 months have been recognized at carrying value. The fair value of financial liabilities has been estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

4.3 Financial instruments

Thinfilm is not party to any transactions or financial instruments which are not recorded in the balance sheet or otherwise disclosed.

5. Critical accounting estimates and judgments

The financial statements of the group have been prepared based on the going concern assumption. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The group makes

estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions mainly relate to share-based compensation, deferred tax assets, capitalization of research and development and, if any, contingent liabilities.

6. Property, plant and equipment

Amounts in NOK 1,000	Installations	Laboratory equipment	Office equipment	Total
Useful life, years	7	5 and 7	3	
2013				
Accumulated cost on 1 January	57	5 241	539	5 837
Additions		17 099		17 099
Disposals (at cost)				0
Exchange differences	5	1 031	50	1 085
Cost at 31 December	62	23 371	588	24 022
Accumulated depreciation and impairment on 1 January	(57)	(2 510)	(539)	(3 105)
Depreciation		(1 630)		(1 630)
Impairment				0
Disposals (at accumulated depreciation)				0
Exchange differences	(5)	(304)	(50)	(359)
Depreciation and impairment at 31 December	(62)	(4 444)	(588)	(5 094)
2012				
Accumulated cost on 1 January	58	3 375	547	3 980
Additions		1 924		1 924
Disposals (at cost)				0
Exchange differences	(1)	(58)	(8)	(67)
Cost at 31 December	57	5 241	539	5 837
Accumulated depreciation and impairment on 1 January	(58)	(2 037)	(547)	(2 641)
Depreciation		(507)		(507)
Impairment				0
Disposals (at accumulated depreciation)				0
Exchange differences	1	33	8	42
Depreciation and impairment at 31 December	(57)	(2 510)	(539)	(3 105)
At 31 December 2013				
Accumulated cost	62	23 371	588	24 022
Accumulated depreciation and impairment	(62)	(4 444)	(588)	(5 094)
Net book value	0	18 927	0	18 927
At 31 December 2012				
Accumulated cost	57	5 241	539	5 837
Accumulated depreciation and impairment	(57)	(2 510)	(539)	(3 105)
Net book value	0	2 732	0	2 732

7. Intangible assets

There were no transactions regarding intangible assets in 2013 or 2012.

Amounts in NOK 1,000	Goodwill
At 31 December 2013	
Cost	34 749
Accumulated amortisation and impairment	(34 749)
Net book value	0
At 31 December 2012	
Cost	34 749
Accumulated amortisation and impairment	(34 749)
Net book value	0

The group is defined as one single cash-generating unit (CGU) for the purpose of impairment testing. The future income of the Company cannot be predicted with the necessary degree of certainty, and all intangible assets were accordingly impaired in 2006.

8. Trade and other receivables

Amounts in NOK 1,000	31 December 2013	31 December 2012
Customer receivables	2 707	65
Other receivables, prepayments	5 311	4 334
Less: provision for impairment of receivables	0	0
Receivables – net	8 018	4 399
Of this, receivables from related parties (Note 20)	0	0

All receivables are due within one year and book value approximates fair value. Of the total amount, NOK 5,693 thousand were denominated in NOK (2012: NOK 2,147 thousand), and NOK 2,305 thousand denominated in SEK (2012: NOK 2,253 thousand).

9. Cash and bank deposits

Amounts in NOK 1,000	31 December 2013	31 December 2012
Cash in bank excluding restricted cash	266 023	32 587
Deposit for withheld tax	412	263
Total	266 435	32 850

Payable withheld tax amounts in Norway at 31 December 2013 were NOK 412 thousand (2012: NOK 263 thousand).

10. Share capital

	Number of shares
Shares at 1 January 2013	353 801 392
Warrants exercise 11-22 March	12 172 500
Share issue 8 May, Board remuneration	84 000
Share issue employees	1 362 500
Share issue Invesco, 02 October	56 000 000
Share issue PARC, 29 October	437 911
Share issue Invesco, 30 October	46 666 666
Share issue PARC, 20 December	1 100 843
Shares at 31 December 2013	471 625 812

Shares at 1 January 2012	304 544 086
Share issue to employees 28 February	275 000
Private placement 12 March	25 000 000
Share issue 10 May, Board remuneration	78 000
Share issue 20 September, PARC	765 306
Warrants B exercise 1-12 October	23 064 000
Share issue to employee 8 November	75 000
Shares at 31 December 2012	353 801 392

The par value of the shares is NOK 0.11 per share.

On 12 March 2012, Thinfilm accomplished a private placement of 25,000,000 new shares in the Company at a price of NOK 1.80 per share, thereby raising NOK 45 million in new capital. At the 2012 annual general meeting, it was resolved to issue one warrant for every two shares subscribed for and issued in this private placement, i.e., a total of 12,500,000 warrants. The warrant had a term until 22 March 2013, with a short exercise period at the end of the term, and an exercise price per share of NOK 2.20. During the exercise period 11-22 March 2013, Thinfilm received notice of exercise of 12,172,500 warrants (97.4% of the exercisable warrants), thereby raising approximately NOK 26.8 million in new capital.

On 6 September 2013, it was announced that funds managed by Invesco Asset Management Limited had agreed to acquire 56,000,000 shares in the Company at a subscription price of NOK 2.50 per share totaling NOK 140,000,000 (USD 23 million) equal to 13% of the shares in Thinfilm. At the 2 October 2013 extraordinary general meeting of Thinfilm, it was resolved to issue said shares, and upon subscription in the offering, Invesco also received 46,666,666 warrants, each with an exercise price of NOK 3.00. On 30 October 2013, the Board of Directors of Thinfilm resolved to accept Invesco's exercise of said warrants implying another NOK 140,000,000 (USD 24 million) of capital for the Company.

The annual general meeting in 2013 authorized the Board to complete one or more placements by issuing up to 36,597,389 shares which, at the time, corresponded to 10 per cent of the company's registered share capital. Following were the private placements on 29 October and 20 December 2013, in which 1,538,754 shares were issued to PARC, a Xerox company. Hence, the remaining authorization amounted to 35,058,635 shares at the end of 2013. The authorization expires at the annual general meeting in May 2014.

11. Trade and other payables

Amounts in NOK 1,000	31 December 2013	31 December 2012
Trade payables	11 963	3 574
Public duties, withheld taxes and social security taxes due	1 370	1 208
Share-based liability (subscription rights), employer's tax	15 939	2 642
Accrued holiday pay and other accrued salary	2 366	1 807
Other accrued expenses	4 039	601
Total	35 677	9 831
Of this, payables to related parties (Note 20)	6 770	1 156

All payables and accruals are due within one year (with the exception of share-based liability, which fall due when employee subscription rights are exercised) and book value approximates fair value. Of the total amount, NOK 11,449 thousand is denominated in SEK (2012: NOK 4,750 thousand) and the remainder, NOK 23,917 thousand (2012: NOK 5,081 thousand), is predominantly denominated in NOK but also small amounts in various other currencies.

12. Sales revenue

Amounts in NOK 1,000	2013	2012
Sales of goods	308	192
Rendering of services, technology access revenue	5 026	1 757
Total	5 334	1 949

No warranty costs, penalties, or other losses were related to sales revenue in 2013.

13. Other revenue

Amounts in NOK 1,000	2013	2012
Government grants, funded development projects	6 206	2 924
Total	6 206	2 924

14. Government grants

In June 2013, Thinfilm ASA received a government grant of NOK 7 million from Innovation Norway's Industrial Research and development Program ("IFU") to develop and manufacture addressable memories. The project runs until June 2015. In November 2012, Thinfilm ASA received NOK 6 million in funding from the European Eurostars program to develop and commercialize display logic for printed integrated systems and smart tags. The project runs until March 2015. Thinfilm ASA had a project qualified for the SkatteFUNN scheme in 2013 (tax credit scheme), which was related to the development of Passive Array memory for printed integrated systems and smart tags. In 2013, net contribution from the SkatteFUNN scheme was NOK 1.1 million (2012:

NOK 1.1 million). The project runs to December 2014. The accounting policy adopted for these grants is to recognize it as other operating revenue over the periods in which the Company recognizes as expenses the related costs for which the grant is intended to compensate. Recognized revenue from government grants in 2013 was approximately NOK 6.2 million (2012: NOK 2.9 million).

In 2012 NOK 1.1 million relating to SkatteFUNN were recognized in 2012 as a cost reduction. In 2013, the same grant and amount was recognized as revenue. The 2012 figures have been adjusted retrospectively to adjust for this change in accounting policy.

15. Salaries and other payroll costs

Amounts in NOK 1,000	2013	2012
Salaries	19 545	12 536
Social security costs	5 433	2 723
Share-based compensation (subscription rights), notional salary cost	5 154	4 369
Share-based compensation (subscription rights), accrued employer's tax	13 097	1 270
Pension contribution	1 858	1 283
Other personnel-related expenses, including recruiting costs	1 772	1 962
Total	46 859	24 143
Average number of employees for the year	32	17

At the end of the year the group employed 40 persons, up from 23 at the end of 2012. The Company has only defined contribution pension plans. Contributions are expensed and paid when earned.

Compensation to senior management

Amounts in NOK 1,000	Salary	Pension contribution	Bonus	Share-based remuneration
2013				
Compensation to Davor Sutija, CEO	1 744	48	400	1 271
Compensation to John Afzelius-Jenevall, CFO from August 2013	568	16	150	289
Compensation to Torgrim Takle, CFO until August 2013	974	31	253	0
Compensation to Christer Karlsson, CTO	1 102	185	0	631
Compensation to Henrik Sjöberg, VP of Product Management	702	185	0	232
Jennifer Ernst, EVP Sales & Business Development	826	47	626	549
2012				
Compensation to Davor Sutija, CEO	1 591	46	338	1 328
Compensation to Torgrim Takle, CFO	1 252	46	221	592
Compensation to Christer Karlsson, CTO	935	143	0	648
Jennifer Ernst, EVP Sales & Business Development	737	74	739	360

The salary amount is the salary amount declared for tax purposes. The value of share-based remuneration is the expensed amount excluding employer's tax in the period for incentive subscription rights. Torgrim Takle and Christer Karlsson exercised 925,000 and 200,000 subscription rights respectively in 2013. See also Note 22.

The Company has not made any advance payments or issued loans to, or guarantees in favor of, any members of management.

16. Operating leases

ThinFilm has lease agreements for premises in Oslo (Norway), Linköping (Sweden), Newark (California, US) and Tokyo (Japan). The lease amount in Oslo is NOK 420 thousand per year, with a termination clause of 3 months. The lease amount in Linköping is SEK 1050

thousand per year adjusted by 3 per cent per year. The lease can be terminated semi-annually with 6 months' notice. The lease amounts in Newark and Tokyo are USD 8 thousand and JPY 570 thousand per year, with a termination clause of 3 and 1 month(s), respectively.

17. Income tax expense

The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Amounts in NOK 1,000	2013	2012
Profit (loss) before tax	(81 601)	(46 405)
Tax (tax income) calculated at domestic tax rate 28 per cent	(22 848)	(12 994)
Effect of other tax rate in other countries	500	1
Share based compensation	3 451	695
Other permanent differences	721	(136)
Change in deferred tax asset not recognised on the balance sheet	18 176	12 434
Tax charge	0	0

18. Deferred income tax

Deferred income tax assets and liabilities are offset when the Company has a right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Amounts in NOK 1,000	31 Dec 2012	Effects of change in tax rate	Charged to profit/loss	Equity	31 Dec 2013
Deferred income tax asset					
Intangible assets	8 014	(286)			7 728
Tax loss carried forward outside Norway	4 649		(1 114)	378	3 913
Tax loss carried forward Norway	56 838	(2 030)	18 142	3 646	76 596
Calculated deferred tax asset (27 % in 2013 and 28 % in 2012)	69 501		17 028	4 024	88 237
Impairment of deferred tax asset	69 501		17 028	4 024	88 237
Deferred tax in the balance sheet	0	0	0	0	0

Amounts in NOK 1,000	31 Dec 2011	Charged to profit/loss	Equity	31 Dec 2012
Deferred income tax asset				
Intangible assets	8 014			8 014
Tax loss carried forward outside Norway	4 722	10	(83)	4 649
Tax loss carried forward Norway	43 871	12 424	543	56 838
Calculated deferred tax asset	56 606	12 434	460	69 502
Impairment of deferred tax asset	(56 606)	(12 434)	(460)	(69 502)
Deferred tax in the balance sheet	0	0	0	0

The Equity column includes effects of currency translation, share issue costs and forgiven debt.

The Company has not recognized the tax asset as there is uncertainty relating to future taxable income for utilization of the tax loss carried forward, and the taxable loss on intangible assets. There is no expiration date on the tax loss carried forward. No tax item has been recorded directly to equity.

19. Profit (loss) per share

Amounts in NOK 1,000	2013	2012
Profit (loss) attributable to equity holders of the Company (NOK 1,000)	(81 601)	(46 405)
Average number of shares in issue	383 795 352	330 116 095
Average diluted number of shares	395 647 389	336 230 619
Profit (loss) per share, basic and diluted	(NOK 0.21)	(NOK 0.14)

When the period result is a loss, the loss per diluted number of shares shall not be reduced by the higher diluted number of shares, but the diluted result per share 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 exceeds the average share price in the period, the subscription rights are not counted as being dilutive.

20. Related-party transactions

a) Transactions with related parties:

Amounts in NOK 1,000	2013	2012
Purchases of services from John M. Lervik Consult	0	910
Purchases of services from law firm Ræder	2 400	1 540
Purchases of services from Glenne Invest AS	0	53
Purchases of services, licences and materials from PARC	13 168	4 519
Purchase of services from Robert N. Keith	1 920	0

The agreement with John M. Lervik Consult, controlled by John Markus Lervik, who also controls shareholder ASAH AS, was entered into with effect from 1 June 2009 and terminated 31 December 2012. The amount does not include refund of out-of-pocket expenses.

Thinfilm's Chairman, Morten Opstad, is a partner and Chairman of the Board of Advokatfirma Ræder DA, who is also Thinfilm's legal counsel. The amounts do not include Mr. Opstad's service as Chairman. Mr. Opstad and close associates hold shares in Thinfilm.

Glenne Invest AS, a company controlled by Thinfilm's Board Member Rita Glenne, provided production planning consulting services for a limited period in 2012. The amounts do not include Ms. Glenne's service as Board Member. Ms. Glenne and close associates hold shares in Thinfilm.

Robert N. Keith, a shareholder in Thinfilm, entered into a consulting service agreement with effect from 1 January 2013. Mr. Keith assists Thinfilm in strategic analysis and in dealing with larger, international, prospective partners.

PARC, a shareholder of Thinfilm, entered into a development agreement with Thinfilm with effect from 28 October 2010 that has later been followed by several amendments and additional agreements. The amount relates to the license of certain PARC patents, purchase of materials and consulting services. Out of the total amount MNOK 8 538 was settled in equity, in 2012 the corresponding figure was MNOK 1 462.

Transaction prices are based on what would be the prices for sale to third parties and are net of VAT.

b) Year-end balances arising from sales/purchases of goods/services with related parties

Amounts in NOK 1,000	2013	2012
Payable to law firm Ræder	2 323	599
Payable to PARC	2 527	557
Payable to Robert Keith	1 920	0

c) Remuneration to the Board of Directors

The Company has no other obligation to remunerate the Board than the Board remuneration as resolved by the annual general meeting. The annual general meeting on 8 May 2013 resolved remuneration to the Chairman of NOK 200 thousand and NOK 100 thousand for each Board Member for the period from the annual general meeting in 2012 to the annual general meeting in 2013. The Board Members had the option

to receive part or all of the remuneration in the form of shares. The number of shares corresponded to a gross value of 120 per cent of the Board remuneration, for which they paid the par value and the shares were locked up for one year. Board Members Rita Glenne, William R. Salaneck, and Margareta Josefsson chose this option, in a manner where the cash part covered the withholding tax and the exercise price. The transaction was completed in the second quarter 2013. The Company refunds relevant out-of-pocket expenses incurred by the Board Members. The Company has not issued any advance payments or loans to, or guarantees in favor of, any Board Member.

Thinfilm has accrued NOK 301 thousand for the probable cost of Board remuneration from the annual general meeting 2013 and up to the end of 2013. Such remuneration, if any, shall be resolved by the annual general meeting 2014.

d) Remuneration to the auditor

Amounts in NOK 1,000	2013	2012
Audit	356	340
Other assurance services	57	72
Tax services	21	19
Other services	88	4
Total	522	434

21. Contingent liabilities, financial instruments

Thinfilm is not party to any transactions or financial instruments which have not been recorded in the balance sheet or otherwise disclosed in these annual financial statements. Thinfilm has not issued any guarantees. However, as a part of assuming manufacturing assets of Kovio, Inc. mentioned in Note 24, Thinfilm in January 2014 issued a USD 600,000 Letter of Credit to the property owner of the Thinfilm NFC Innovation Center.

22. Shares, warrants and subscription rights

At the end of 2013 there were 471,625,812 shares in the Company, versus 353,801,392 at the end of 2012. There were 2,600 registered shareholders (2012: 2,183).

Thinfilm is not aware of any shareholding agreements between shareholders.

Top 20 registered shareholders at 31 December 2013	Shares	Percent
Invesco Perp High Income Fund	58 308 255	12.4 %
Euroclear Bank S.A./N.V. ('BA') (Nominee)	52 767 071	11.2 %
The Bank of New York Mellon SA/NV	44 358 411	9.4 %
ASAH AS	25 500 000	5.4 %
Simpson Financial Limited	17 123 940	3.6 %
Håvi AS	15 496 650	3.3 %
Sundvall Holding AS	14 734 247	3.1 %
MP Pensjon PK	11 354 165	2.4 %
Dukat AS	10 280 000	2.2 %
Alden AS	9 840 000	2.1 %
Food International Ltd	9 131 162	2.0 %
Solon AS	8 290 000	1.8 %
GPR Technology Fund Limited	6 902 974	1.5 %
Forsland, Runar	6 302 464	1.3 %
Charles Street International Ltd	5 728 174	1.2 %
Festvåg AS	5 633 520	1.2 %
Maritim Kompetanse AS	5 450 000	1.2 %
Food International Ltd	5 250 698	1.1 %
Storebrand Vekst	4 457 201	1.0 %
Palo Alto Research Center Inc. (PARC)	3 967 740	0.9 %

Shares, warrants and subscription rights held by primary insiders and close relations at 31 December 2013

	Shares	Warrants	Incentive subscription rights
Morten Opstad, Chairman	1 400 116	0	250 000
Rolf Åberg, Board Member	208 216	0	250 000
Rita Glenne, Board Member	67 000	0	0
Margareta Josefsson, Board Member	78 000	0	0
Tor Mesøy, Board Member	30 000	0	0
Preeti Mardia, Board Member	38 350	0	0
Davor Sutija, CEO	1 360 000	0	7 250 000
John Afzelius-Jenevall, CFO	0	0	1 150 000
Christer Karlsson, CTO	15 000	0	3 200 000
Jennifer Ernst, EVP Sales & Business Development	0	0	1 950 000
Peter Fischer, Chief Product Officer	0	0	600 000
Henrik Sjöberg, SVP of Product Management	0	0	650 000
Anders Harnes, Finance & Accounting Director	0	0	200 000
Total	3 196 682	0	15 500 000

The Board has granted subscription rights under subscription rights incentive programs for the respective years.

The annual general meeting on 8 May 2013 resolved a subscription rights incentive program for the years 2013-2018. The 2012 program was closed. Under the 2013 program, the Board may grant up to 36,597,389 independent subscription rights to employees and to individual consultants performing similar work in Thinfilm. The number of outstanding subscription rights under all subscription rights incentive programs shall not exceed 10 per cent of the number of shares in the company at the time of the annual general meeting 2013. The exercise price shall be equal to the average closing share price on the ten trading days preceding the grant date. The subscription rights vest in four tranches of 25 per cent on each anniversary of the grant. In case of change of control, the subscription rights vest immediately. The subscription rights expire on 8 May 2018.

By 31 December 2013, the Board had granted 6,650,000 subscription rights under the 2013 program.

Subscription rights

	2013		2012	
	Weighted average exercise price	Number of subscription rights	Weighted average exercise price	Number of subscription rights
Total at 1 January	1,35	22 600 000	1.3	17 539 306
Granted	4,96	6 950 000	1.87	6 500 000
Forfeited	1,51	(2 862 500)	0.86	(750 000)
Exercised	1,07	(1 362 500)	0.84	(350 000)
Expired	-	-	10.8	(339 306)
Total at 31 December	2,33	25 325 000	1.35	22 600 000
Number of exercisable subscription rights at 31 December (included in total)		10 575 000		6 812 500

Subscription rights outstanding at 31 December 2013

Holder	Grant date	Expiry date	Grantee capacity	Number of sub- scription rights	Exercise price, NOK
Morten Opstad, Chairman	22 Sept. 2009	6 May 2014	contractor	250 000	1.08
Rolf Åberg, Board Member	22 Sept. 2009	6 May 2014	contractor	250 000	1.08
Davor Sutija, CEO	6 Jan. 2010	6 May 2014	employee	1 000 000	1.29
	30 Sept. 2010	7 May 2015	employee	2 500 000	0.80
	2 Nov. 2011	10 May 2016	employee	2 000 000	1.49
	8 Nov. 2012	10 May 2017	employee	750 000	1.89
	7 Nov. 2013	08 May 2018	employee	1 000 000	6.19
John Afzelius-Jenevall, CFO	15 Aug. 2013	08 May 2018	employee	1 000 000	2.58
	7 Nov. 2013	08 May 2018	employee	150 000	6.19
Christer Karlsson, CTO	22 Sept. 2009	6 May 2014	employee	750 000	1.08
	30 Sept. 2010	7 May 2015	employee	750 000	0.80
	2 Nov. 2011	10 May 2016	employee	700 000	1.49
	8 Nov. 2012	11 May 2017	employee	500 000	1.89
	7 Nov. 2013	08 May 2018	employee	500 000	6.19
Jennifer Ernst, EVP Sales & Business Development	2 March 2011	7 May 2015	employee	500 000	1.63
	02 Nov. 2011	10 May 2016	employee	350 000	1.49
	8 Nov. 2012	11 May 2017	employee	600 000	1.89
	7 Nov. 2013	08 May 2018	employee	500 000	6.19
Peter Fischer, Chief Product Officer	8 May 2013	8. May 2017	employee	600 000	2.48
Henrik Sjöberg, SVP of Product Management	6 Dec. 2013	10. May 2017	employee	400 000	1.85
Anders Harnes, Finance & Accounting Director Employees and contractors	7 Nov. 2013	08 May 2018	employee	250 000	6.19
	7 Nov. 2013	08 May 2018	employee	200 000	6.19
	22 Sept. 2009	6 May 2014	employee	1 750 000	1.08
	30 Sept. 2010	7 May 2015	employee	900 000	0.80
	17 Aug. 2011	10 May 2016	employee	950 000	1.01
	2 Nov. 2011	10 May 2016	employee	700 000	1.49
	28 Feb. 2012	10 May 2016	employee	225 000	1.71
	8 Nov. 2012	10 May 2017	employee	2 250 000	1.89
	6 Dec. 2012	10 May 2017	employee	300 000	1.85
	28 Feb. 2013	10 May 2017	employee	300 000	2.28
	27 Aug. 2013	8 May 2018	employee	400 000	2.55
	7 Nov. 2013	8 May 2018	employee	1 800 000	6.19
	6 Dec. 2013	8 May 2018	employee	250 000	5.92
Total				25 325 000	2.33

1,362,500 subscription rights were exercised in 2013 (2012: 350.000).

Value of subscription rights and assumptions	22 Sept. 2009	Grants in 2010	Grants in 2011	Grants in 2012	Grants in 2013
Value of subscription right at grant date, NOK per subscription right	1.19-1.45	0.42-1.02	0.51-1.17	0.75-1.13	0.99-3.01
Share price, NOK per share	1.65	0.80-1.23	0.98-1.64	1.61-1.85	2.27-6.08
Exercise price, NOK per share	1.08	0.80-1.29	1.01-1.63	1.71-1.89	2.28-6.19
Expected annual volatility	130 %	100-130 %	90-100%	80-90%	60-80%
Duration, years	2.0-4.6	2.0-4.6	2.0-4.7	2.0-4.5	2.0-5.0
Expected dividend	0	0	0	0	0
Risk-free interest rate, government bonds	2.8-3.6 %	2.1-3.4 %	1.7-3.0 %	1.4-1.8 %	1.3-2.2 %

Value of subscription rights and assumptions	22 Sept. 2009	Grants in 2010	Grants in 2011	Grants in 2012	Grants in 2013
Value of subscription right at 31 December 2013, NOK per subscription right	4.86-4.87	4.65-5.16	4.31-4.99	4.08-4.4	1.86-4.19
Share price, NOK per share	5.94	5.94	5.94	5.94	5.94
Exercise price, NOK per share	1.08	0.80-1.29	1.01-1.63	1.71-1.89	2.28-6.19
Expected annual volatility	60 %	60 %	60 %	60 %	60 %
Duration, years	0.3	0.2-1.3	0.2-2.4	0.2-3.4	1.2-4.4
Expected dividend	0	0	0	0	0
Risk-free interest rate, government bonds	1.5%	1.4-1.6%	1.3-1.6%	1.4-1.8%	1.4-2.1%
Number of outstanding subscription rights at 31 December 2013	3 000 000	5 150 000	5 200 000	5 025 000	6 950 000

23. Statement on management remuneration policy

In 2013 Thinfilm's executive management comprised Davor Sutija, CEO, John Afzelius-Jenevall, CFO, Christer Karlsson, CTO, Jennifer Ernst, EVP Sales & Business Development and Henrik Sjöberg, SVP of Product Management.

Several of the executive management team members serve as officers and directors in the subsidiaries without additional remuneration. Torgrim Takle served as CFO of the Company until 31 July 2013. Peter Fischer joined the Company and the executive management on 1 January 2014.

The general meeting 2013 resolved guiding and binding executive remuneration policies. Thinfilm's executive remuneration policy in 2013 was a continuation of the prior year's policy, including share-based remuneration in the form of a subscription rights incentive program as resolved at the annual general meeting, latest on 8 May 2013.

Guiding executive remuneration policy

Thinfilm offers a competitive remuneration consisting of a reasonable base salary with a pension contribution, which may be supplemented by motivating performance-based cash bonus. There is no post-employment remuneration beyond notice periods of 3-6 months. In case the company gives notice, Davor Sutija may be eligible for salary for 3 months after the end of the notice period.

Binding executive remuneration policy

The annual general meeting on 8 May 2013 resolved a subscription rights incentive program for the years 2013-2018. The preceding incentive program was closed. The program is described in Note 22.

Implementation and effect of the policies

The actual remuneration to the management in 2013 is reported in Notes 15 and 22. Based on achievement of stated targets in the period August 2013-July 2014, Mr. Sutija can achieve a cash bonus of maximum 25 per cent of base salary. In addition, Mr. Sutija can achieve a discretionary cash bonus related to capital raising activities, capped at one year's base salary. Similarly, Mr. Afzelius-Jenevall can achieve a cash bonus of maximum 20 per cent of base salary based on achievement of stated targets in the period April 2013-March 2014. Mrs. Ernst and Mr. Fischer can achieve cash bonuses based on the delivery of certain external agreements, including commercial and joint development agreements. Mr. Karlsson and Mr. Sjöberg are not entitled to any cash bonuses.

Salary, pension and any bonuses will attract employer's tax which will be expensed simultaneously with the remuneration.

The employer's tax is accrued based on the net present value of the subscription right as an option on the balance sheet date. The value varies with the share price and may entail a net reversal of costs. In 2013 Thinfilm expensed NOK 13,097 thousand (2012: NOK 1,270 thousand) related to the persons included in the reporting, and the accumulated accrual for employer's tax to the same persons amounted to NOK 15,939 thousand (2012: NOK 2,642 thousand). If and when the subscription rights are exercised, the accrued employer's tax will be reversed and the payable employer's tax of the actual gain will be expensed.

An exercise will represent a dilution for the shareholders. At the end of 2013, the number of outstanding subscription rights to the management amounted to 14,800,000, corresponding to 3.1 per cent of the share capital.

24. Business combinations in 2014

On 21 January 2014, Thinfilm acquired certain assets, contracts and processes from Kovio Inc., a company active in the field of radio frequency enabled products based on printed silicon technology.

The acquired assets include Kovio's technology, intellectual property, and manufacturing assets located in San Jose, California, USA. Kovio has also assigned certain contractual rights to Thinfilm, e.g. the property lease in San Jose. Further, more than 20 former Kovio employees resigned from Kovio and became employed by Thinfilm.

The transaction constitutes a business combination by applying the definition in IFRS 3 appendix A, as the assets are capable of

being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors.

The transaction will hence be accounted for as a business combination in accordance with IFRS 3.

The information below is provisional pending the completion of the final valuation of the acquired assets and assumed liabilities.

The following table summarises the consideration transferred at 21 January 2014 and the estimated fair value of assets acquired.

Consideration at January 21, 2014

Amounts in NOK 1,000

Cash	16 571
Equity instruments (1,041,584 of ordinary shares)	6 169
Total consideration transferred	22 741

Estimated amounts of identifiable assets acquired

Amounts in NOK 1,000

Intellectual property	18 250
Property, plant and equipment	6 761
Inventory	615
Total identifiable net assets	25 010

The initial difference between total consideration transferred and estimated fair value of assets presented in the tables above amount to NOK 2,270 thousand. This indicates a bargain purchase with a potential gain to be recognized in the 2014 statement of comprehensive income.

Procedures used to measure the amounts

Management has initiated a process to identify and determine the fair value of the assets acquired and the liabilities assumed. Management has engaged independent experts to assist in this process. In particular, identification and valuation of intellectual property rights require significant management judgment and estimates.

25. Events after the balance sheet date

On 21 January 2014, Thinfilm entered into an agreement to acquire assets and intellectual property rights from Kovio Inc. The purchase price amounted to USD 2.7 million in cash and USD 1.0 million in shares, both of which have been settled in full. See Note 23 for further description.

Since 31 December 2013 and until the date of these financial statements, the Board has granted a total of 3,120,000 subscription rights under the subscription rights-based incentive program resolved by

the annual general meeting 2013. The exercise price of the subscription rights is NOK 5.00 - 6.10 per share.

Between 31 December 2013 and the presentation of this report, no events with any substantial impact on the result for 2013 or the value of Thinfilm's assets and liabilities at the end of 2013 have occurred.



Thin and flexible substrates allow Thinfilm Memory™ to be effectively integrated in a wide variety of form factors and applications.



The roll-to-roll printing process used with Thinfilm Memory™ enables cost-effective, high-volume manufacturing.

Annual Financial Statements 2013

(Generally accepted accounting principles in Norway)

Profit and loss statements

Amounts in NOK 1,000	Note	2013	2012
Sales revenue	11	5 394	1 949
Other revenue	12, 13	5 017	1 824
Total revenue		10 411	3 773
Employee salaries and benefits	14	(14 169)	(8 903)
Services (external)		(23 247)	(12 582)
Services (from subsidiaries)	17	(39 519)	(22 110)
Premises, supplies		(1 066)	(1 256)
Contribution from SkatteFUNN scheme		1 100	1 100
Sales and marketing		(4 363)	(3 542)
Other expenses		(907)	(927)
Operating profit (loss)		(71 759)	(44 446)
Interest income		1 427	468
Other financial income		1 158	85
Impairment charge/reversal on investment in subsidiary	6	(11 590)	(2 333)
Other financial costs		(475)	(208)
Net financial items		(9 480)	(1 987)
Profit (loss) before income tax		(81 239)	(46 433)
Income tax expense	15	0	0
Profit (loss) for the year		(81 239)	(46 433)
Allocation/coverage of net result for the year			
Transfer from share premium reserve			
Uncovered losses carried forward		(81 239)	(46 433)
Total allocated	4	(81 239)	(46 433)

The notes on pages 40 to 47 are an integral part of these annual financial statements.

Balance sheets

Amounts in NOK 1,000	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets	7, 16		
Property, plant and equipment	5		
Investment in subsidiaries	6	3 076	1 886
Total non-current assets		3 076	1 886
Current assets			
Trade and other receivables	8	6 991	2 147
Cash and bank deposits	9	263 001	30 996
Total current assets		269 992	33 143
Total assets	18	273 068	35 029
EQUITY			
Ordinary shares	10, 19	51 878	38 918
Other paid-in equity		413 828	117 879
Total paid-in equity		465 706	156 797
Retained profit/uncovered losses		(207 852)	(126 613)
Total equity	4	257 855	30 184

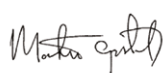
LIABILITIES**Current liabilities**

Accounts payable		9 264	3 347
Withheld tax and public duties payable		794	459
Debt to group companies	6, 17	890	170
Other payables and accruals		4 265	869
Total liabilities	18	15 213	4 845

Total equity and liabilities		273 068	35 030
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The notes on pages 4 to 14 are an integral part of these annual financial statements.

The Board of Directors of Thin Film Electronics ASA, Oslo, Norway, 10 April 2014.

						
Morten Opstad Chairman	Rita Glenne Board Member	Margareta Josefsson Board Member	Tor Mesøy Board Member	Rolf Åberg Board Member	Preeti Mardia Board Member	Davor Sutija CEO

Cash flow statements

Amounts in NOK 1,000

	Note	2013	2012
Cash flows from operating activities			
Profit (loss) before income tax		(81 239)	(46 433)
Share-based compensation (equity part)	14, 19	2 127	2 173
Depreciation and impairment (reversal)	6	11 590	2 333
Change in working capital and other items		4 662	(312)
Net cash from (used on) operating activities		(62 860)	(42 240)
Cash flows from investing activities			
Paid-in capital (Subsidiary)	6	(305)	0
Net cash from (used on) investing activities		(305)	0
Cash flows from financing activities			
Proceeds from issuance of shares	10	295 170	66 427
Net cash from financing activities		295 170	66 427
Net change in cash and bank deposits		232 005	24 187
Cash and bank deposits at the beginning of the year		30 996	6 809
Cash and bank deposits at the end of the year	9	263 001	30 996

The Company had no bank draft facilities at the end of 2013 or 2012.

The notes on pages 4 to 14 are an integral part of these annual financial statements.

Notes to the Annual Financial Statements

1. Information about the Company

Thin Film Electronics ASA ("Thinfilm ASA") is the parent company in the Thin Film Electronics Group ("Thinfilm"). The group consists of the parent company Thinfilm ASA and the subsidiaries Thin Film Electronics AB ("Thinfilm AB"), Thin Film Electronics Inc. ("Thinfilm Inc.") and Thin Film Electronics KK ("Thinfilm KK"). The group was formed on 15 February 2006 when Thinfilm ASA purchased the business and assets, including the subsidiary Thinfilm AB, from Thin Film OldCo AS ("OldCo").

Thinfilm ASA was established on 22 December 2005. The accounting year corresponds to the calendar year. The purpose of Thinfilm

ASA is research, development, production and commercialization of technology and products of physical storage of information, as well as related activities including participation in other companies.

The Company is a public limited liability company incorporated and domiciled in Norway. The address of its registered office is Henrik Ibsens gate 100, Oslo, Norway. The company's shares were admitted to listing at the Oslo Axess on 30 January 2008.

These annual financial statements for the parent company were resolved by the Company's Board of Directors on 10 April 2014.

2. Accounting policies

These annual financial statements have been prepared in accordance with the Norwegian accounting act 1998 and generally accepted accounting principles in Norway. The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been applied consistently. The financial statements have been prepared using the historical cost convention.

Principal criteria for valuation and classification of assets and liabilities

Assets for lasting ownership or use have been classified as fixed assets. Other assets have been classified as current assets. Receivables which are due within twelve months have been classified as current assets. Corresponding criteria have been applied when classifying short-term and long-term debt.

Current assets have been valued at the lower of cost and fair value. Other long-term debt and short-term debt have been valued at face value.

Assets and liabilities denominated in foreign currency

Monetary items in foreign currency have been converted at the exchange rate on the balance sheet date.

Shares in subsidiaries

Investment in subsidiaries has been valued at cost in the parent company. In case of impairment which is not temporary, the investment has been written down to fair value if mandated according to GAAP.

Revenue

Revenue has been recorded when earned, that is when a receivable has been established. This is at the time a product has been delivered or service has been provided, according to progression of the work.

Revenue has been recorded at the value of the consideration at the transaction time. Revenue is recorded when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. The Company records revenue from three main activities; (i) The Company manufactures and sells fully printed rewritable memories in the form of prototype development projects, engineering samples and technology demonstration kits to strategic customers and partners. Revenue is recorded when the Company has delivered and shipped products to the customer at the specified location. (ii) The Company provides engineering and support services to strategic customers and partners. Revenue from services provided at an hourly rate is recognized when, or in the same period as, the group has provided the services. Revenue from services related to achieving certain milestones are recognized upon receipt if achievement represents substantive work and approximates value of achieving that milestone. (iii) The Company grants technology access rights to strategic customers and partners, i.e., the right to work with Thinfilm and its technology to develop bespoke printed products and systems. Revenue from granting technology access rights is generally recognized on a straight-line basis over the period or contract term the technology access is granted, however, with the exception of revenue from technology access agreements that involve a lump-sum payment (without termination rights) which is recognized at the time the agreement is entered into.

Government grants

Grants from the government are recognized at their fair value in profit or loss where there is a reasonable assurance that the grant will be received and the company has complied with all attached conditions. Grants received where the Company has yet to comply with all attached conditions are recognized as a liability (and included in deferred income within trade and other payables) and released to profit or loss when all attached conditions have been complied with. Similarly, awarded grants not yet received, but where the group has complied with all attached conditions, are recognized in profit or loss with its offset in trade and other receivables. Government grants are recognized in profit or loss by two different principles: (i) Grants

which are related to specific development programs with commercial end-objectives are recognized as other operating revenue over the periods in which the related costs are accrued (for which the contributions are intended to compensate) and (ii) Grants or other contributions in the form of tax credit are credited against costs.

Receivables

Accounts receivable and other receivables have been recorded at face value after accruals for expected losses have been deducted. Accruals for losses have been made based on an individual assessment of each receivable.

Cash and bank deposits

Cash and bank deposits include cash, bank deposits and cash equivalents with a due date less than three months from acquisition.

Costs

Costs are normally recognized in the period of corresponding revenue. In situations where there are no clear connection between costs and revenue, the costs are allocated on a judgmental basis. Costs without corresponding revenue are recognized when they accrue.

Share-based remuneration

The Company may issue independent subscription rights to employees and individual consultants performing similar work and accounts for these transactions under the provisions of NRS 15A and generally accepted accounting principles in Norway. Two types of expenses are recognized related to grant of subscription rights: (i) Notional cost of subscription rights is recognized at time of grant and calculated based on the Black-Scholes model (share price at time of grant, exercise price, expected volatility, duration and risk-free interest rate). The subscription rights vest in four tranches of 25 per cent on each anniversary of the grant, i.e., each tranche has different dura-

tion. The notional cost of subscription rights as share based remuneration is expensed but the equity effect is nil because the contra item is a notional equity injection of equal amount. (ii) Employer's tax expense is accrued based on the net present value of the subscription right as an option on the balance sheet date. The value varies with the share price and may entail a net reversal of costs.

Tax on profit

Tax cost has been matched to the reported result before tax. Tax related to equity transactions has been charged to equity. The tax cost consists of payable tax (tax on the directly taxable income for the year) and change in net deferred tax. The tax cost is split into tax on ordinary result and result from extraordinary items according to the tax base. Net deferred tax benefit is held in the balance sheet only if future benefit can be justified.

Consolidated items

Insignificant items have been combined or included in similar items in order to simplify the statements. Lines which are zero or about zero have been omitted except where it has been deemed necessary to emphasize that the item is zero.

Estimates and judgmental assessments

The preparation of the annual accounts in accordance with the generally accepted accounting principles requires that the management make estimates and assumptions that affect the income statement and the valuation of assets and liabilities. Estimates and related assumptions have been based on the management's best knowledge of past and recent events, experience and other factors which are considered reasonable under the circumstances. Estimates and underlying assumptions are subject to continuous evaluation.

3. Significant events last two years, going concern, events after the balance sheet date

2013

On 12 March 2012, Thinfilm accomplished a private placement of 25,000,000 new shares in the Company at a price of NOK 1.80 per share, thereby raising NOK 45 million in new capital. At the 2012 annual general meeting, it was resolved to issue one warrant for every two shares subscribed for and issued in this private placement, i.e., a total of 12,500,000 warrants. The warrant had a term until 22 March 2013, with a short exercise period at the end of the term, and an exercise price per share of NOK 2.20. During the exercise period 11-22 March 2013, Thinfilm received notice of exercise of 12,172,500 warrants (97.4% of the exercisable warrants), thereby raising approximately NOK 26.8 million in new capital.

On 6 September 2013, it was announced that funds managed by Invesco Asset Management Limited had agreed to acquire

56,000,000 shares in the Company at a subscription price of NOK 2.50 per share totaling NOK 140,000,000 (USD 23 million) equal to 13% of the shares in Thinfilm. At the 2 October 2013 extraordinary general meeting of Thinfilm, it was resolved to issue said shares, and upon subscription in the offering, Invesco also received 46,666,666 warrants, each with an exercise price of NOK 3.00. On 30 October 2013, the Board of Directors of Thinfilm resolved to accept Invesco's exercise of said warrants implying another NOK 140,000,000 (USD 24 million) of capital for the Company.

2012

On 12 March 2012, Thinfilm accomplished a private placement of 25,000,000 new shares in the Company at a price of NOK 1.80 per share, thereby raising NOK 45 million in new capital. At the annual general meeting 2012 it was resolved to issue one warrant for every

two shares subscribed for and issued in this private placement, i.e., a total of 12,500,000 warrants. The warrant would have a term until 22 March 2013, with a short exercise period at the end of the term, and an exercise price per share of NOK 2.20. During the period 1-12 October 2012, Thinfilm received notice of exercise of 23,064,000 Warrants B (100% of the outstanding exercisable Warrants B), thereby raising approximately NOK 23.1 million in new capital.

Going concern

The Board confirms that these financial statements have been prepared based on the going concern assumption. The uncertainty attached to this assumption has been stated in the annual report.

Events after balance sheet date

On 21 January 2014, Thinfilm entered into an agreement to acquire

assets and intellectual property rights from Kovio Inc. The purchase price amounted to USD 2.7 million in cash and USD 1.0 million in shares, both of which have been settled in full. This transaction is accounted for as a Business Combination in accordance with the principles in IFRS 3.

Since 31 December 2013 and until the date of these financial statements, the Board has granted a total of 3,120,000 subscription rights under the subscription rights-based incentive program resolved by the annual general meeting 2013. The exercise price of the subscription rights is NOK 5.00 - 6.10 per share.

Between 31 December 2013 and the presentation of this report, no events with any substantial impact on the result for 2013 or the value of Thinfilm's assets and liabilities at the end of 2013 have occurred.

4. Equity

Amounts in NOK 1,000	Share capital	Other paid-in equity	Uncovered loss	Total
Equity at 1 January 2013	38 918	117 879	(126 613)	30 184
Warrants exercise 11-22 March	1 339	25 431		26 770
Share issue 8 May, Board remuneration	9			9
Share-based compensation		5 145		5 145
Share issue employees	150	1 253		1 403
Share issue Invesco, 02 October	6 160	126 693		132 853
Share issue PARC, 29 October	48	2 349		2 398
Share issue Invesco, 30 October	5 133	129 059		134 192
Share issue PARC, 20 December	121	6 019		6 141
Net profit (loss) for the year			(81 239)	(81 239)
Balance at 31 December 2013	51 878	413 829	(207 852)	257 855
Equity at 1 January 2012	33 500	51 039	(80 180)	4 359
Share issue to employees 28 February	30	204		235
Private placement 12 March	2 750	40 336		43 086
Share issue 10 May, Board remuneration	9			9
Share-based compensation		4 369		4 369
Share issue 20 September, PARC	84	1 378		1 462
Warrants B exercise 1-12 October	2 537	20 501		23 038
Share issue to employee 8 November	8	52		60
Net profit (loss) for the year			(46 433)	(46 433)
Balance at 31 December 2012	38 918	117 879	(126 613)	30 184

5. Property, plant and equipment

Current facilities are rented with furniture included. Minor computing and communications equipment has been expensed.

6. Investment in subsidiary

Amounts in NOK 1,000	Per cent holding	Per cent of votes	Book value
Thin Film Electronics AB, Linköping, Sweden			
At 31 December 2013	100 %	100 %	
Accumulated cost			24 714
Accumulated impairment charge			(21 944)
Net book value			2 770
At 31 December 2012	100 %	100 %	
Accumulated cost			12 862
Accumulated impairment charge			(10 976)
Net book value			1 886
Thin Film Electronics Inc., CA, USA			
At 31 December 2013	100 %	100 %	
Accumulated cost			1 203
Accumulated impairment charge			(1 203)
Net book value			-
At 31 December 2012	100 %	100 %	
Accumulated cost			566
Accumulated impairment charge			(566)
Net book value			-
Thin Film Electronics KK, Tokyo, Japan			
At 31 December 2013	100 %	100 %	
Accumulated cost			306
Accumulated impairment charge			-
Net book value			306

Current facilities are rented with furniture included. Minor computing and communications equipment has been expensed.

7. Intangible assets

Amounts in NOK 1,000	2013	2012
Goodwill		
Net book value at 31 December	0	0

There were no transactions regarding intangible assets in 2013 or 2012.

Amounts in NOK 1,000	Goodwill
At 31 December 2013	
Cost	27 189
Accumulated amortisation and impairment	(27 189)
Net book value	0
At 31 December 2012	
Cost	27 189
Accumulated amortisation and impairment	(27 189)
Net book value	0

There were no transactions regarding intangible assets in 2013 or 2012.

8. Trade and other receivables

Amounts in NOK 1,000	31 December 2013	31 December 2012
Customer receivables	2 707	65
Accrued revenue not yet invoiced	3	0
Other receivables, prepayments	4 282	2 082
Less: provision for impairment of receivables	0	0
Receivables – net	6 991	2 147
Of this, receivables from Thinfilm AB	605	0

All receivables are due within one year and book value approximates fair value. The total amount is denominated in NOK (2012: total amount denominated in NOK).

9. Cash and bank deposits

Amounts in NOK 1,000	31 December 2013	31 December 2012
Bank deposits excluding restricted cash	262 589	30 733
Deposit for withheld tax	412	263
Total	263 001	30 996

Payable withheld tax amounts at 31 December 2013 were NOK 412 thousand (2012: NOK 263 thousand).

10. Share capital

Reference is made to Note 10 in the Consolidated Financial Statements.

11. Sales revenue

Amounts in NOK 1,000	2013	2012
Sales of goods	125	192
Rendering of services, technology access revenue	5 269	1 757
Total	5 394	1 949

No warranty costs, penalties or other losses were related to sales revenue in 2013.

12. Other revenue

Amounts in NOK 1,000	2013	2012
Government grants, funded development projects	5 017	1 824
Total	5 017	1 824

13. Government grants

In June 2013, Thinfilm ASA received a government grant of NOK 7 million from Innovation Norway's Industrial Research and development Program ("IFU") to develop and manufacture addressable memories. The project runs until June 2015. In November 2012, Thinfilm ASA received NOK 6 million in funding from the European Eurostars program to develop and commercialize display logic for printed inte-

grated systems and smart tags. The project runs until March 2015. The accounting policy adopted for these two grants is to recognize it as other operating revenue over the periods in which the Company recognizes as expenses the related costs for which the grant is intended to compensate. Recognized revenue from government grants in 2013 was approximately NOK 5 million (2012: NOK 1.8 million).

ThinFilm ASA had a project qualified for the SkatteFUNN scheme in 2013 (tax credit scheme), which was related to the development of Passive Array memory for printed integrated systems and smart tags. In 2013, net contribution from the SkatteFUNN scheme was NOK 1.1 million (2012: NOK 1.1 million). The project runs to December 2014. The accounting policy adopted for this grant is to credit the net contribution of NOK 1.1 million against cost in the fourth quarter of 2013.

There are no unfilled conditions or other contingencies related to government grants that have been recognized.

14. Employee salaries and other benefits

Amounts in NOK 1,000	2013	2012
Salaries	6 507	4 953
Social security costs	1 488	777
Share-based compensation (subscription rights), notional salary cost	2 127	2 173
Share-based compensation (subscription rights), accrued employer's tax	3 395	390
Pension contribution	163	183
Other personnel related expenses, including recruiting costs	488	427
Total	14 169	8 903
Average number of employees for the year	6	5

At the end of 2013 there were seven fulltime employees in the company (2012: five fulltime employees). The Company has only defined contribution pension plans. Contributions are expensed and paid when earned.

Compensation to senior management, amounts in NOK 1,000

	Salary	Pension contribution	Bonus	Share-based remuneration
2013				
Compensation to Davor Sutija, CEO	1 744	48	400	1 271
Compensation to John Afzelius-Jenevall, CFO from August 2013	568	16	150	289
Compensation to Torgrim Takle, CFO until August 2013	974	31	253	0
2012				
Compensation to Davor Sutija, CEO	1 591	46	338	1 328
Compensation to Torgrim Takle, CFO	1 252	46	221	592

The salary amount is the salary amount declared for tax purposes. The value of share-based remuneration is the expensed amount excluding employer's tax in the period for incentive subscription rights. Torgrim Takle exercised 925,000 subscription rights in 2013. No subscription rights were exercised by senior management in 2012. See also Note 20.

The Company has not made any advance payments or issued loans to, or guarantees in favour of, any members of management.

15. Income tax expense

Payable withheld tax amounts at 31 December 2013 were NOK 412 thousand (2012: NOK 263 thousand).

Amounts in NOK 1,000	2013	2012
Profit (loss) before tax	(81 239)	(46 433)
Tax (tax income) calculated at 28 %	(22 747)	(13 001)
Permanent differences	4 605	577
Change in deferred tax asset not recognised on the balance sheet	18 142	12 424
Tax charge	0	0

16. Deferred income tax

Deferred income tax assets and liabilities are offset when the Company has a right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Amounts in NOK 1,000	31 December 2013	31 December 2012
Deferred income tax asset Intangible asset	7 728	8 014
Tax loss carried forward	76 466	56 838
Calculated deferred tax asset	84 194	64 853
Impairment of deferred tax asset	(84 194)	(64 853)
Deferred tax asset in the balance sheet (27 % in 2013 and 28 % in 2012)	0	0

The Company has not recognized the tax asset as there is uncertainty relating to future taxable income for utilization of the tax loss carried forward, and the taxable loss on intangible assets. There is no expiration date on the tax loss carried forward. No tax item has been recorded directly to equity.

17. Related-party transactions

a) Transactions with related parties:

Amounts in NOK 1,000	2013	2012
Technical development services from Thinfilm AB	33 489	19 150
Sales and marketing services from Thinfilm Inc.	4 931	2 960
Sales and marketing services from Thinfilm KK	1 099	-
Purchases of services from John M. Lervik Consult	-	910
Purchases of services from law firm Ræder	2 400	1 540
Purchases of services from Glenne Invest AS	-	53
Purchases of services, licences and materials from PARC	13 190	4 519
Purchase of services from Robert N. Keith	1 920	-

The agreement with John M. Lervik Consult, controlled by John Markus Lervik who also controls shareholder ASAH AS, was entered into with effect from 1 June.

2009 and terminated 31 December 2012. The amount does not include refund of out-of-pocket expenses.

Thinfilm's Chairman, Morten Opstad, is a partner and Chairman of the Board of Advokatfirma Ræder DA, who is also Thinfilm's legal counsel. The amounts do not include Mr. Opstad's service as Chairman. Mr. Opstad and close associates hold shares in Thinfilm.

Glenne Invest AS, a company controlled by Thinfilm's Board Member Rita Glenne, provided production planning consulting services for a limited period in 2012.

The amounts do not include Ms. Glenne's service as Board Member. Ms. Glenne and close associates hold shares in Thinfilm.

Robert N. Keith, a shareholder in Thinfilm, entered into a consulting service agreement with effect from 1 January 2013. Mr. Keith assists Thinfilm in strategic analysis and in dealing with larger, international, prospective partners.

PARC, a shareholder of Thinfilm, entered into a development agreement with Thinfilm with effect from 28 October 2010 that has later been followed by several amendments and additional agreements. The amount relates to the license of certain PARC patents, purchase of materials and consulting services. Out of the total amount MNOK 8 538 was settled in equity, in 2012 the corresponding figure was MNOK 1 462.

Transaction prices are based on what would be the prices for sale to third parties and are net of VAT.

All costs related to services rendered by related parties are recorded as "Services (external)" in the profit and loss statements.

b) Year-end balances arising from sales/purchases of goods/services with related parties

Amounts in NOK 1,000	2013	2012
Payable to Thinfilm AB	0	41
Payable to Thinfilm Inc.	756	129
Payable to Thinfilm KK	134	0
Payable to law firm Ræder	2 323	599
Payable to PARC	2 527	557
Payable to Robert Keith	1 920	0

c) Remuneration to the Board of Directors

The Company has no other obligation to remunerate the Board than the Board remuneration as resolved by the annual general meeting. The annual general meeting on 8 May 2013 resolved remuneration to the Chairman of NOK 200 thousand and NOK 100 thousand for each Board Member for the period from the annual general meeting in 2012 to the annual general meeting in 2013. The Board Members had the option to receive part or all of the remuneration in the form of shares. The number of shares corresponded to a gross value of 120 per cent of the Board remuneration, for which they paid the par value and the shares were locked up for one year. Board Members Rita Glenne, William R. Salaneck, and Margareta Josefsson chose

this option, in a manner where the cash part covered the withholding tax and the exercise price. The transaction was completed in the second quarter 2013. The Company refunds relevant out-of-pocket expenses incurred by the Board Members. The Company has not issued any advance payments or loans to, or guarantees in favor of, any Board Member.

Thinfilm has accrued NOK 301 thousand for the probable cost of Board remuneration from the annual general meeting 2013 and up to the end of 2013. Such remuneration, if any, shall be resolved by the annual general meeting 2014. The amount is based on the remuneration resolved in 2013.

d) Remuneration to the auditor

Amounts in NOK 1,000	2013	2012
Audit	324	307
Other assurance services	57	72
Tax services	21	19
Other services	88	0
Total	491	398

18. Financial instruments, contingent liabilities

Reference is made to Note 21 in the Consolidated Financial Statements.

19. Shareholders, warrants and subscription rights

Reference is made to Note 22 in the Consolidated Financial Statements.

20. Statement on management remuneration policy

Reference is made to Note 23 in the Consolidated Financial Statements.

Corporate Social Responsibility (CSR) Statement

The Thin Film Electronics ASA Group recognizes its responsibility to the environment. The Company also has an obligation to its staff and the quality of its workplace, and to the communities in which the Company operates.

Human Rights and Workplace Practices

Thinfilm makes every reasonable effort to secure a healthy, safe and lawful work environment, and the Company complies with all applicable laws, rules and regulations concerning occupational health, safety and environmental protection. The Company's policy prohibits discrimination against employees, shareholders, directors, customers and suppliers on account of gender, race, sexual orientation, religion, disability, nationality, political opinion, social or ethnic origin. Workplace diversity at all levels is encouraged. All persons shall be treated with dignity and respect and are encouraged to assist in creating a work environment free from any discrimination. The necessary conditions for a safe and healthy work environment shall be provided for all employees of the Company.

Policy:

The Company promotes equality and non-discrimination, fairness and ethical behavior. The Company aims to offer a pleasant, well-equipped and risk-free work environment, it maintains fair and balanced employment practices and complies with all applicable labor laws. Thinfilm encourages and also expects similar commitment from its suppliers, partners and customers.

Objective:

Maintain a secure, safe and healthy work environment for all employees of the Company. Continue to be a globally diverse company that strongly distances itself from any form of discrimination.

Ethics and Anti-Corruption

Thinfilm's corporate code of conduct is based on respect and fairness in all aspects of our business dealings. We demand and expect that our employees at every level of the organization adhere to applicable laws and regulations in the countries where we do business. Thinfilm has a clear stance on corruption. Employees must always comply with applicable anti-bribery laws, and each manager and employee is responsible for compliance within his or her area of authority, and must report any suspected violations to the local authorities.

Policy:

It is important that Thinfilm staff do not place themselves in situations whereby their fidelity can be undermined or they may be vulnerable to external pressure contrary to Thinfilm's or their own integrity. All employees are expected to not accept, either for themselves or on behalf of others, gifts, fees, services or other benefits which could influence the way they discharge their duties, or are intended to exert such influence by the giver.

Objective:

Systematize and further improve internal training and education within the area of compliance.

Environment

Thinfilm has a pilot production facility in Linköping, Sweden. The work done in the clean room follows strict safety guidelines. A clean room suit is worn at all times by everyone entering the laboratory and protective goggles are provided when needed.

Since the production facility was just installed before year-end, the waste has been minimal. Thinfilm does, however, recognize the impact hazardous waste can have on the environment and takes every precaution to discard and recycle waste according to laws and regulations.

Paper, steel/iron, aluminum, copper, tree waste, glass, batteries, electronic waste, and various forms of packaging are sent to the appropriate recycling facilities. Chemicals (except silver, which is destroyed separately) are kept in containers and sent to Tekniska Verken in Sweden for proper handling and disposal. Other laboratory waste is sent to the recycling center, IL Recycling.

In January 2014, Thinfilm established the NFC Innovation Center in San Jose, California, USA. Local rules and regulations will be followed.

Policy:

Thinfilm requires that all subsidiaries of the Thinfilm Group follow current laws and regulations where they are located. Thinfilm routinely evaluates the environmental impact of its production, with particular emphasis on potential risks of present and future operations.

Objectives:

Constantly monitor waste production, such as chemicals and electronics, and see where the Company can improve, use fewer chemicals, and maximize the usage of the materials we have. Constantly look out for enhanced methods of recycling.

Responsibility Statement

The Board and the CEO have today reviewed and approved this report of the Board of Directors as well as the annual financial statements for the Thin Film Electronics ASA Group and parent company as at 31 December 2013.

The consolidated annual financial statements have been prepared in accordance with IFRS as adopted by the EU and the additional requirements in the Norwegian accounting act. The annual financial statements for the parent company have been prepared in accordance with the Norwegian accounting act and generally accepted accounting principles in Norway. The notes are an integral part of the respective financial statements. The report of the Board of Directors

has been prepared in accordance with the Norwegian accounting act and generally accepted accounting principles in Norway.

We confirm that, to the best of our knowledge, the information presented in the financial statements gives a true and fair view of the group's and the parent company's assets, liabilities, financial position and result for the period viewed in their entirety, and that the report from the Board of Directors gives a true and fair view of the development, performance and financial position of the group and the parent company, and includes a description of the principal risks and uncertainties which the group and the parent company are facing.

The Board of Directors of Thin Film Electronics ASA. Oslo, Norway, 10 April 2014.



Morten Opstad
Chairman



Rita Glenne
Board Member



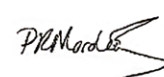
Margareta Josefsson
Board Member



Tor Mesøy
Board Member



Rolf Åberg
Board Member



Preeti Mardia
Board Member



Davor Sutija
CEO



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To the Annual Shareholders' Meeting of Thin Film Electronics ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Thin Film Electronics ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at December 31, 2013, and the profit and loss statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the statement of financial position as at December 31, 2013, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway for the company accounts and in accordance with International Financial Reporting Standards as adopted by EU for the group accounts, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Registrert i Foretaksregisteret
Medlemmer av Den norske Revisorforening
Organisasjonsnummer: 980 211 282



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Independent Auditor's Report to the
Annual Shareholders' Meeting of Thin
Film Electronics ASA

Opinion on the financial statements for the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Thin Film Electronics ASA as at December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements for the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Thin Film Electronics ASA as at December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements*Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and in the statements on Corporate Governance and Corporate Social Responsibility, the going concern assumption and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, April 10, 2014
Deloitte AS

Trond Edvin Hov
State Authorised Public Accountant (Norway)

Corporate Governance

Resolved (updated) by the Board of Directors on 10 April 2014.

The Statement outlines the position of Thin Film Electronics ASA ("the Company") in relation to the recommendations contained in the Norwegian Code of Practice for Corporate Governance dated 23 October 2012 ("the Code"). The Code is available at www.nues.no and from Oslo Børs. In the following, the Board of Directors will address each section of the Code and explain the areas, if any, where the Company does not fully comply with the recommendations and the underlying reasons.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

The Company seeks to create sustained shareholder value. The Company makes every reasonable effort to comply with the word and intent of the laws, rules and regulations in the countries and markets in which it operates. Thinfilm is not aware of being or having been in breach of any such statutory laws, rules or regulations. The Company pays due respect to the norms of the various stakeholders in the business. In addition to the shareholders, the Company considers its employees, Thinfilm's business partners, the society in general and the authorities as stakeholders. Thinfilm is committed to maintain a high standard of corporate governance, be a good corporate citizen and demonstrate integrity and high ethical standards in all its business dealings.

The Board believes that in the present organisation – the Thinfilm group presently has approximately 73 ordinary employees and a few consultants on site – the Board of Directors and the management have adequate monitoring and control systems in place to ensure insight into and control over the activities. (Note: In this review, the noun "the management" includes all persons conducting managerial functions, whether employed or otherwise contracted.)

The Board has resolved ethical guidelines which apply to all employees, consultants and contractors as well as the elected Board Members. The ethical guidelines also incorporate the Company's guidelines on corporate social responsibility.

2. THINFILM'S BUSINESS

In the Articles of Association, the Company's business is defined as "The objectives of the Company shall be the 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's business goals and principal strategies are defined in the business plan adopted by the Board of Directors. The plan will be reviewed and revised as and when needed.

Thinfilm satisfies the recommendations under this section of the Code by publishing the material at www.thinfilm.no instead of in the annual report.

3. EQUITY AND DIVIDENDS

The Board is aware of and acknowledges the equity requirements and duty of action in connection with loss of equity, as set out in the Norwegian Public Limited Companies Act.

In the past, the Company has been in need of raising equity on several occasions to fund its working capital requirements. The Board has proposed to the general meeting only reasonable authorisations for share issues and incentive schemes. Such Board authorisations have explicitly stated the type and purposes of transactions in which the authorisations may be applied. As of the general meeting(s) to be held in 2014, any proposed authorisations to issue shares shall be considered and voted separately by each type and purpose of such share issues. The Board authorisations to issue shares have been valid until the next annual general meeting, as recommended by the Code. The proposals have been approved by the shareholders.

The Company has not had in place any authorisation to the Board to acquire own shares. As and when such authorisation is adopted, the Board will propose that the length of the authorisation be limited to a period ending at the next annual general meeting of shareholders.

Thinfilm has not as yet declared or paid any dividends on its shares. The Company does not anticipate paying any cash dividends on its shares in the next few years. Thinfilm intends to retain future earnings, if any, to finance operations and the expansion of its business. Any future determination to pay dividends will depend on the Company's financial condition, results of operation and capital requirements.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The Company places great emphasis on ensuring equal treatment of its shareholders. The Company has one class of shares. There are no trading restrictions or limitations relating only to non-residents of Norway under the articles of association of the Company. Each share carries one vote. There are no restrictions on voting rights of the shares.

In the authorisations to issue share capital where the shareholders have resolved to waive the pre-emptive rights of existing shareholders, the rationale for doing so shall be presented as part of the decision material presented to the general meeting. If and when such

transactions are conducted, the justification will also be included in the announcements to the market.

All related party transactions in effect are entered into on arm's length basis. Any not immaterial future related party transactions shall be subject to an independent third-party valuation unless the transaction by law requires shareholder approval. The Company takes legal and financial advice on these matters when relevant. Members of the Board and the management are obliged to notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

5. FREELY NEGOTIABLE SHARES

All shares are freely assignable. The articles of association do not contain any restrictions on negotiability on the shares.

6. GENERAL MEETINGS

The general meeting of shareholders provides a forum for shareholders to raise issues with the Board as such and with the individual Board Members. To the maximum degree possible, all members of the Board shall be present at the general meeting. The Company's auditors shall also be present at the general meeting. The shareholders elect a person to chair the general meeting. The Board will arrange for an independent candidate if so requested by shareholders. Notice of a meeting of the shareholders shall be sent in a timely manner and the Company shall issue the notice and documents for a general meeting, including the proxy form, no later than 21 days before the date of the general meeting. Foreign residents will receive the notice and documents in English. When appropriate, the documents will be made available at the Company's web site and not sent to the shareholders.

The Board of Directors endeavours to provide comprehensive information in relation to each agenda item in order to facilitate productive discussions and informed resolutions at the meeting. The notice will also provide information on the procedures shareholders must observe in order to participate in and vote at the general meeting. Shareholders who are unable to attend in person will be provided the option to vote by proxy in favour or against each of the Board's proposals. The notice shall contain a proxy form as well as information of the procedure for proxy representation. At the meeting, votes shall be cast separately on each subject and for each office/candidate in the elections. Consequently, the proxy form shall to the extent possible, facilitate separate voting instructions on each subject and on each office/candidate in the elections. The notice, as well as the Company's website, will set out that the shareholders have the right to propose resolutions in respect of matters to be dealt with at the general meeting.

The general meeting has included in the articles of association of the Company that documents which have been made available in a timely manner on the web site of the Company and which deal with matters that are to be handled at the general meeting need not be sent to the Company's shareholders.

All reports will be issued on the Oslo Axess marketplace of Oslo Børs

(www.osloaxess.no and www.newsweb.no) and/or to the market place(s) where the shares are listed. The reports and other pertinent information are also available at www.thinfilm.no.

7. NOMINATION COMMITTEE

Under the Articles of Association, Thinfilm has a nomination committee that is elected by the annual general meeting for a term of two years. The nomination committee shall have three members, including a Chairman. The nomination committee shall prepare and present proposals to the annual general meeting in respect of the following matters:

- Propose candidates for election to the Board of Directors
- Propose the remuneration to be paid to the Board Members
- Propose candidates for election to the nomination committee
- Propose the remuneration to be paid to the nomination committee members

The Company provides information on its website about the composition of the nomination committee and any deadlines for submitting proposals to the committee.

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS; COMPOSITION AND INDEPENDENCE

Thinfilm does not have a corporate assembly.

The Board acknowledges the Code's recommendation that the majority of the members of the Board of Directors shall be independent of the Company's management and material business contacts. All Board Members are required to make decisions objectively in the best interest of the Company, and the presence of independent directors is intended to ensure that additional independent advice and judgement is brought to bear. The current Board meets the independence criteria of the Code. The Board meets the statutory gender requirements for the Board. The Board's attendance statistics are included in the presentation of the Board Members in the annual report.

Board Members stand for election every two years. The Board believes that it is beneficial for the Company and its shareholders that the Board Members also are shareholders in the Company and encourages the members of the Board of Directors to hold shares in the Company.

The Board pays attention to ensure that ownership shall not in any way affect or interfere with proper performance of the fiduciary duties which the Board and the management owe the Company and all shareholders.

As and when appropriate, the Board takes independent advice in respect of its procedures, corporate governance and other compliance matters.

9. THE WORK OF THE BOARD OF DIRECTORS

The division of duties and responsibility between the CEO and the Board of Directors is based on applicable laws and well-established practices, which have been formalized in writing through a Board instruction in accordance with the Norwegian Public Limited Companies Act. The Board instruction also sets out the number of scheduled Board meetings per year and the various routines in connection with the Board's work and meetings.

The Board instructions state that in situations when the Chairman is not impartial or not operative, the most senior Board Member shall chair the Board until a deputy Chairman has been elected by and among the Board Members present.

The Board of Directors shall evaluate its performance and expertise annually. Moreover, the Board will produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation.

With a compact Board, there has not been any need for sub-committees to date. The future need for any sub-committees will be considered minimum annually in connection with the annual review of the Company's corporate governance.

Thinfilm is not obliged to have a separate audit committee and in view of the small number of Board Members, the Board holds the opinion that the audit committee shall consist of all Board Members who are not also executives or have similar roles in the Company. The Board instruction includes an instruction for the audit committee.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors has adopted internal rules and guidelines regarding, amongst other things, risk management and internal control, which rules and guidelines take into account the extent and nature of the Company's activities as well as the Company's corporate values and ethical guidelines, including the corporate social responsibility. The Board of Directors shall carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements. In view of the size of the Company and the number of Board Members, the Board has chosen to elect the full Board (except any Board Members who hold executive positions) to constitute the audit committee. The audit committee policies and activities are compliant with the Norwegian public limited companies act.

The Board of Directors has adopted an insider manual with ancillary documents intended to ensure that, among other things, trading in the Company's shares by Board Members, executives and/or employees, including close relations to the aforementioned, are conducted in accordance with applicable laws and regulations.

Internal control and risk management of financial reporting

Thinfilm publishes four interim financial statements in addition to the ordinary annual financial statements. The financial statements shall satisfy legal and regulatory requirements and be prepared in accordance with the adopted accounting policies, and be published ac-

cording to the schedule adopted by the Board. Closing of accounts, financial reporting and key risks analysis is provided monthly to the Board of Directors. These monthly reports also include financials per legal entity (Thinfilm ASA, Thinfilm AB, Thinfilm Inc. and Thinfilm KK) which are analyzed and addressed against set budgets.

Thinfilm has established a series of risk assessment and control measures in connection with the preparation of financial statements. Specific reporting instructions are drawn up on regular basis and communicated to the subsidiaries. In connection with subsidiaries' closing of accounts, internal review meetings are held to ensure compliance with the governing reporting instructions. In addition, separate meetings are held to identify risk factors and measures linked to important accounting items or other factors. The Board also has separate meetings with the external auditor to review such risk factors and measures, and conducts preparatory reviews of interim financial statements and annual financial statements that particularly focus on reporting of operational costs and investments.

A financial manual, which sets out policies and procedures for financial management and reporting in the group, was prepared and resolved by the Board of Directors in connection with the listing of Thinfilm's shares at Oslo Axess. This manual provides detailed instructions for financial planning, treasury, accounting and reporting, and is reviewed and updated annually by the Board.

11. REMUNERATION TO THE BOARD OF DIRECTORS

A reasonable cash remuneration to the Board Members for their services from the annual general meeting in 2012 until the annual general meeting in 2013 was proposed to and resolved at the 2013 annual general meeting. To lessen the cash outflow, the annual general meeting granted an option to the Board Members to receive the remuneration in kind in the form of shares. Three of five Board Members took up this option in 2013. The nomination committee will propose Board remuneration for the period between the annual general meetings of 2013 and 2014.

Advokatfirma Ræder DA, in which the Chairman, Morten Opstad, is a partner, renders legal services to the Company. A Board Member performing work for the Company beyond the Board duty shall ensure that such arrangements do not in any way affect or interfere with proper performance of the fiduciary duties as a Board Member. Moreover, the Board (without the participation of the interested member) shall approve the terms and conditions of such arrangements. Adequate details shall be disclosed in Thinfilm's annual financial statements.

12. REMUNERATION OF THE MANAGEMENT

Thinfilm offers market-based compensation packages for the executives and employees in order to attract and retain the competence which the Company needs. The exercise price for any subscription right is equal to the market share price at the time of the grant. The subscription rights vest in tranches over four years. No golden parachutes are in effect, and post-employment pay will only apply in case the Company invokes contractual non-competition clauses.

The Board shall determine the compensation of the CEO. There is a maximum amount of incentive remuneration per calendar year. It follows from the nature of the incentive subscription rights program resolved by the annual general meeting that the limit does not apply to the possible gain on subscription rights. The Board has adopted a policy for the CEO's remuneration of the employees.

At the annual general meeting, the Board will present to the shareholders for their approval a statement of remuneration to the management. The resolution by the annual general meeting is binding to the extent it relates to share-based compensation and advisory in other aspects.

13. INFORMATION AND COMMUNICATION

The Board of Directors places great emphasis on the relationship and communication with the shareholders. The primary channels for communication are the interim reports, the annual report and the associated financial statements. Thinfilm also issues other notices to the shareholders when appropriate. The general meeting of shareholders provides a forum for the shareholders to raise issues with the Board as such and the individual Board Members. All reports will be issued and distributed according to the rules and practices at the market place(s) where the Thinfilm shares are listed. The Company shall in due course publish an annual financial calendar for the following year; setting forth the dates for major events such as its annual general meeting, publication of interim reports, any scheduled public presentations, any dividend payment date, etc. The reports and other pertinent information are also available on the Company's website, www.thinfilm.no.

The Board of Directors has adopted the following policies:

- Policy for reporting of financial and other information and investor relations;
- Policy for contact with shareholders outside general meetings; and
- Policy for information management in unusual situations attracting or likely to attract media or other external interest.

The financial reporting of Thinfilm is fully compliant with applicable laws and regulations. As of the interim financial information for third quarter 2007, Thinfilm has prepared its consolidated financial reports in accordance with IFRS. The current information practices are adequate under current rules.

14. TAKE-OVERS

There are no take-over defence mechanisms in place. The Board will endeavour that shareholder value is maximised and that all shareholders are treated equally. The Board shall otherwise ensure full compliance with Section 14 of the Code.

15. AUDITORS

The Company's auditor is fully independent of the Company. Thinfilm represents a minimal share of the auditor's business. Thinfilm does not obtain business or tax planning advice from its auditor. The auditor may provide certain technical and clerical services in connection with the preparation of the annual tax return and other secondary reports, for which Thinfilm assumes full responsibility. The Board of Directors has established written guidelines to the CEO in respect of assignments to the auditor other than the statutory audit.

The Board of Directors shall otherwise ensure full compliance with Section 15 of the Code.

Articles of Association

Latest amended on 27 February 2014

§1 – THE NAME OF THE COMPANY

The name of the Company is Thin Film Electronics ASA. The Company is a public limited company.

§2 – THE COMPANY'S BUSINESS

The objectives of the Company shall be the research, development, production and commercialization of technology and products of physical storage of information, as well as related activities including participation in other companies with similar business.

§3 – REGISTERED OFFICE

The registered office of the Company is situated in Oslo.

§4 – THE COMPANY'S SHARE CAPITAL

The Company's share capital is NOK 52,455,413.56 divided into 476,867,396 ordinary shares at NOK 0.11 par value per share.

§5 – THE COMPANY'S GOVERNANCE

The Company's Board of Directors shall consist of from three to nine members, as decided by the general meeting. The Board may grant powers of procuration.

§6 – THE GENERAL MEETING

The ordinary general meeting shall consider and decide:

1. Adoption of the annual financial statement and report of the Board of Directors, including the declaration of a dividend.
2. Election of Chairman and members of the nomination committee, and determination of remuneration to the members of the nomination committee.
3. Any other business required by the laws or the articles of association to be transacted by the general meeting.

The general meetings of the Company shall as a general rule be conducted in the Norwegian language. However, the Board of Directors may decide that the English language shall be used.

§7 – EXEMPTION FROM REQUIREMENTS TO SUBMIT DOCUMENTS WITH NOTICE OF GENERAL MEETING

Documents which have been made available in a timely manner on the web site of the Company, and which deal with matters that are to be handled at the general meeting, do not need to be sent to the Company's shareholders.

§8 – REGISTRATION FOR GENERAL MEETING

A shareholder who wishes to attend the general meeting, in person or by proxy, shall notify its attendance to the Company no later than two days prior to the general meeting. If the shareholder does not notify the Company of its attendance in a timely manner, the Company may deny the shareholder access to the general meeting.

§9 – NOMINATION COMMITTEE

a) Thin Film Electronics ASA shall have a nomination committee. The nomination committee shall have three members, including a Chairman. Members of the nomination committee shall be elected by the annual general meeting for a term of two years.

b) The nomination committee shall:

- Propose candidates for election to the Board of Directors
- Propose the remuneration to be paid to the Board Members
- Propose candidates for election to the nomination committee
- Propose the remuneration to be paid to the nomination committee members

c) The mandate of the nomination committee shall be resolved by the annual general meeting.

§10 – RELATION TO THE NORWEGIAN PUBLIC LIMITED COMPANIES ACT

Reference is also made to the legislation concerning public limited companies in force at the relevant time.

Board of Directors

The current Board except for Ms. Josefsson, was elected for two years at the annual general meeting on 8 May 2013 and, thus, the term expires at the ordinary general meeting in 2015. Ms. Josefsson was elected at the annual general meeting 10 May 2012 for two years (i.e., the term expires at the annual general meeting in 2014).

There are no family relationships among the Board Members, management, or key employees. There is no arrangement or understanding with major shareholders, customers, suppliers, or others whereby members of the Board or management were selected.

The Board has held 15 meetings, of which eight were telephone conferences, in the period between the annual general meeting 2013 and 10 April 2014.



Morten Opstad, Chairman

Mr. Opstad has served as Chairman of the Board of the Company since 2 October 2006. He is a partner and Chairman of the Board of Directors in Advokatfirma Ræder DA in Oslo. He has rendered legal assistance with respect to establishing and organizing several technology and innovation

companies within this line of business. His directorships over the last five years include current Board positions in Idex ASA (Chairman), Total Sports Online AS, Glommen Eiendom AS, Chaos AS, K-Konsult AS, and former directorships in Fileflow Technologies AS and A. Sundvall AS. Mr. Opstad was born in 1953 and is a Norwegian citizen. Mr. Opstad attended all Board meetings in the period.



Margareta Josefsson, Board Member

Ms. Josefsson has served as Board Member of the Company since 7 May 2010. She is part owner of Osten Oskarsson Systemkonsult (1991-) where she works as consultant. She has, or has had, a number of Board positions in Swedish companies and organizations: Sunda

Hus AB (Chairman of the Board, 2007-), New Tools for Health (2007-), Linköping University (2010-), and Neoplex AB (2006-2008). Ms. Josefsson holds a Master of Science in Electrical Engineering from Chalmers University of Technology in Göteborg (1969-1974). She participated in the management training program RUTER DAM (1993-1994) and completed financial studies at the Stockholm School of Economics in Stockholm in 1998. Ms. Josefsson was born in 1949 and is a Swedish citizen. Ms. Josefsson attended 14 Board meetings in the period.



Rita Glenne, Board Member

Dr. Glenne has served as Board Member of the Company since 11 May 2011. She has extensive experience in commercializing technology within the university, institute, and private sectors. As Vice President of Technology at Rec Solar AS and Technology Manager of Renewable Energy Corpora-

tion (REC) ASA, Dr. Glenne was responsible for technical specification of production equipment and troubleshooting start-up of REC's new wafer plant. She also had responsibility for technology and R&D strategy in REC's Solar division. Dr. Glenne has a Ph.D. from the Technical University of Trondheim (NTNU) in Material Science. Before joining REC in 2001, she worked as Senior Scientist at Norsk Hydro ASA, and as Research Scientist at SINTEF and the Centre for Industrial Research (SI). Dr. Glenne was born in 1965 and is a Norwegian citizen. Glenne attended 14 Board meetings in the period.



Rolf Knut Lennart Åberg, Board Member

Mr. Åberg has been a Board Member of the Company since 2 October 2006. Prior to this, he served as the Managing Director between 2000 and 2006. He studied computer science at Linköping University and strategic sales and management at the Haas School

of Business, University of California, Berkeley. Mr. Åberg held various positions at Saab in Linköping (1973-1981) and different leading positions within sales and marketing at Computervision Northern Europe (1981-1987). He was Managing Director of Mentor Graphics Scandinavia (1987-1991) and Vice President and General Manager Europe of Synopsys, Inc. (1991-2000). Mr. Åberg was born in 1951 and is a Swedish citizen. Mr. Åberg attended 13 Board meetings in the period.



**Preeti Mardia,
Board Member**

Mrs. Mardia has diverse general management and operations expertise across Electronics, Semi-conductors, Telecoms, Aerospace, and Food Industry sectors. Preeti is currently Vice President of Operations at Axxcss Wireless Ltd (a subsidiary of Moseley Group US) where

she is responsible for the operational strategy and establishing the supply chain for 4G radio backhaul systems. Preeti previously worked within Filtronic Plc as Operations Director and established commercial and supply relationships with Tier One OEMs for mobile telecoms infrastructure. She was responsible for implementing a world class highly automated electronics manufacturing plant and establishing global supply chain partnerships. She managed and scaled a semiconductor foundry from technology phase to high volume manufacturing of Gallium Arsenide semiconductor devices for the mobile handset, aerospace, and base-station markets. Preeti has extensive FMCG experience in manufacturing, product development and quality assurance with Cadbury Schweppes Plc and supplied into major international retailers. Preeti has a degree in Food Science & Technology and is undertaking a Masters degree in Executive Management at Ashridge, UK. Mrs. Mardia was born in 1967 and is a British citizen. Mrs. Mardia attended 14 Board meetings in the period.



Tor Mesøy, Board Member

Mr. Mesøy has served as a management consultant for more than 25 years. He now heads up his own consulting company, but was formerly a partner with McKinsey & Company and with Accenture. Tor has extensive consulting and counseling experience from multiple sectors, including high-tech,

telecommunications, healthcare, pharmaceuticals, public sector, energy, utilities, banking, insurance and oil & gas. Tor is Chairman of the Board of Agnus Consulting, a company focusing on leadership development and management consulting. He is also a senior advisor to the Board of PurifAid, an NGO, and holds Board positions at Creation Power, a think tank, as well as at the not-for-profit organization Impuls, a Norwegian youth movement. Mr. Mesøy received a Bachelor's degree from the University of Oslo (Computer Science, Mathematics), a Master's degree from the University of Minnesota (Mathematics, Philosophy), and has attended the Advanced Business Management Program at Kellogg Graduate School of Business at Northwestern University. Mr. Mesøy was born in 1962 and is a Norwegian citizen. Mr. Mesøy attended 13 Board meetings in the period.

Management



Dr. Davor Sutija, CEO

Dr. Davor Sutija is CEO of Thin Film Electronics ASA. Prior to joining Thinfilm in January 2010, he was Senior Vice President, Product Marketing, at FAST, a Microsoft subsidiary, and founding CEO at SiNOR AS (now REC-SiTech), a producer of electronic and PV-grade silicon ingots. He was elected

to the Board of the Organic Electronics Association in 2012 and has served on the Boards of technology firms SensoNor, Birdstep, and Ower. Dr. Sutija graduated from the Jerome Fisher Management and Technology program at the Wharton School, and has a Ph.D. from University of California, Berkeley, in Chemical Engineering. He was a Hertz Fellow at Lawrence Berkeley Labs.



Jennifer Ernst, Executive Vice President, Sales and Business Development

Ms. Jennifer Ernst leads global sales and business development activities for Thin Film Electronics ASA. She joined Thinfilm in 2011, having worked in printed electronics for more than a decade. She is a member of the FlexTech Governing

Board, the USA national consortium on printed and flexible electronics. Prior to joining Thinfilm in 2011, she was Director, Business Development at PARC, a Xerox company, where she built international partnerships to commercialize work from the Electronic Materials and Devices Lab. She holds an MBA from Santa Clara University and a BA from San Francisco State University.



John Afzelius-Jenevall, Chief Financial Officer

John Afzelius-Jenevall joined Thinfilm August 1st 2013. Previously he was Vice President, Corporate Development at Orkla ASA. He has also served as Portfolio Manager at Catella Capital Management and at Nordea, and was awarded the distinction 'Star Manager

of the Year' by Morningstar. Mr. Afzelius-Jenevall completed his MS in Engineering at the Royal Institute of Technology (KTH), Stockholm and is also a CFA charterholder with a BS in Economics.



Dr. Peter Fischer, Chief Product Officer

Dr. Fischer joined Thinfilm in January 2014. His previous assignments include CTO at Plastic Logic, and earlier in his career, Director, Back-end Products at Qimonda and Senior Manager, Front-end Process Integration at Infineon Technologies. He was elected to the Board

of the Organic Electronics Association in 2011 and 2013. In 2012, Dr. Fischer was named one of the top "Forty Innovators Building the Foundation of the Next-gen Electronics Industry" by EETimes. He holds a diploma and Ph.D. in Physics from University of Magdeburg.



Dr. Christer Karlsson, Chief Technology Officer

Dr. Karlsson is Chief Technology Officer of Thin Film Electronics ASA. He holds a Ph.D. from Linköping University in 1994, and served six years as Researcher, Project Manager, and Deputy Research Director at the National Defence Research Establishment, Linköping,

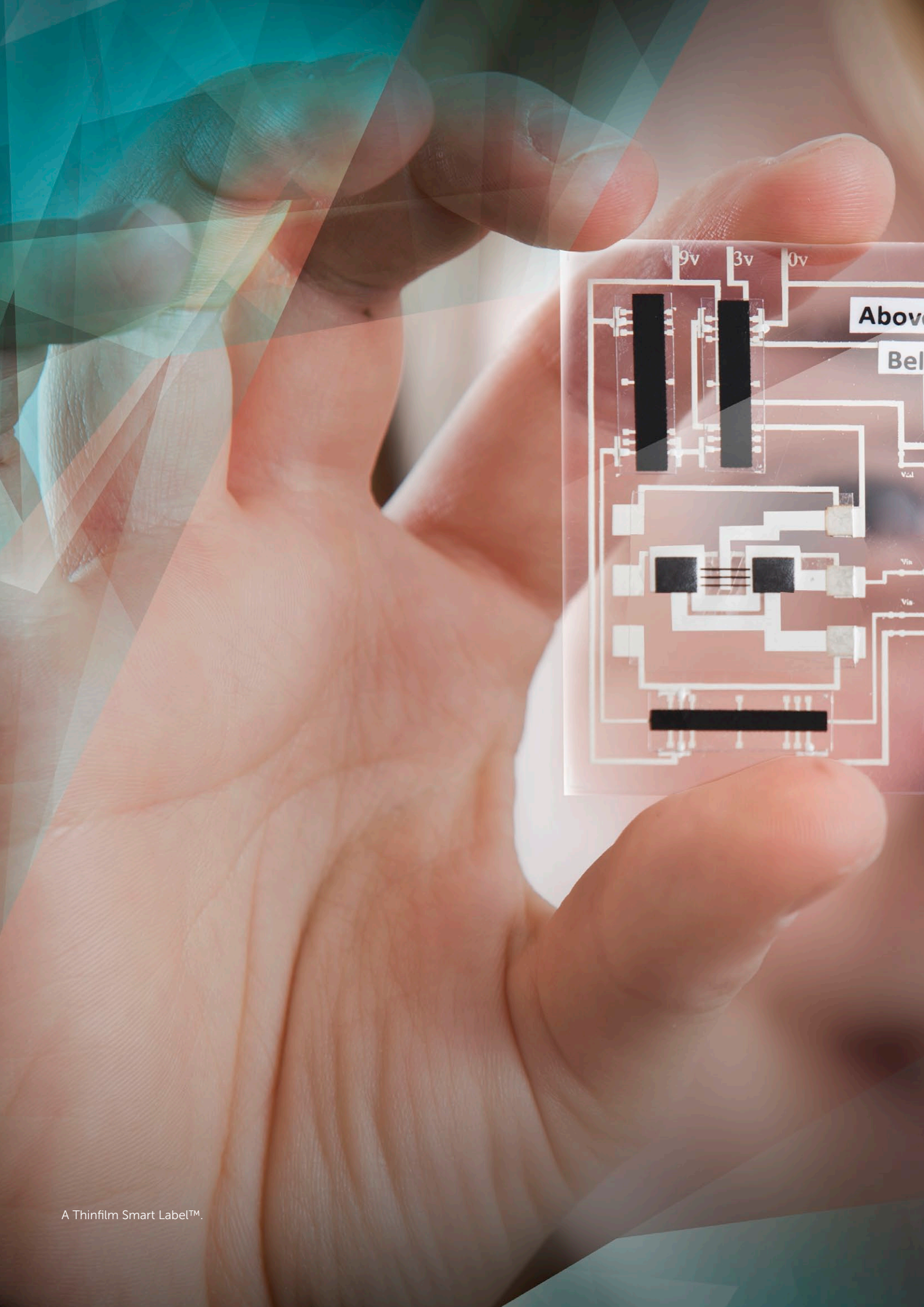
Sweden. He joined Thinfilm in 2000 and has served as project manager, group manager, and Technology Director.



Dr. Henrik Sjöberg, Senior Vice President of Product Management

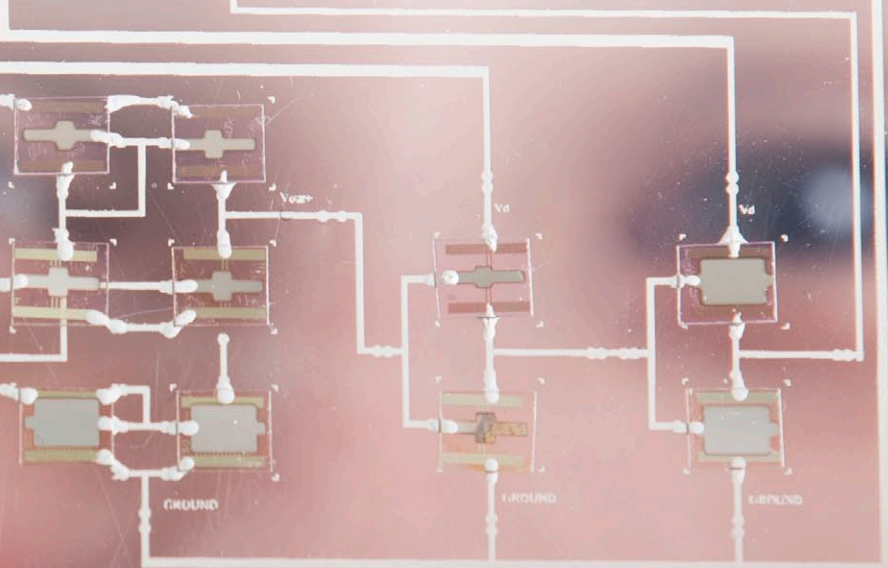
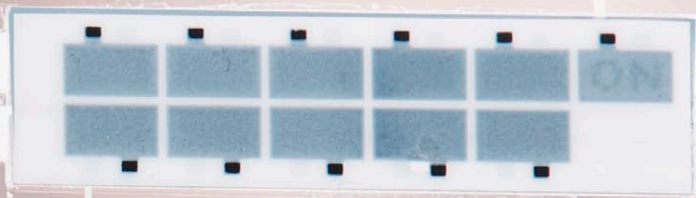
Dr. Sjöberg joined Thinfilm in March 2013 as Vice President, System Products. He joined the management team in Nov 2013. Previously he has for more than 10 years held a number of Director positions, both within R&D and Product

Management, at Micronic Mydata. Dr. Sjöberg also spent a few years with ACREO and has a Ph.D. in Physics from the Royal Institute of Technology in Stockholm.



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Thin Film Electronics ASA Annual Report

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