



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 889 186 232  
Organisasjonsform: Allmennaksjeselskap  
Foretaksnavn: ENSURGE MICROPOWER ASA  
Forretningsadresse: House of Business  
Fridtjof Nansens plass 4  
0160 OSLO

### Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

### Konsern

Morselskap i konsern: Ja  
Konsernregnskap lagt ved: Ja

### Regnskapsregler

Regler for små foretak benyttet: Nei  
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler  
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: IFRS

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Olav Hamborg  
Dato for fastsettelse av årsregnskapet: 30.04.2021

### Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert  
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 15.06.2022



## Resultatregnskap

Beløp i: NOK	Note	2020	2019
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Salgsinntekter	11	4 741 000	5 182 000
<b>Sum inntekter</b>		<b>4 741 000</b>	<b>5 182 000</b>
<b>Kostnader</b>			
Lønnskostnad	13	10 346 000	16 126 000
Amortisering immaterielle eiendeler	7		22 466 000
Eksterne tjenester		11 084 000	18 088 000
Konserninterne tjenester	16,17	85 475 000	261 595 000
Annen driftskostnad	17	9 044 000	13 079 000
Skattefunn	12	-2 040 000	
<b>Sum kostnader</b>		<b>113 909 000</b>	<b>331 354 000</b>
<b>Driftsresultat</b>		<b>-109 168 000</b>	<b>-326 172 000</b>
<b>Finansinntekter og finanskostnader</b>			
Annen renteinntekt		2 349 000	1 090 000
Annen finansinntekt			3 223 000
<b>Sum finansinntekter</b>		<b>2 349 000</b>	<b>4 313 000</b>
Nedskrivning investeringer i datterselskap	6		164 465 000
Annen finanskostnad		1 027 000	
<b>Sum finanskostnader</b>		<b>1 027 000</b>	<b>164 465 000</b>
<b>Netto finans</b>		<b>1 322 000</b>	<b>-160 152 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>-107 846 000</b>	<b>-486 324 000</b>
<b>Ordinært resultat etter skattekostnad</b>		<b>-107 846 000</b>	<b>-486 324 000</b>
<b>Årsresultat</b>		<b>-107 846 000</b>	<b>-486 324 000</b>
<b>Overføringer og disponeringer</b>			
Udekket tap		-107 846 000	-486 324 000
<b>Sum overføringer og disponeringer</b>		<b>-107 846 000</b>	<b>-486 324 000</b>



### Balanse

Beløp i: NOK	Note	2020	2019
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
<b>Finansielle anleggsmidler</b>			
Investering i datterselskap	6	0	37 376 000
<b>Sum finansielle anleggsmidler</b>		<b>0</b>	<b>37 376 000</b>
<b>Sum anleggsmidler</b>		<b>0</b>	<b>37 376 000</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Fordringer</b>			
Kundefordringer	8	0	444 000
Forskuddsbetalinger		75 000	860 000
<b>Sum fordringer</b>		<b>75 000</b>	<b>1 304 000</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd	9	41 445 000	27 717 000
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>41 445 000</b>	<b>27 717 000</b>
<b>Sum omløpsmidler</b>		<b>41 520 000</b>	<b>29 021 000</b>
<b>SUM EIENDELER</b>		<b>41 520 000</b>	<b>66 397 000</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Aksjekapital	10,21	108 410 000	128 906 000
Annen innskutt egenkapital		-98 304 000	0
<b>Sum innskutt egenkapital</b>		<b>10 106 000</b>	<b>128 906 000</b>
<b>Opptjent egenkapital</b>			



## Balanse

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
Udekket tap		783 000	136 968 000
<b>Sum opptjent egenkapital</b>		<b>-783 000</b>	<b>-136 968 000</b>
<b>Sum egenkapital</b>	4	<b>9 323 000</b>	<b>-8 062 000</b>
<b>Sum langsiktig gjeld</b>		<b>0</b>	<b>0</b>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld		2 439 000	6 389 000
Skyldige offentlige avgifter			313 000
Kortsiktig konserngjeld	6,16	29 755 000	63 403 000
Annen kortsiktig gjeld og avsetninger		2 000	4 353 000
<b>Sum kortsiktig gjeld</b>		<b>32 196 000</b>	<b>74 458 000</b>
<b>Sum gjeld</b>		<b>32 196 000</b>	<b>74 458 000</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>41 519 000</b>	<b>66 396 000</b>



## Konsernets resultatregnskap

Beløp i: USD	Note	2020	2019
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Salgsinntekter	15	492 000	701 000
Annen inntekt	14,17, 18	21 000	480 000
<b>Sum inntekter</b>		<b>513 000</b>	<b>1 181 000</b>
<b>Kostnader</b>			
Lønnskostnad	19	5 445 000	17 828 000
Avskrivning, amortisering og nedskrivning	6,7,8	22 000	46 328 000
Annen driftskostnad	20,24	7 086 000	14 114 000
<b>Sum kostnader</b>		<b>12 553 000</b>	<b>78 270 000</b>
<b>Driftsresultat</b>		<b>-12 040 000</b>	<b>-77 089 000</b>
<b>Finansinntekter og finanskostnader</b>			
Annen renteinntekt		27 000	152 000
Annen finansinntekt		-410 000	8 000
<b>Sum finansinntekter</b>		<b>-383 000</b>	<b>160 000</b>
Annen rentekostnad		3 186 000	1 524 000
Annen finanskostnad		23 184 000	3 000
<b>Sum finanskostnader</b>		<b>26 370 000</b>	<b>1 527 000</b>
<b>Netto finans</b>		<b>-26 753 000</b>	<b>-1 367 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>-38 793 000</b>	<b>-78 456 000</b>
Skattekostnad på ordinært resultat	21	0	-10 000
<b>Ordinært resultat etter skattekostnad</b>		<b>-38 793 000</b>	<b>-78 446 000</b>
<b>Årsresultat</b>		<b>-38 793 000</b>	<b>-78 446 000</b>
<b>Overføringer og disponeringer</b>			
Fondsemisjon		-38 793 000	-78 446 000
<b>Sum overføringer og disponeringer</b>		<b>-38 793 000</b>	<b>-78 446 000</b>



## Konsernets balanse

Beløp i: USD	Note	2020	2019
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
<b>Varige driftsmidler</b>			
Tomter, bygninger og annen fast eiendom	6	226 000	
<b>Sum varige driftsmidler</b>		<b>226 000</b>	
<b>Finansielle anleggsmidler</b>			
Andre fordringer		573 000	559 000
<b>Sum finansielle anleggsmidler</b>		<b>573 000</b>	<b>559 000</b>
<b>Sum anleggsmidler</b>		<b>799 000</b>	<b>559 000</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
Varelager	9		1 000
<b>Sum varer</b>			<b>1 000</b>
<b>Fordringer</b>			
Kundefordringer	10	141 000	928 000
Forskuddsbetalinger	10	994 000	1 878 000
Forskuddsbetalinger skatt	10	5 000	
<b>Sum fordringer</b>		<b>1 140 000</b>	<b>2 806 000</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd, kontanter og lignende	11	5 790 000	8 872 000
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>5 790 000</b>	<b>8 872 000</b>
<b>Sum omløpsmidler</b>		<b>6 930 000</b>	<b>11 679 000</b>
<b>SUM EIENDELER</b>		<b>7 729 000</b>	<b>12 238 000</b>

## BALANSE - EGENKAPITAL OG GJELD



## Konsernets balanse

Beløp i: USD	Note	2020	2019
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Aksjekapital	12	12 014 000	18 660 000
Annen innskutt egenkapital		-47 000	
<b>Sum innskutt egenkapital</b>		<b>11 967 000</b>	<b>18 660 000</b>
<b>Opptjent egenkapital</b>			
Omregningsdifferanser		-13 801 000	-14 356 000
Udekket tap		45 031 000	23 964 000
<b>Sum opptjent egenkapital</b>		<b>-58 832 000</b>	<b>-38 320 000</b>
<b>Sum egenkapital</b>		<b>-46 865 000</b>	<b>-19 660 000</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
<b>Annen langsiktig gjeld</b>			
Langsiktig leasingforpliktelse	8	12 175 000	13 244 000
Langsiktig gjeld	14	9 709 000	11 812 000
<b>Sum annen langsiktig gjeld</b>		<b>21 884 000</b>	<b>25 056 000</b>
<b>Sum langsiktig gjeld</b>		<b>21 884 000</b>	<b>25 056 000</b>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld	13	937 000	999 000
Betalbar skatt	13	175 000	667 000
Kortiktig finansiell leasinfpliktelse	13	1 069 000	970 000
Avsetninger feriepenger og lønn	13	434 000	1 575 000
Avsatte kostnader	13	754 000	1 243 000
Del av langsiktig gjeld med forfall om 5 år	14	3 245 000	1 388 000
Tegningsrettigheter	15	26 020 000	
Tegningsrettigheter	13	76 000	
<b>Sum kortsiktig gjeld</b>		<b>32 710 000</b>	<b>6 842 000</b>
<b>Sum gjeld</b>		<b>54 594 000</b>	<b>31 898 000</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>7 729 000</b>	<b>12 238 000</b>



**Skattedirektoratet**

Saksbehandler Torstein Kinden Helleland	Deres dato 10.06.2011	Vår dato 20.06.2011
Telefon 22078139	Deres referanse Davor P. Sutija	Vår referanse 2011/584705

THIN FILM ELECTRONICS ASA  
Postboks 2911 Solli  
0230 OSLO

**Dispensasjon fra kravet om utarbeidelse av årsregnskap og årsberetning på norsk språk for Thin Film Electronics ASA, org. nr. 889 186 232**

Det vises til deres brev av 10. juni 2011 hvor det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Thin Film Electronics ASA.

**Bakgrunn**

Thin Film Electronics ASA er morselskapet i Thin Film Electronics konsernet som består av morselskapet i Oslo, samt datterselskaper i USA (Thin Film Electronics Inc.) og i Sverige (Thin Film Electronics AB). I tillegg er det etablert et kontor i Japan. Thin Film Electronics ASA er notert på Oslo Børs og har fått dispensasjon fra språkkravet iht. til verdipapirloven § 5-13.

Selskapet er internasjonalt og har engelsk som selskapsspråk. Omtrent 2/3 av konsernet sine ansatte snakker ikke norsk. Administrerende direktør og flere av styremedlemmene er utenlandske og behersker ikke norsk. Selskapet har en betydelig andel av utenlandske aksjonærer, ca 40 %. All kommunikasjon med aksjonærer foregår på engelsk og all informasjon som legges ut på selskapet sin hjemmeside er på engelsk.

Selskapet benytter derfor et engelskspråklig årsregnskap og årsberetning til alle praktiske formål. En norsk versjon lages kun for å oppfylle regnskapslovens krav, og selskapet søker derfor om dispensasjon.

**Skattedirektoratets vurdering og konklusjon**

Etter regnskapsloven § 3-4 tredje ledd skal *”årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.”*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

*”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det*

Postadresse Postboks 9200 Grønland 0134 Oslo For elektronisk henvendelse se www.skatteetaten.no	Besøksadresse Se www.skatteetaten.no Org. nr: 996250318	Sentralbord 800 80 000 Telefaks 22 17 08 60
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*vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”*

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *“informative regnskaper for ulike grupper av regnskapsbrukere”*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.


Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. Selskapet virksomhet er i en internasjonal bransje og arbeidsspråket er engelsk. Alle sentrale aktører innen den bransje selskapet jobber, antas å måtte beherske og benytte engelsk språk. Administrerende direktør og flere av styremedlemmene behersker ikke norsk språk.

Skattedirektoratet gir på bakgrunn av en helhetsvurdering Thin Film Electronics ASA dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at engelsk språk benyttes i stedet ved utarbeidelsen, og at øvrige opplysninger som vedtaket baserer seg på, heller ikke endres vesentlig.

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen

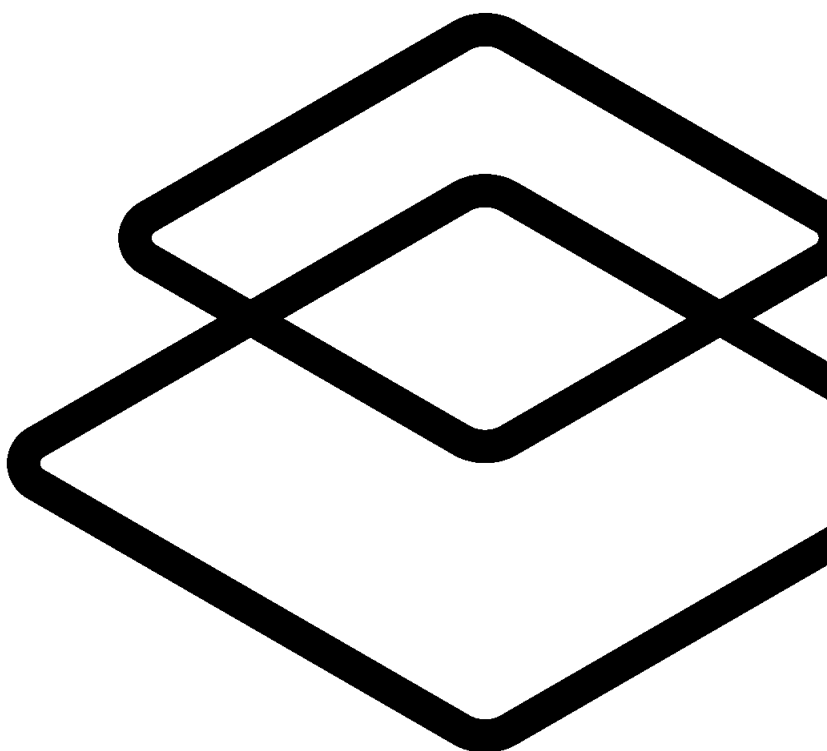
  
Inger Johanne Stolt-Nielsen  
underdirektør  
Rettsavdelingen, foretaksskatt  
Skattedirektoratet

  
Torstein Kinden Helleland



Thinfilm Electronics ASA

# Annual Report 2020





**Norway — Oslo**

**Corporate Headquarters**

c/o House of Business  
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Phone: +47 22 42 45 00  
Email: [info@thinfilmsystems.com](mailto:info@thinfilmsystems.com)

**USA — San Jose**

**Global Headquarters**

2581 Junction Avenue  
San Jose, CA 95134  
Phone: +1 408 503 7300

[thinfilmsystems.com](http://thinfilmsystems.com)



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# Letter from the CEO

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Just over a year ago, Thinfilm announced its strategy to develop premium microbatteries based on solid-state lithium battery (SSLB) technology. This focus has allowed us to leverage our deep materials and process technology expertise as well as our unique roll-to-roll manufacturing facility to address substantial existing and growing markets with superior products.

Throughout the past year, the Thinfilm team worked with purpose and commitment to achieve milestones in technology development, manufacturing readiness, and market development. Despite the operational challenges presented by an unprecedented global pandemic, Thinfilm successfully validated its strategy to bring scale to the premium solid-state microbattery market while building the technology, manufacturing, and commercial foundation for commercialization in late 2021.

As we enter the second year of our SSLB focus, I continue to be excited about solid-state chemistry and Thinfilm's Microbattery Product Platform because they enable energy dense, long-lived, and fundamentally safe batteries in ultracompact form factors that can be customized to individual customer requirements. Our engagements with potential customers in our target markets – hearables, wearables, and connected sensors – continue to provide enthusiastic validation that the planned benefits of our product platform resonate strongly with battery decision-makers.

However, Thinfilm brings more than just solid-state chemistry to make a meaningful impact in our target markets. Our unique steel-substrate, roll-to-roll factory in Silicon Valley enables us to scale the production of Thinfilm SSLB products. This combination of chemistry and capacity uniquely positions Thinfilm to provide commercially relevant quantities of milliamp-hour class batteries for our target markets.

We continue to be mindful of the potential for operational and commercialization uncertainty related to the ongoing pandemic. As part of managing the risks inherent in technology development and commercialization, we proactively identify approaches to mitigate potential challenges that may arise in late-stage technology development, including those related to our operations, technology integration, and customer acquisition and qualification activities. To this end, through targeted hiring activity since early 2020, we have added veteran leadership and expertise in battery development, packaging, manufacturing operations, and business development.

I would like to thank our employees, potential customers, partners, board, and shareholders for their strong spirit of collaboration as we approach the commercialization of our premium microbattery technology in 2021. Our team remains focused on delivering the initial product based on the Thinfilm MPP, readying our roll-to-roll factory for technology transfer and scale-up, and continuing to engage market leaders who require innovative battery technology. We are excited to combine the benefits of solid-state technology and the scalability of steel-substrate, roll-to-roll manufacturing to enable the next generation of wearables and connected sensors.

**Kevin Barber**  
San Jose, California  
April 2021



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# 2020 Year in Review

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Thinfilm fundamentally transformed in 2020, beginning with its 30 January announcement of an updated strategy focused on the development of solid-state lithium battery (SSLB) technology and the commercialization of SSLB products for the wearable devices and connected sensor markets. Despite the logistical and operational challenges presented by the global pandemic, the Company was able to make significant progress in technology and market development throughout the year.

During the first quarter, Thinfilm CEO Kevin Barber held an Investor Day and issued a strategy presentation to explain the Company's approach to developing and scaling SSLB technology in the Company's existing San Jose, California factory. In late March, the Company announced its intention to raise funds via a private placement.

In the second quarter, the Company announced technical progress and a first major round of fundraising. The Company confirmed successful deposition of critical layers of the SSLB stack on Thinfilm steel substrates. In addition, the Company announced the filing of multiple provisional patent applications related to the encapsulation, assembly, and stacking of SSLB products based on stainless steel substrates. In financial matters, the Company reduced its share capital by reduction in the par value per share and issued approximately 5.9 million shares to a consortium of investors. On 20 May 2020, the Extraordinary General Meeting approved a private placement totaling NOK 25 million and a subsequent offering of up to NOK 7 million. In addition, two warrants (Warrant A and Warrant B) were attached to each share issued, creating added fundraising potential of NOK 105 million.

Third quarter highlights included the achievement of additional technical milestones and a second major round of fundraising. Thinfilm announced the successful fabrication of complete SSLB cells on stainless substrates and later confirmed the establishment of a consolidated production environment in its San Jose, California facility to continue rapid development of SSLB technology and products. The Company released an updated corporate presentation, and Thinfilm CEO Kevin Barber participated in the Nordic TMT Virtual Conference hosted by DNB and a video briefing with Nordnet. On 19 August 2020, the Extraordinary General Meeting approved a private placement totaling approximately NOK 50 million and a subsequent offering of up to NOK 10 million. In addition, one warrant (Warrant C) was attached to each share issued, creating added fundraising potential of NOK 100 million.

Finally, the company closed 2020 with the announcement of its first stacked, multi-cell solid-state battery based on its SSLB technology and confirmed that continued positive feedback regarding its SSLB technology had led to broadened engagements with leading manufacturers of wearable devices and connected sensors. Nearly 95% of issued Warrants A, which expired 31 December 2020, were exercised, raising approximately NOK 30 million.

At the end of 2020, the Company had 22 full-time employees, all of whom were based in the Company's San Jose, California facility.



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## About Thinfilm

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Thinfilm is Energizing Innovation™ with ultrathin, flexible, and safe energy storage solutions for wearable devices, connected sensors, and beyond. Thinfilm's innovative solid-state lithium battery (SSLB) technology is uniquely positioned to enable the production of powerful, lightweight, and cost-effective rechargeable batteries for diverse applications.

The company's state-of-the-art flexible electronics manufacturing facility, located in the heart of Silicon Valley, combines patented process technology and materials innovation with the scale of roll-to-roll production methods to bring the advantages of SSLB technology to established and expanding markets.

Thin Film Electronics ASA is a publicly listed company in Norway with corporate headquarters in Oslo and global headquarters in San Jose, California.



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# Report from the Board of Directors

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## Introduction

In Fiscal Year 2020, Thinfilm positioned itself to become a leading innovator in the field of solid-state microbattery development and manufacturing. Following the unveiling of the Company's revised strategy in January 2020, the Company focused its efforts in three main areas of activity: technology development, manufacturing readiness, and market validation.

Throughout 2020, the Company made consistent progress in SSLB technology development. Thinfilm progressed from its June announcement of the first successful deposition of critical layers of the SSLB stack to the July announcement of the first complete SSLBs on steel substrates. By October, thanks to multiple innovations in cell stacking and packaging, the Company announced its first multi-cell battery based on its SSLB technology. In addition, the Company filed multiple provisional patent applications related to key innovations.

With respect to manufacturing readiness, the Company successfully established its consolidated microbattery production environment in its San Jose facility. This streamlined approach gives Thinfilm complete control over the material processing environment to increase manufacturing consistency as well as operational flexibility. By reducing cycle times by 50% or more and increasing tool utilization, Thinfilm's consolidated manufacturing environment enables continued rapid development of SSLB technology and products. Furthermore, the Company completed and passed its first scheduled ISO 9001:2015 quality system audits following the shift to microbattery development, thereby renewing Thinfilm's certification with an updated scope including the development, manufacturing, and sales of solid-state lithium batteries. While the Company has not identified any fundamental roadblocks to the achievement of its technology roadmap and manufacturing plans, potential integration challenges may arise, as is common in later stages of technology development.

Thinfilm successfully validated market interest for premium microbatteries with the benefits of SSLB

technology. Based on substantive technical discussions with major Original Equipment Manufacturers (OEMs) and innovative startups, the Company confirmed consistent desire for energy dense, long-lived, and fundamentally safe microbattery products featuring ultrathin and ultracompact form factors. Engagement with a growing list of prospects has therefore validated Thinfilm's stated market priorities, specifically wearable devices and connected sensors, and led to the incorporation of meaningful customer feedback in the Company's SSLB roadmap and technology development priorities.

Thinfilm financed its activities through two major rounds of fundraising, each combining a private placement and subsequent offering. The Company created additional financing capacity through the issuance of three categories of warrants as part of the fundraising. This strategy enabled Thinfilm to fund the investments and operations necessary to execute its plans through 2020 and extended the Company's cash runway well into 2021, as discussed in the Going Concern section of this report. To further support the implementation of its business plan into 2022, the Company expects to continue fundraising activities in 2021, potentially involving institutional investors in Europe and the United States.

Beginning in March 2020, the Covid-19 pandemic created logistical and operational hurdles for all companies. Despite these challenges, Thinfilm was able to maintain core factory operations in its San Jose, California facility and, in combination with remote collaboration using industry-standard tools, was able to maintain steady progress in technology development and go-to-market activities. The Company sources specialty materials and equipment from a global network of vendors, and despite isolated instances of extended delivery times related to the pandemic, particularly in mid-2020, the Company has observed only minimal to occasionally moderate supply chain delays entering 2021. In light of the uncertainty created by the pandemic, the Company adjusted its 2020 fundraising strategy to raise incremental funds necessary to demonstrate key milestones in its business plan.



## Going concern

The board confirms that the financial statements of the group, as well as the parent company, have been prepared under the going concern assumption. During 2019, a strategic decision was made to pivot away from the NFC business and follow an energy storage strategy that leveraged previous investments made in the San Jose, California roll-to-roll factory and related intellectual property. A significant level of restructuring occurred during 2019 and into the first half of 2020, in order to reduce the Company's cost structure.

Per the date of this report, the group and the parent company have sufficient funds to support operations through the second quarter of 2021 independent of the exercise of outstanding warrants. The Company has received further written exercise requests for a total of approximately 85 million Warrants B and C that, as of the date of this report, have yet to be approved by the board. Following approval, receipt of payment, and subsequent issue of shares, the funding raised by such warrant exercises is sufficient to support operations well into the third quarter of 2021. Depending on the timing and quantity of additional warrant exercises, including remaining unexercised Warrants B (expiring 20 August 2021) and Warrants C (exercisable between 31 March 2021 and 30 June 2021), the Company may be able to fund planned operations into the first quarter of 2022. However, if the timing and quantity of warrant exercises are insufficient to meet the Company's needs, the Company intends to pursue other sources of financing. To continue to fund the Company's activities further into 2022, the Company intends to seek additional funds from the investor market. However, if the group is not able to successfully raise funds as planned, significant uncertainty would exist as to whether the Company and group will continue as going concerns.

The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow. To address the funding requirements of the group, the board of directors has, since early Q1 2020, undertaken the following initiatives:

- Secured equity funding approved by the shareholders at the 20 May 2020 Extraordinary General Meeting, equity funding approved by the shareholders at the 19 August 2020 Extraordinary General Meeting, and a private placement completed on 1 March 2021
- Undertaken a program to continue to monitor the group's ongoing working capital requirements and minimum expenditure commitments; and

- Continued its focus on maintaining an appropriate level of corporate overhead that is in line with the group's available cash resources.

As a consequence of uncertainty introduced by the Covid-19 pandemic, the Company has prioritized raising sufficient funds to provide adequate time to demonstrate a series of technology and market development milestones. Following successful attainment of such milestones and depending on the timing and extent of the exercise of outstanding warrants, the Company may seek additional sources of funding according to the previously presented business plan. At that time, the Company plans to seek additional funds from the investor market, including potential institutional investment in Europe and the United States. Based on this premise, it is appropriate to prepare the financial statements on the going concern basis.

The financial statements reflect the full impairment of the Company's right-of-use assets and machinery that was made in 2019, given the uncertainty related to its cash position and new strategy. The financial statements do not include additional expenses that may be incurred as part of wind-down activities, should the Company and the group not continue as going concerns.

Following the private placement and subsequent offering approved in the Extraordinary General Meeting of 20 May 2020 and the private placement and subsequent offering approved in the Extraordinary General Meeting of 19 August 2020, the Company had three categories of warrants at the close of 2020:

- Warrant A, which expired on 31 December 2020. Warrants A raised a total of approximately NOK 30 million.
- Warrant B, exercisable at any time until 20 August 2021 at a price of NOK 0.25. If fully exercised, Warrants B can raise a total of NOK 72 million. Following the Company's 25 March 2021 announcement, a total of approximately 71 million Warrants B have been exercised, paid for, and subsequently converted to issued shares, generating gross proceeds of approximately NOK 17.8 million. Of the remaining Warrants B, the Company has received written notices of exercise for approximately 1 million Warrants B that, as of the date of this report, have yet to be approved by the board. Following approval, receipt of payment, and subsequent issue of shares, a further 219 million Warrants B will remain outstanding and unexercised, representing a further fundraising potential of approximately NOK 55 million.
- Warrant C, exercisable between 31 March 2021 and 30 June 2021 at a price of NOK 0.25. If fully exercised, Warrants C can raise a total of NOK 100



million. The Company has received written notices of exercise for approximately 84 million Warrants C that, as of the date of this report, have yet to be approved by the board. Following approval, receipt of payment, and subsequent issue of shares, a further 317 million Warrants C will remain outstanding and unexercised, representing a further fundraising potential of approximately NOK 79 million.

The Company also intends to continue to pursue additional sources of capital, including institutional investment in Europe and the United States, to support the Company's plans beyond 2021. There is no assurance that the Company will be successful in raising funds. Failure to obtain future funding, when needed or on acceptable terms, would adversely affect its ability to continue as a going concern.

## The group financial statements

Thinfilm's revenue and other income amounted to USD 513 thousand in 2020, a decrease of 56.6% from the preceding year (2019: USD 1,181 thousand). The Company rapidly restructured its business operations around the priorities of achieving technical success in SSLB development and deploying a financial model that is optimized to support the Company's critical technical and market development milestones.

Sales revenue amounted to USD 492 thousand in 2020 (2019: USD 701 thousand). A total of 5.3 million EAS tags were shipped during 2020, compared to 5.8 million in 2019. 2020 sales relate to inventory manufactured in previous years.

Salaries and other payroll costs amounted to USD 5,445 thousand in 2020, compared to USD 17,828 thousand in 2019. The decrease is primarily driven by a reduced headcount, cost control, and lower manufacturing activity. Operating costs (excluding depreciation, amortization and impairment charges) amounted to USD 12,531 thousand during 2020 (2019: 31,942 thousand). The decrease in operating costs in 2020, compared to 2019, was USD 19,411 thousand, and was primarily attributable to:

- 1 USD 12,383 thousand lower payroll due to reduced headcount for the year ended December 31, 2020, compared to the same period of 2019.
- 2 USD 435 thousand higher employee share based remuneration costs. The fair value of granted employee subscription rights are valued based on the Black-Scholes formula and expensed over the vesting period.
- 3 USD 3,824 thousand lower costs for premises and supplies. The worldwide downsizing of operations in 2019 led to a decrease in premises and supply costs that continued through 2020.

- 4 USD 2,650 thousand lower services costs. Expenditures for consultants and contractors have decreased as a result of cost savings initiatives and lower activity levels.

During 2019, Thinfilm narrowed its R&D activity to a single location, San Jose, California. During 2020, USD 2,223 thousand was spent developing manufacturing processes and operating procedures for roll-to-roll ("R2R") manufacturing located in San Jose, California. The corresponding amount for the same period of 2019 was USD 811 thousand.

Thinfilm had in prior years made prepayments amounting to USD 3,287 thousand relating to investments in equipment and machinery. These prepayments continue to be recognized as other receivables, since the equipment and machinery had not been received from suppliers as of 31 December 2020. However, since these prepayments relates to R2R production line and as the Company has impaired all machinery related to the production line, this prepaid amount was also impaired, recorded as a contra asset, "Impairment of Fixed Assets", resulting in a zero balance in the other receivables. Depreciation and amortization charges in 2020 amounted to USD 22 thousand, compared to USD 3,949 thousand during the same period in 2019. As of December 31, 2019, Thinfilm recognized an impairment charge of USD 42,379 thousand related to Intangibles and fixed assets located in San Jose, California.

In accordance with IAS 36, the Company has analyzed the recoverability of the carrying amounts of production-related assets and financial leases as of December 31, 2020 versus their respective fair market values. While there is uncertainty related to the timing of the implementation of Thinfilm's energy storage strategy, management concluded that following a full impairment as of December 31, 2019, no impairment was required for 2020 fixed asset additions. Furthermore, in the event of a future change in circumstances, e.g. a change in strategy or market prospects, impairments may be reversed in part or in full, if a higher asset value can be defended.

Net financial items in 2020 amounted to a loss of USD (26,753) thousand compared to a loss of USD (1,367) thousand recognized in 2019. The increase is due to a charge of USD 23,168 thousand related to the issuance of Warrants A, B and C, including 333,866,666 warrants issued in conjunction with the private placement approved on 19 August 2020 and 66,666,666 warrants issued in conjunction with the corresponding subsequent offering. The warrants have an exercise price of NOK 0.25.

The loss in 2020 was USD (38,794) thousand, corresponding to a basic loss per share of USD (0.10).



In 2019, the loss amounted to USD (78,446) thousand, corresponding to a basic loss per share of USD (1.34).

Non-current assets amounted to USD 799 thousand (2019: USD 558 thousand). The increase in noncurrent assets from 2019 to 2020 was due to fixed asset purchases. Trade and other receivables amounted to USD 1,140 thousand at the end of 2020 (2019: USD 2,806 thousand). Non-current liabilities amounted to USD 21,884 thousand (2019: 25,056 thousand) and relates to future lease payments for the Junction Avenue premises and long-term debt relating to an equipment term loan facility with Utica. The equity ratio was negative (606) percent at the end of 2020, versus negative (161) percent at the end of 2019.

The group's cash balance decreased by USD 3,083 thousand in 2020 (2019: decreased by USD 23,716 thousand). The net decrease in cash balance is explained by the following principal elements:

- 1 USD (11,886) thousand outflow from operating activities,
- 2 USD (310) thousand outflow from investing activities,
- 3 USD 9,114 thousand inflow from financing activities.

The USD 11,886 thousand outflow from operating activities is primarily explained by an operating loss, excluding depreciation, amortization and warrant expense, of USD 11,968 thousand. The cash outflow from operations and investing activities in 2020 was offset by the inflow from financing activities, primarily attributable to the USD 13,259 thousand raised from private placement, corresponding subsequent offerings and warrant exercises. The cash balance on 31 December 2020 was USD 5,790 thousand, as compared to the cash balance on 31 December 2019 of USD 8,872 thousand.

## Parent company financial statements

Revenue and other income in the Parent Company amounted to NOK 4,741 thousand in 2020 (2019: NOK 5,182 thousand).

Personnel and payroll costs were NOK 10,346 thousand in 2020, versus NOK 16,126 thousand in the preceding year. As of 31 December 2019, only the CEO was employed by the Parent Company. The Parent Company employed, on average, one full-time employee during 2020, compared to an average of four full-time employees during 2019.

External purchases of services amounted to NOK 11,084 thousand in 2020, a decrease from NOK 18,088 thousand in the preceding year. Of the total amount for 2020, (i) NOK 8,735 (2019: 11,868) thousand related to legal, audit and accounting services, (ii)

NOK 314 (2019: 4,822) thousand was tied to advisory services, technology support services and recruitment services and (iii) NOK 2,036 (2019: 1,398) thousand related to remuneration of the Board of Directors.

Purchase of services from subsidiaries decreased to NOK 85,479 thousand in 2020 from NOK 260,241 thousand in 2019, largely as a result of the strategic shift away from the NFC business. Other operating expenses decreased from NOK 13,079 thousand in 2019 to NOK 9,044 thousand in 2020. Capitalized development costs amounted to NOK 0 thousand in 2020, compared to NOK 2,971 thousand in 2019. The company did not capitalize any development costs in 2020 as technical feasibility has not been achieved.

Amortization and impairment of intangible assets amounted to NOK 0 thousand in 2020 compared to NOK 22,466 thousand in 2019. Thinfilm has discontinued the Electronic Article Surveillance (EAS) business. It is expected that the EAS product will not, at this time, be commercialized, and the NOK 10,226 thousand capitalized development work on EAS has been fully impaired in prior years.

Net financial items amounted to income of NOK 1,321 thousand in 2020, compared to an expense of NOK 160,151 thousand in 2019. The change from 2019 is mainly due to impairment of intercompany investments of NOK 164,465 in 2019.

## Share capital

Thinfilm shares were listed on Oslo Axxess from 30 January 2008 until 26 February 2015. On 27 February 2015, Thinfilm shares were transferred to Oslo Børs (OSE Main List). On 24 March 2015, Thinfilm's American Depository Receipts (ADRs) commenced trading in the United States on OTCQX International.

At the end of 2020, there were 985,548,186 (2019: 58,593,581 as adjusted for the 20:1 reverse stock split in November 2019) shares in the Company which were held by 8,498 shareholders (2019: 6,964 shareholders). Par value is NOK 0.11 per share.

The closing price of Thinfilm shares on 30 December 2020 was NOK 0.56, reflecting the 20:1 reverse share split recorded in November 2019. On the last trading day in 2019, the closing price was NOK 2.33, as adjusted for the 20:1 reverse share split. If the company can not maintain a stock price above 1 NOK to satisfy the requirements of the stock exchange, the company may be required to do a share consolidation. The total share turnover during 2020 amounted to NOK 577 million compared to NOK 1,412 million in 2019, a decrease of approximately two hundred forty five percent.

On 23 October 2019, an Extraordinary General Meeting in Thin Film Electronics ASA was held, in which it was resolved to, inter alia, carry out a 20:1 reverse share split



of Thinfilm's shares. Following completion of the reverse share split, the composition of Thinfilm's share capital was changed from 1,171,871,617 shares, each having a par value of NOK 0.11, to 58,593,581 shares, each having a par value of NOK 2.20. The record date of the reverse share split was 4 November 2019.

There were no exercises of vested incentive subscription rights during 2020 nor during 2019. The Annual General Meeting of Thin Film Electronics ASA resolved on 28 May 2019 an exchange offer program whereby continuing employees and consultants holding incentive subscription rights ("Eligible Holders") under the Company's 2015, 2016, 2017 and/or 2018 subscription rights programs (the "Former Plans") would be entitled to exchange such subscription rights for new subscription rights to be granted under the Company's 2019 subscription right plan. Having been given the opportunity to participate in the exchange program, Eligible Holders holding a total of 1,864,372 subscription rights under the Former Plans notified the Company that they wished to participate in the exchange program, whereupon such Eligible Holders explicitly waived any right to claim shares under Former Plans. As a result, the Board of Directors of the Company resolved on 25 September 2019 to grant a total of 1,864,372 incentive subscription rights to nineteen Eligible Holders. The grants were made under the Company's 2019 Subscription Rights Incentive Plan as resolved at the Annual General Meeting on 28 May 2019. The exercise price of the subscription rights is NOK 4.67 per share, as adjusted for the 20:1 reverse share split. The new subscription rights will vest and become exercisable as follows: 33.3% of the shares subject to the new subscription rights will be vested on the grant date, and the remaining 66.7% will vest in approximately equal quarterly installments over the next 3 years, with approximately 5.55% vesting each quarter on each October 15, January 15, April 15 and July 15 thereafter, subject to the Eligible Holder's continued employment or service with the Company or its subsidiaries on each such date. The subscription rights expire on 28 May 2024.

At the Extraordinary General Meeting of 19 August 2020, the shareholders approved grants of a total of 13,800,000 incentive subscription rights to four board members. The exercise price is NOK 0.15 per share, provided, however, that, subject to the board's discretion, the exercise price may be set higher than NOK 0.15 to avoid any issues with taxation in the jurisdiction of the director. To this end, the subscription rights granted to board members Jon Castor and Kelly Doss on 19 August 2020 have an exercise price per share of NOK 0.3415 per share. 50% of the subscription rights will become vested and exercisable on the

earliest of the date immediately preceding the 2021 Annual General Meeting and 30 June 2021, and the remaining 50% of the subscription rights will become vested and exercisable on the earliest of the date immediately preceding the 2022 Annual General Meeting and 30 June 2022.

The board of directors resolved on 11 September 2020 to issue 60,031,441 incentive subscription rights to employees in the Thinfilm group. The grant was made under the Company's 2020 incentive subscription rights plan as resolved at the Extraordinary General Meeting on 19 August 2020. The exercise price of the subscription rights is NOK 0.2840 per share. The subscription rights vest by 50% per year over two years and expire on 19 August 2025. In connection with the 15 April 2020 Extraordinary General Meeting, the Company conducted a reduction of paid in capital by reduction in par value of shares in accordance with the Norwegian Public Limited Companies Act to cover the losses. The implication of this is that a resolution to distribute dividends may not be adopted until three years have elapsed from the registration in the Register of Business Enterprises, unless the share capital subsequently has been increased by an amount at least equal to the reduction. The Board proposed and the shareholders approved a reduction in share capital by a reduction of the par value of the shares from NOK 2.20 to NOK 0.11 per share to cover losses. In order to secure the commitment by the consortium of investors, in May 2020, the Board resolved, and issued 5,859,357 shares to investors at a subscription price per share of NOK 0.11, equaling the proposed subscription price in the Private Placement. The current board authorization was approved at the 23 October 2019 extraordinary general meeting.

At the Extraordinary General Meeting of 20 May 2020, the proposals in the Notice of the Extraordinary General Meeting were approved by the shareholders.

- 1 The Company completed the private placement and issued 227,272,727 new shares, thereby increasing share capital by NOK 32,089,823.15 divided into 291,725,665 shares, each share had a par value of NOK 0.11.
- 2 The subsequent offering raised NOK 7 million with the issuance of 63,636,363 shares at a subscription price of NOK 0.11.
- 3 The Company completed the private placement of 333,866,666 new shares at a subscription price of NOK 0.15, thereby increasing share capital by NOK 50,080,000.
- 4 The subsequent offering raised NOK 10 million with the issuance of 66,666,666 shares at a subscription price of NOK 0.15.



Additional information is included in Note 12 to the Consolidated Financial Statements.

Further 32,121,175 subscription rights have been granted, none exercised, and 24,229 forfeited and expired to date in 2021. Consequently, the total number of subscription rights on 28 April 2021 is 116,289,755.

## Principal risks

Thinfilm is exposed to various risks of a financial and operational nature. The extraordinary current risks of the pandemic and its effect on the world economy are affecting everyone.

The Company's predominant risks are financial, technical/developmental, as well as other market and business risks, summarized in the following points:

I The Company's restructuring, which began in 2019 and continued through the first half of 2020, has resulted in headcount and expenses in line with the Company's revised SSLB strategy and operating plan. As of 31 December 2020, the Company had a cash balance of approximately USD 5.8 million (including restricted cash of approximately USD 1.6 million and approximately 228 thousand paid for shares not yet issued as of the balance sheet date). As of 31 March 2021, the Company had a cash balance of approximately USD 9.4 million (including restricted cash of approximately USD 1.6 million and approximately 1.4 million paid for shares not yet issued as of the balance sheet date). During the fourth quarter of 2020, shareholders exercised certain Warrants A and B, including warrant exercise instructions received by the Company in December 2020 and, in January 2021 approved by the board and later issued as shares. Nearly 95% of total Warrants A were exercised prior to the 31 December 2021 deadline. Following the conclusion of the Warrant A exercise period, the Company has two categories of outstanding warrants with a total remaining fundraising potential of approximately NOK 170 million. On 1 March 2021, the Company announced the successful completion of a private placement raising gross proceeds of approximately NOK 57 million. On 24 March 2021, the board approved the exercise of a total of 58,680,765 Warrants B and C, raising a total of approximately NOK 14.7 million. The Company has received further written exercise requests for a total of approximately 85 million Warrants B and C that, as of the date of this report, have yet to be approved by the board. Following approval, receipt of payment, and subsequent issue of shares, the funding raised by such warrant exercises is sufficient to support operations well into the third quarter of 2021. Depending on the timing and quantity of additional warrant exercises, including remaining unexercised Warrants B (expiring 20 August 2021) and Warrants C (exercisable between 31 March

2021 and 30 June 2021), the Company may be able to fund planned operations into the first quarter of 2022. However, if the timing and quantity of warrant exercises are insufficient to meet the Company's needs, the Company intends to pursue other sources of financing. To continue to fund the Company's activities further into 2022, the Company intends to seek additional funds from the investor market, including potential institutional investment in Europe and the United States. However, if the group is not able to successfully raise funds as planned, significant uncertainty would exist as to whether the Company and group will continue as going concerns.

II Technology development and engineering sample availability on Thinfilm's sheet line, as well as technology transfer to and scale-up activities related to Thinfilm's roll-to-roll line, can be adversely affected by several factors including but not limited to:

- Quality, composition, and consistency of lithium-based materials, chemicals and unanticipated interactions of the various layers and processes that are key to core battery performance, resulting in longer than planned learning cycles and corrective actions, delaying customer engagements.
- Adequate environmental control of the manufacturing area and storage that might compromise the composition, performance, and defectivity of the device.
- Equipment reliability, modifications needed, and process optimization learning cycle efficiency that may limit the uptime, throughput and quality of the devices produced.
- Issues encountered during handling, processing, and assembly of ultrathin substrates and battery stacks.
- Need for new materials or processes and/or equipment to achieve full manufacturing qualification and product reliability.
- Availability of components and materials, in sufficient quantities, required for battery development, qualification, and scale-up activities.

The startup and product manufacturing yield ramp on the roll-to-roll line can also be negatively influenced by several of the conditions or events noted below (but not limited to):

- Achievement of return-to-manufacturing readiness and qualification of the tool set.
- On site availability of vendor personnel to assist in requalification of the machines with battery materials set.
- Electro-Static Discharge (ESD) or other phenomena that may cause the need for process or mechanical handling changes in the manufacturing line.



- Lower than anticipated throughputs and uptime of the equipment with the battery material set resulting in a lower capacity than planned.
  - Adequate environmental control of the manufacturing area and storage that might compromise the composition, performance and defectivity of the device.
  - New and unknown modes of yield loss necessitating process, practice, or equipment modifications that can result in a slower than planned yield ramp.
  - Issues encountered during roll handling, processing, and assembly of ultrathin substrates and battery stacks.
  - Our ability to provide OEMs with solutions that provide advantages in terms of size, reliability, durability, performance, and value-added features compared with alternative solutions.
- III Many of the markets that Thinfilm targets in connection with its new energy storage strategy will require time in order to gain traction, and there is a potential risk of delays in the timing of sales. Risks and delays may include, but are not limited to:
- Uncertain global economic conditions may adversely impact demand for our products or cause potential customers and other business partners to suffer financial hardship, which could cause delays in market traction and adversely impact our business.
  - Our ability to meet our growth targets depends on successful product, marketing, and operations innovation and successful responses to competitive innovation and changing consumer habits that may result in changes in our customers' specifications.
  - Customer product development cycles may not align to the Company's product development cycles. Therefore, changes in customer qualification processes and ramp schedules may result in delayed acceptance of and demand for the Company's products.

The Company cannot assure that the business will be successful or that we will be able to generate significant revenue. If we fail to establish and build relationships with our customers, or our customers' products which utilize our solutions do not gain widespread market acceptance, we may not be able to generate significant revenue. We do not sell any products to end users, and we do not control or influence the manufacture, promotion, distribution, or pricing of the products that incorporate our solutions. Instead, we design various devices and products that our potential OEM customers incorporate into their products, and we depend on such OEM customers to successfully manufacture and distribute products incorporating our solutions and to generate consumer demand through marketing and promotional activities. As a result of this, our success depends almost entirely

upon the widespread market acceptance of our OEM customers' products that incorporate our devices. Even if our technologies successfully meet our customers' price and performance goals, our sales could fail to develop if our customers do not achieve commercial success in selling their products that incorporate our devices.

Our ability to generate significant revenue from target markets will depend on various factors, including the following:

- The development and growth of these markets;
- The ability of our technologies and product solutions to address the needs of these markets, the price and performance requirements of OEMs, and the preferences of end users; and
- Our ability to provide OEMs with solutions that provide advantages in terms of size, reliability, durability, performance, and value-added features compared with alternative solutions.

IV To a certain extent, Thinfilm is dependent on continued collaboration with technology, materials, and manufacturing partners.

There may be process and product development risks that arise related to time-to-development and cost competitiveness of the energy storage products Thinfilm is developing.

Many manufacturers of these products have well established relationships with competitive suppliers. Our ongoing success in these markets will require us to offer better performance alternatives to other solutions at competitive costs. The failure of any of these target markets to develop as we expect, or our failure to serve these markets to a significant extent, will impede our sales growth and could result in substantially reduced earnings and a restructuring of our operations. We cannot predict the size or growth rate of these markets or the market share we will achieve or maintain in these markets in the future. Shortages of components and materials may delay or reduce our sales and increase our costs, thereby harming our operating results. The inability to obtain sufficient quantities of components and other materials necessary for the production of our products could result in reduced or delayed sales or lost orders. Many of the materials used in the production of our products are available only from a limited number of foreign suppliers, particularly suppliers located in Asia.

V Our business results depend on our ability to successfully manage ongoing organizational changes. Our financial projections assume successfully executing certain of these organizational changes, including the motivation and retention of key employees and recruitment of qualified personnel, which is critical to our business success.



Factors that may affect our ability to attract and retain talented leadership, key individual contributors, and sufficient numbers of qualified employees include:

- Employee morale,
- Our reputation,
- Competition from other employers, and
- Availability of qualified personnel

Our success is dependent on identifying, developing, and retaining key employees to provide uninterrupted leadership and direction for our business. This includes developing and retaining organizational capabilities in key technology areas, where the depth of skilled or experienced employees may be limited and competition for these resources is intense.

VI Thinfilm is exposed to certain financial risks related to fluctuation of exchange rates.

## Corporate governance

The board considers that attention to corporate governance is beneficial for companies and investors. Thinfilm seeks to comply with the Norwegian code of practice for corporate governance to the degree possible. The board's review of corporate governance has been included in the annual report.

## Intellectual Property

The development and maintenance of intellectual property, including patents, trade secrets, and proprietary knowhow, is a critical part of Thinfilm's business strategy. In the course of its research and development activities, the Company develops new intellectual property related to materials, microbattery design, cell fabrication, product packaging, and industrialization. In April 2020, the Company announced the filing of multiple provisional patent applications related to the encapsulation, assembly, and stacking of SSLB products based on stainless steel substrates. The Company intends to continue filing patent applications to protect its intellectual property.

## Outlook

Following the achievement of critical technology, manufacturing, and go-to-market milestones in 2020 and early 2021, the Company is currently focused on the commercialization of its SSLB technology in its initial target markets, including wearables, hearables, and medical devices.

In January 2021, the Company announced its Microbattery Product Platform (MPP) and confirmed the tape out of the initial product based on that platform. This lead product is designed based on

customer requirements for energy dense, long-lived, fundamentally safe, and ultracompact energy storage. The overall platform is designed to deliver these fundamental advantages of steel-substrate SSLB technology across a range of products that can be rapidly and efficiently customized to meet the unique capacity and form factor needs of specific customer designs.

As of the date of this report, Thinfilm has announced its engagement in commercial agreement discussions with five leading OEMs across the hearables and wearables segments. Agreements resulting from these discussions will define customer product requirements and align on key technical, operational, and business terms. The geographic and application diversity of these engagements demonstrates a wide range of market interest in the performance advantages and unique form factors that can be enabled by Thinfilm SSLB products based on ultrathin stainless steel substrate technology. The Company expects initial revenues based on the Microbattery Product Platform by the end of 2021.

Thinfilm's core technology development activity remains on schedule, with a primary focus on achieving highly manufacturable cells with high volumetric energy density, extended charge cycling lifetimes, and superior safety characteristics. By confirming the planned baseline roll-to-roll cell manufacturing process on the sheet line, Thinfilm has satisfied a key requirement for on-time technology transfer to the roll-based production line in the third quarter and process qualification in the fourth quarter of 2021.

To extend SSLB cell technology benefits to compact, high-capacity battery products, the Company continues development of innovative stacking and packaging techniques. These packaging innovations are critical to achieving maximum volumetric energy density in form-factor-constrained applications in the Company's target markets. In order to enable manufacturing scale-up later this year, the Company has ordered critical equipment, expected to arrive early in the third quarter, to increase throughput, maximize consistency, and maintain differentiated volumetric energy densities in stacked microbattery products.

## Organization, personnel, and the environment

The board of directors would like to thank the Thinfilm management team members, staff, contractors, and ecosystem partners for their dedicated efforts throughout 2020 and into 2021.



## Organization

Substantially all of Thinfilm's operational activities are based in the Company's San Jose, California facility, providing efficient and cost-effective management of the Company's resources and assets. During 2020, the Company closed its subsidiary in China and liquidated subsidiaries in Hong Kong, Sweden, and the United Kingdom to remaining cash. As of the date of this report, the subsidiaries in Sweden and the United Kingdom have been closed. The Company is in the process of closing its subsidiary in Singapore. The Company's quality management system is certified under the ISO9001:2015 standard for the development, manufacturing, and sales of solid-state lithium batteries.

## Personnel

As of the date of the report, Thinfilm employs 27 full-time employees, two part-time employees, and a small number of contractors. Following the Company's restructuring and reduction of its workforce to 18 full-time employees in March 2020, the Company has selectively hired to fill targeted areas of need in battery and packaging technology development, operations, and business development. In January 2021, the Company announced the hiring of two battery industry veterans: Louis Golato, vice president of operations, and Tim Powers, senior director of applications engineering and business development.

The board believes that the working environment at Thinfilm is safe, stimulating, challenging, and collaborative for all employees, and complies fully with relevant laws and regulations in regions within which Thinfilm operates. Thinfilm employees are covered by benefits programs that are in line with practices in their respective countries. Throughout 2020, there was one minor workplace injury and no significant incidents or accidents involving equipment or other assets.

Instances of sick leave during 2020 were relatively low and were consistent with previous years. In addition to the employees of the Thinfilm group, Thinfilm has contracted specialists in business development, engineering, accounting, and other services.

Thinfilm creates and supports equal opportunity for all employees, in all aspects of the workplace. As of 31 December 2020, female employees in the company represented approximately 22%. As of the date of this report, the current management team consists of four men and one woman. Equality is one important aspect considered when recruiting new employees. The board considers the firm's equality standards and measures to be adequate and has not found reason to initiate any corrective measures.

## The Environment

Thinfilm appreciates its corporate responsibility to protect the environment. The Company operates its business to comply with the environmental, health, and safety regulations required for the materials and processes needed to manufacture its products. Thinfilm follows all relevant environmental rules and regulations, as discussed in the Corporate Social Responsibility (CSR) Statement included in this report.

## Board of directors

Thinfilm's board of directors consists of two women and two men, the composition of which satisfies the gender requirements of the Norwegian Public Limited Companies Act. The board includes Mr. Morten Opstad (chair), Ms. Preeti Mardia, Mr. Jon Castor, and Ms. Kelly Doss. At the Company's Annual General Meeting on 3 June 2020, Preeti Mardia was re-elected to the board for a term of two years. Mr. Opstad, Mr. Castor, and Ms. Doss continue to serve on the board for the second year of their respective two-year terms.

The board of directors of Thin Film Electronics ASA, Oslo, Norway, 28 April 2021

Morten Opstad  
Chairman

Preeti Mardia  
Board Member

Jon Castor  
Board Member

Kelly Doss  
Board Member

Kevin Barber  
Managing Director (CEO)



# Thin Film Electronics ASA Group Consolidated Financial Statements

## Consolidated Statements of Comprehensive Income

Amounts in USD 1,000	Note	2020	2019
Sales revenue	15	492	701
Other income	14,17,18	21	480
<b>Total revenue and other income</b>		<b>513</b>	<b>1,181</b>
Salaries and other payroll costs	19	(5,445)	(17,828)
Other operating expenses	20,24	(7,086)	(14,114)
Depreciation, amortization and impairment loss	6,7,8	(22)	(46,328)
<b>Operating profit (loss)</b>		<b>(12,040)</b>	<b>(77,089)</b>
Interest income		27	152
Other financial income		(410)	8
Interest expense		(3,186)	(1,524)
Other financial costs	15	(23,184)	(3)
<b>Net financial items</b>		<b>(26,753)</b>	<b>(1,367)</b>
<b>Profit (loss) before income tax</b>		<b>(38,794)</b>	<b>(78,456)</b>
Income tax expense	21	—	10
<b>Profit (loss) for the year</b>		<b>(38,794)</b>	<b>(78,446)</b>
<b>Profit (loss) per share for profit attributable to the equity holders of the Company during the year</b>			
– basic and diluted, USD per share	23	(USD0.10)	(USD1.34)
<b>Profit (loss) for the year</b>		<b>(38,794)</b>	<b>(78,446)</b>
<b>Other Comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss			
Currency translation		555	(637)
<b>Total comprehensive income for the year</b>		<b>(38,239)</b>	<b>(79,083)</b>



## Consolidated Statements of Financial Position

Amounts in USD 1,000	Note	31 December 2020	31 December 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	226	—
Other financial receivables		573	559
<b>Total non-current assets</b>		<b>799</b>	<b>559</b>
<b>Current assets</b>			
Inventory	9	—	1
Trade and other receivables	10	1,140	2,806
Cash and cash equivalents (i)	11	5,790	8,872
<b>Total current assets</b>		<b>6,930</b>	<b>11,679</b>
<b>Total assets</b>		<b>7,729</b>	<b>12,238</b>
<b>EQUITY</b>			
	12		
Ordinary shares		12,014	18,660
Other paid-in capital		(47)	—
Currency translation		(13,801)	(14,356)
Retained earnings		(45,031)	(23,964)
<b>Total equity</b>	<b>26</b>	<b>(46,865)</b>	<b>(19,660)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term Debt	14	9,709	11,812
Long-term financial lease liabilities	8	12,175	13,244
<b>Total non-current liabilities</b>		<b>21,884</b>	<b>25,056</b>
<b>Current liabilities</b>			
Trade and other payables	13	3,445	5,454
Warrants liability (ii)	15	26,020	—
Current portion of long-term debt	14	3,245	1,388
<b>Total current liabilities</b>	<b>26</b>	<b>32,710</b>	<b>6,842</b>
<b>Total equity and liabilities</b>		<b>7,729</b>	<b>12,238</b>

(i) Includes restricted cash of USD 1,600 thousand, securing the letter of credit issued in 2017 by Thin Film Electronics ASA to the landlord of the San Jose, California facility and USD 228 thousand paid for shares not issued as of the balance sheet date.

(ii) The warrants liability is valued at fair value in accordance with International Financial Reporting Standards ("IFRS"). There are no circumstances in which the Corporation would be required to pay any cash upon exercise or expiry of the warrants. See Note 15a.

The board of directors of Thin Film Electronics ASA, Oslo, Norway, 28 April 2021

Morten Opstad  
Chairman

Jon Castor  
Board Member

Preeti Mardia  
Board Member

Kelly Doss  
Board Member

Kevin Barber  
CEO



## Consolidated Statements of Changes in Equity

Amounts in USD 1,000	Note	Share capital	Other paid-in equity	Currency translation	Retained earnings	Total
<b>Balance at 1 January 2020</b>		<b>18,660</b>	—	<b>(14,356)</b>	<b>(23,964)</b>	<b>(19,660)</b>
Reduction of share capital by reduction of PAR		(17,726)	—		17,726	—
Share based compensation			626			626
Board authorized share purchase (approved 20 May 2020)		65				65
Private placement (approved 20 May 2020)		2,514	—			2,514
Private placement related repair and warrant exercises Q2 (approved 20 May 2020)		738	—			738
Private placement (approved 19 August 2020)		4,118	1,498			5,616
Private placement related repair and warrant exercises Q3 (approved 20 May and 19 August 2020)		47	8			55
Private placement related repair and warrant exercises Q4 (approved 20 May and 19 August 2020)		3,599	673			4,272
Warrant liability			(2,852)			(2,852)
Comprehensive income				555	(38,794)	(38,239)
<b>Balance at 31 December 2020</b>	<b>12</b>	<b>12,014</b>	<b>(47)</b>	<b>(13,801)</b>	<b>(45,032)</b>	<b>(46,865)</b>
<b>Balance at 1 January 2019</b>		<b>18,660</b>	<b>321,575</b>	<b>(13,719)</b>	<b>(266,806)</b>	<b>59,709</b>
Share based compensation			190			190
Impact of change in accounting policy*	8				(477)	(477)
Comprehensive income				(637)	(78,446)	(79,083)
Transfer for coverage of losses			(321,765)		321,765	—
<b>Balance at 31 December 2019</b>	<b>12</b>	<b>18,660</b>	—	<b>(14,356)</b>	<b>(23,964)</b>	<b>(19,660)</b>

\* IFRS16 implementation. See Note 8.



## Consolidated Cash Flow Statements

Amounts in USD 1,000	Note	2020	2019
<b>Cash flows from operating activities</b>			
Profit (loss) before income tax		(38,794)	(78,456)
- Share-based remuneration	19	626	190
- Depreciation and amortization	6	23	3,949
- Write down inventory, machinery and intangible assets	6,7	—	42,379
- Loss / (gain) on sale of fixed assets	6	(50)	(241)
- Taxes paid for the period		—	10
- Changes in working capital and non-cash items		(495)	1,748
Net financial items		26,803	1,367
<b>Net cash from operating activities</b>		<b>(11,886)</b>	<b>(29,054)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	6	(248)	(3,177)
Prepayments relating to purchase of property, plant and equipment	10	—	(1,653)
Purchases of intangible assets		—	(353)
Capitalized development expenses	7	—	—
Proceeds from sale of fixed assets	6	(89)	112
Interest received		27	152
<b>Net cash from investing activities</b>		<b>(310)</b>	<b>(4,919)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares	12	13,259	—
Proceeds from debt financing	14	—	13,200
Deposits		—	(558)
Interest paid		(3,185)	(1,525)
Lease payments	8	(960)	(860)
<b>Net cash from financing activities</b>		<b>9,114</b>	<b>10,257</b>
<b>Net increase (decrease) in cash and bank deposits</b>		<b>(3,082)</b>	<b>(23,716)</b>
Cash and bank deposits at the beginning of the year		8,872	32,588
<b>Cash and bank deposits at the end of the year*</b>		<b>5,790</b>	<b>8,872</b>

\* Including restricted cash. See Note 11.

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# Notes to the Consolidated Financial Statements

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## 1. Information about the group

"Thin Film Electronics ASA ("Thinfilm ASA" or "the company") was founded on 22 December 2005. Reference is made to Note 29 for a description of the subsidiaries consolidated into the parent company Thin Film Electronics ASA. The objectives of the Company shall be the commercialization, research, development and production of technology and products related to solid-state lithium batteries. These objectives may be carried out in full internally, or in whole or in part externally through collaborative efforts with one or more of the Company's ecosystem partners. The Company is a public limited liability company incorporated and domiciled in Norway. The address of its registered office is Fridjof Nansens Plass 4, Oslo, Norway. The company's shares were admitted to listing at the Oslo Axess on 30 January 2008 and to the Oslo Børs on 27 February 2015. On 24 March 2015 Thinfilm's American Depository Receipts (ADRs) commenced trading in the United States on OTCQX International. Thinfilm's ADR was moved to OTCQB with effect on 23 June 2020. These group consolidated financial statements were resolved by the board of directors on 28 April 2021.

## 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 below descriptions. 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 2020 had any impact on net result or equity of Thinfilm in 2020. Reference is made to Note 2.20 for a description of changes in IFRS.

### Going concern

The board confirms that the financial statements of the group, as well as the parent company, have been prepared under the going concern assumption. Per the date of this report, the group and the parent company have sufficient funds to support operations through the second quarter of 2021 independent of the exercise of outstanding warrants. The Company has received further written exercise requests for a total of approximately 85 million Warrants B and C that, as of the date of this report, have yet to be approved by the board. Following approval, receipt of payment, and subsequent issue of shares, the funding raised by such warrant exercises is sufficient to support operations well into the third quarter of 2021. Depending on the timing and quantity of additional warrant exercises, including remaining unexercised Warrants B (expiring 20 August 2021) and Warrants C (exercisable between 31 March 2021 and 30 June 2021), the Company may be able to fund planned operations into the first quarter of 2022. However, if the timing and quantity of warrant exercises are insufficient to meet the Company's needs, the Company intends to pursue other sources of financing. To continue to fund the Company's activities further into 2022, the Company intends to seek additional funds from the investor market. However, if the group is not able to successfully raise funds as planned, significant uncertainty would exist as to whether the Company and group will continue as going concerns.

The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow. As of 31 March 2021, the Company had a cash balance of approximately USD 9.4 million (including restricted cash of approximately USD 1.6 million and approximately 1.4 million paid for shares not yet issued as of the balance sheet date).

### 2.2 Consolidation

Subsidiaries are all entities over which the group has control. Control is achieved when the group is



exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if, and only if, the group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The group's voting rights and potential voting rights

## 2.3 Foreign currency translation

### (a) Functional and presentation currency

The consolidated financial statements are presented in US dollar (USD).

### (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

The individual financial statements of a subsidiary are prepared in the subsidiary's functional currency. In preparing the consolidated financial statements, the financial statements of foreign operations are translated using the exchange rates at year-end for statement of financial position items and monthly average exchange rates for statement of income items. Translation gains and losses are included in other comprehensive income as a separate component. The translation difference derived from each foreign subsidiary is reversed through the statement of income as part of the gain or loss arising from the divestment or liquidation of such a foreign operation.

## 2.4 Property, plant and equipment

Property, plant and equipment is mainly comprised of construction in progress on the roll-to-roll line,

laboratory test equipment, and office equipment. Property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Given the uncertainty related to its cash position and new strategy, the Company's fixed assets were fully impaired at 31 December 2019.

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 derecognized. 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:

- Laboratory equipment — 5 years
- Office equipment — 3–5 years
- Office furnishings and fittings — up to 12 years

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

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

## 2.5 Inventory

The Company has changed its strategy and hence inventory is fully impaired. Historically, inventory, components and components under production are valued at the lower of cost and net realizable value after deduction of obsolescence. Net realizable value is estimated as the selling price less cost of completion and the cost necessary to make the sale. Costs are determined using the standard cost method. The FIFO principle is applied. Work in progress includes variable cost and non-variable cost which can be allocated to items based on normal capacity. Obsolete inventory is written down completely.

## 2.6 Intangible assets

### (a) Patents and licenses

Acquired patents and licenses are stated 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 patents 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. In January 2014, Thinfilm acquired an IP portfolio consisting of patents.



These assets are initially recognized at fair value and subsequently measured at cost, less accumulated amortisation and impairment losses.

## **(b) Research and development**

Research costs are expensed 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. Capitalized development expenses relate to Speedtap™. In 2019 it was decided that the capitalized development costs relating to NFC SpeedTap™ would not be further commercialized and the remaining costs of NOK 12,744 were impaired. Please ref. Note 7 for further details.

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.

## **2.7 Impairment of 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.

## **2.8 Trade receivables and other receivables**

Trade receivables and other short-term receivables are measured at initial recognition at fair value and subsequently measured at amortized cost. Short-term receivables, which are due within three months, are normally not discounted. Impairment of receivables is evaluated on a case-by-case basis. The group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

## **2.9 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.

## **2.10 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.

## **2.11 Trade payables**

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

## **2.12 Deferred income tax**

Deferred income tax is recognized 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 on 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 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. Deferred tax liabilities are recognized for taxable temporary differences.

## **2.13 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 only holds defined contribution pension plans. Contributions are expensed and paid when earned.



## 2.14 Revenue recognition

Revenue is recognized at the amount that the Company expects to be entitled to and expects to collect under the contract. If a contract has multiple performance obligations, the transaction price is allocated to each performance obligation identified in the contract on a relative stand-alone selling price basis. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

### (a) Sales of goods

During 2020, the group sold Electronic Article Surveillance (EAS) anti-theft tags from existing inventory. The performance obligation was to deliver distinctive goods, and the performance obligation was satisfied when the control was transferred to the customer being at the point of delivery of the goods. Sales of goods were recognized when the performance obligation was satisfied, the costs incurred with respect to the transaction could be measured reliably, and Thinfilm retained neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

### (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.

### (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.

## 2.15 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received, and the conditions will be complied with. Grants are recognised as other income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

## 2.16 Financial liabilities

### (a) Borrowings

Borrowings are initially recognized at cost and subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs as well as discount or premium on settlement. Financial liabilities are presented as current if the liabilities are

due to be settled within 12 months after the balance sheet date.

### (b) Leases

All leases are recognized in the balance sheet as a right-of-use ("ROU") asset with a corresponding lease liability, except for short term assets in which the lease term is 12 months or less, or low value assets. ROU assets represent a right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Right-of-use assets are depreciated linearly over the lifetime of the related lease contract. The depreciation of ROU asset is recognized over the lease term, and interest expenses related to the lease liability are classified as financial items in the income statement. Right-of-use assets are tested for impairment in accordance in accordance with IAS 36.

Thinfilm determines if an arrangement is a lease at inception. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, less any lease incentives. The Company's incremental borrowing rate based on the information available at commencement date is used in determining the present value of lease payments. Extension options are included when it, based on management's judgement, is reasonably certain to be exercised. ROU assets are measured at cost and include the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less and low-value assets.

## 2.17 Share based remuneration and derivatives over own shares

### (a) Share based remuneration

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at grant date. The fair value of the instruments is determined using a Black-Scholes option pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest.

For social security contribution related to equity settled share-based payment transactions with employees, a liability is recognized. The liability is initially measured



at the fair value of the liability. At the end of each reporting period until the liability is settled, and the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

#### **(b) Derivatives over own shares**

The warrants are derivatives over own shares and the exercise price is denominated in Norwegian Kroner (NOK), while the functional currency of the Company is the US Dollar. As a result of this difference in currencies, the proceeds that will be received by the Company are not fixed and will vary based on foreign exchange rates. Thus, the fixed for fixed criteria in IAS 32.11 is not met. Further, the warrants are not allocated pro rate to all existing owners of the same class of own equity instruments and does not meet the strict criteria for the rights issue exemption in IAS 32.11. Thus, the warrants are classified as derivative liabilities (scoped under IFRS 9) and measured at fair value (in accordance with IFRS 13) in the statement of financial position. Any changes in fair value from period to period are recorded as a non-cash gain or loss in the consolidated statement of net loss/(income) and comprehensive loss/(income). Upon exercise, the holders will pay the Company the respective exercise price for each warrant exercised in exchange for one common share of Thin Film Electronics ASA and the fair value at the date of exercise and the associated non-cash liability will be reclassified to share capital. The non-cash liability associated with any warrants that expire unexercised will be recorded as a gain in the consolidated statement of net loss/(income) and comprehensive loss/(income) when the liability is extinguished/expire. There are no circumstances in which the Company would be required to pay any cash upon exercise or expiry of the warrants.

#### **2.18 Cash flow statement**

The cash flow statement is prepared in accordance with the indirect method.

#### **2.19 Segment information**

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). Based on Thinfilm's current deliveries, performance obligations, customer characteristic and other information, it has been assessed that Thinfilm has only one operating segment. Hence, primarily information according to IFRS 8 paragraphs –34 is provided.

#### **2.20 Changes in accounting principles**

Thinfilm has, with effect from 1 January 2020, implemented the amendments to IAS 1 and IAS 8 Definition of Material, amendments to IFRS 3 Definition of a Business, amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform Revised Conceptual Framework for Financial Reporting. The implementation of these standards has not had a material impact on the entity in the current reporting period.

#### **2.21 Approved standards and interpretations not yet in effect**

In addition to these standards, the following new and revised IFRSs have been issued but were not mandatory for annual reporting periods ending on 31 December 2020. The Group will assess the potential impact of these new and revised standards in due course.

- IFRS 17 Insurance contracts
- Amendments to IFRS 16: Covid-19 related Rent Concessions
- Amendments to IAS 1: Financial Statements: Classification of Liabilities as Current or Non-current
- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before intended use
- Amendments to IFRS 3: Reference to the Conceptual Framework
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture

### **3. Segment information**

Thinfilm's business consists of sale of products, services and development of electronic products and related solutions. The CEO has determined that the group has only one operating segment. Consequently, no additional segment information is disclosed. Reference is made to Note 6, 14, 15 and 16 for entity-wide disclosures.

### **4. Capital management and financial risk**

#### **4.1 Capital management**

The group manages its capital to ensure that entities in the group will be able to continue as a going concern. The capital structure of the group consists of equity and current and non-current interest-bearing liabilities.



The group is not subject to any externally imposed capital requirements apart from the requirements according to national laws and regulations for limited liability companies. In September 2019, the Company's subsidiary, Thinfilm Electronics, Inc. closed an equipment term loan facility with Utica for USD 13,200 thousand secured by select fixed assets (see Note 6). The terms of the Master Lease Agreement were interest-only monthly payments for the first six months, followed by three months of interim payments, and thereafter a four-year amortization period during which monthly principal and interest payments are due. The Company entered into First Amendment to lease documents (Amendment) effective 11 April 2020. The new terms of the amended agreement were that the lessor agreed to accept reduced payments for the month of April 2020, and interest-only payments for May-November 2020, and thereafter to re-amortize the remaining balance of the transaction. The Company entered into the Second Amendment to the lease documents (Amendment) in December 2020. The new terms of the amended agreement are that the lessor agreed to accept modified payments from January through June 2021. In July 2021, regular payments will resume, and will include a lump sum "true up" payment for each Schedule to repay the difference of the amounts due and the reduced payments permitted under this Amendment. The Company used the proceeds from the loans for working capital to fund ongoing operations and to pay for remaining scheduled payments for the R2R line. The company is working on obtaining additional equity funding, see note on going concern.

## 4.2 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 majority of its operations in the USA. As of 31 December 2020, approximately 87% of the Company's cash balance was denominated in USD, in order to mitigate currency risk associated with the increased value of the USD relative to NOK. Management monitors this risk and will take the appropriate actions to address it as the situation requires.

#### (ii) Interest risk

Thin Film Electronics, Inc., the U.S. operating subsidiary and global headquarters of the Thin Film Electronics Group, closed an equipment term loan facility with Utica Leaseco, LLC for financing of USD 13.2 million, which funded in two tranches during the month of September 2019. The interest rate associated with this debt is fixed, and therefore,

does not present the potential risk that would be associated with interest rate fluctuations.

### (b) Credit risk

The company has some credit risks relating to receivables. The loss on receivables has historically been low.

In connection with the relocation of Thinfilm's US headquarters in the first two quarters of 2017, a USD 1,600 thousand Letter of Credit was issued by Thin Film Electronics ASA to the landlord of the Junction Avenue facility located in San Jose, California. In addition, the Company entered into a Tenancy Guaranty with the landlord as additional security of the rent payments. The initial guaranty liability amounted to USD 5,000 thousand and reduces on an annual basis by USD 500 thousand per year, commencing with the second lease year until the liability reaches zero dollars. As of 31 December 2020, the guaranty liability amounted to USD 3,500 thousand. Apart from that, Thinfilm has not issued additional material guarantees.

### (c) Liquidity risk

Aside from the equipment term loan facility of USD 13.2 million closed in September 2019, Thinfilm does not have any other material interest-bearing debt. In addition, the company has a continued obligation under a lease agreement signed in November 2016 relating to its U.S. headquarters in San Jose, California.

The Company was able to raise equity financing in 2020 but is not yet cash generative and operates at a loss. There is uncertainty tied to the generation of future cash flow in connection with the Company's new business strategy. As described in Note 2.1 Basis of preparation, the Company is currently pursuing alternative forms of generating cash in order to meet its financial obligations. There is no assurance that the Company will be successful in raising funds. Failure to obtain future funding, when needed or on acceptable terms, would adversely affect its ability to continue as a going concern.

## 4.3 Fair value estimation

The carrying amounts of trade and other receivables and payables are considered to be the same as their fair values, due to their short-term nature. Accounts payable and accrued liabilities with due date within 12 months have been recognized at carrying value.

## 4.4 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. Reference is made to section 2.1 Going concern. 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 in the financial statements of the group mainly relate to share based compensation, warrants, deferred tax assets, accounting for research and development, intangible assets, property, plant and equipment and lease.

### Share based compensation:

Thinfilm estimates the fair value of options at the grant date. As the subscription rights are structured equal to an option, the Black-Scholes option pricing model is used for valuing the share subscription rights. The model uses the following parameters; the exercise price, the life of the option, the current price of the underlying shares, the expected volatility of the share price, the dividends expected on the shares, and the risk-free interest rate for the life of the option. The cost of share based remuneration is expensed over the vesting period. Such estimates are updated at the balance sheet date. Changes in this estimate will impact the expensed cost of share based remuneration in the period. The variables, assumptions and relevant theoretical foundations used in the calculation of the FV per share subscription right is estimated according to the IFRS 2 standard.

### Warrants:

The warrants are classified as derivative liabilities (scoped under IFRS 9) and measured at fair value (in accordance with IFRS 13) in the statement of financial position. The model uses the following parameters: the exercise price, the life of the warrant, the current price of the underlying shares, the expected volatility of the shares and the risk free interest rate for the life of the warrant. Changes in the estimate will impact the financial items in the profit and loss statements.

### Deferred tax assets:

Deferred tax assets related to losses carried forward is recognized when it is probable that the loss carried forward may be utilized. Evaluation of probability is based on historical earnings, expected future margins and the size of the order back-log. Future events may lead to these estimates being changed. Such changes

will be recognized when reliable new estimates can be made. No deferred tax assets have been recognized in the balance sheet as of 31 December 2020.

### Research and development:

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset only when Thinfilm can demonstrate the technical feasibility of completing the intangible assets so that it will be available for use or sale, the Company's intention and capability of completing the development and realize the asset, and the net future financial benefits of use or sale. Determining whether an expense meets the definition of a development cost requires judgment to be applied. Capitalized development costs as of 31 December 2020, has been fully impaired. See Note 7.

### Intangible assets:

In connection with the purchase of certain assets from Kovio, Inc., in January 2014, Thinfilm acquired an IP portfolio of ninety patent families. In addition, Thinfilm has acquired certain licenses and capitalized certain development costs relating to printed batteries. These assets are recognized in the balance sheet as intangible assets and valued at fair value less accumulated amortization and impairment losses. The book value is dependent on the successful development of the technology in the Parent Company and in the subsidiaries. As of 31 December 2020 all intangible assets have been impaired. See Note 7.

### Property, plant and equipment (PPE):

In connection to establishing US headquarters in San Jose, Thinfilm has invested in PPE, including a roll-based production line. Determining whether equipment / a tool a) is under construction b) is ready for use in production c) will generate sufficient net future benefits on a stand-alone basis or as part of a production line, requires judgment to be applied. Similarly, any subsequent reversal will require judgment to be applied. The corporate restructuring announced on 15 March 2019, 19 July 2019 and 12 September 2019 triggered impairment testing relating to these assets. See Note 6 for quantification of book values and impairments.

### Financial lease:

The Company entered into a lease agreement in November 2016 relating to the property building of its US headquarters in San Jose, California. Thinfilm assesses whether the lease has been impaired by applying the requirements in IAS 36 - Impairment of assets. As of 31 December 2020, the book value of the leased building is USD 0 thousand, whereas the book value of the lease liability is USD 13,244 thousand.. See Note 8.



## 6. Property, plant and equipment

Amounts in USD 1,000	Laboratory and production equipment
Useful life, years	5
<b>2020</b>	
Accumulated cost on 1 January 2020	<b>50,858</b>
Additions	248
Sale / disposal of assets	(333)
Exchange differences	—
<b>Accumulated cost 31 December 2020</b>	<b>50,773</b>
<b>Accumulated depreciation</b>	
Accumulated depreciation on 1 January 2019	(50,858)
Depreciation expenses	(22)
Impairment	333
Exchange differences	—
<b>Accumulated depreciation 31 December 2020</b>	<b>(50,547)</b>
<b>Net book value 31 December 2020</b>	<b>226</b>
<b>2019</b>	
Accumulated cost on 1 January 2019	45,244
Additions	6,187
Sale / disposal of assets	(571)
Exchange differences	(2)
<b>Accumulated cost 31 December 2019</b>	<b>50,858</b>
<b>Accumulated depreciation</b>	
Accumulated depreciation on 1 January 2019	(22,695)
Depreciation expenses	(2,384)
Impairment	(25,778)
Exchange differences	(1)
<b>Accumulated depreciation 31 December 2019</b>	<b>(50,858)</b>
<b>Net book value 31 December 2019</b>	<b>—</b>

All property, plant and equipment are based in San Jose, California.

### Impairment:

The company has revised its strategy. This triggered an impairment test. Management views the roll-to-roll technology, production facility and related assets as broadly applicable to multiple potential applications, including for use in its strategy to develop and produce a new and innovative class of ultrathin, ultrasafe solid-state lithium batteries for wearable devices, connected sensors. However, management believes that the 'value in use' is not readily supportable, as it has only been forecasted in a financial model, with no real data to support the estimates. As there is no observable market data on these assets, management have not been able to find a reliable estimate on 'fair value less costs to sell'. Due to these uncertainties the assets, including intangible assets (see note 7) and right-of-use assets (see note 8) were fully impaired as of 31 December 2019.



## Assets pledged as security:

The majority of production facility assets, including the roll-to-roll (R2R) production facility, and certain intellectual property have been pledged to secure borrowings of the group (see note 14). The group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

## 7. Intangible assets

Amounts in USD 1,000	Purchased intellectual property	Capitalized development costs	Total
Amortization period, years (linear)	13–16		
<b>2020</b>			
<b>Acquisition cost</b>			
Accumulated cost on 1 January 2020	1,791	1,630	3,421
Additions	—	—	—
<b>Accumulated cost 31 December 2020</b>	<b>1,791</b>	<b>1,630</b>	<b>3,421</b>
Accumulated amortization and impairment on 1 January 2020	(1,791)	(1,630)	(3,421)
Amortization	—	—	—
Accumulated amortization impaired assets	—	—	—
<b>Amortization and Impairment 31 December 2020</b>	<b>(1,791)</b>	<b>(1,630)</b>	<b>(3,421)</b>
<b>Net book value 31 December 2020</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>2019</b>			
<b>Acquisition cost</b>			
Accumulated cost on 1 January 2019	1,815	1,252	3,067
Additions	(24)	378	354
<b>Accumulated cost 31 December 2019</b>	<b>1,791</b>	<b>1,630</b>	<b>3,421</b>
Accumulated amortization and impairment on 1 January 2018	(715)	—	(715)
Amortization	(128)	—	(128)
Accumulated amortization impaired assets	(948)	(1,630)	(2,578)
<b>Amortization and Impairment 31 December 2020</b>	<b>(1,791)</b>	<b>(1,630)</b>	<b>(3,421)</b>
<b>Net book value 31 December 2019</b>	<b>—</b>	<b>—</b>	<b>—</b>

Thinfilm has discontinued the Electronic Article Surveillance (EAS) business and has also decided to exit the NFC and EAS businesses and ceased all development and sales associated with these two businesses. Therefore, based upon its analysis under IAS 36, an impairment of USD 2,578 thousand were booked in 2019, representing a full impairment of all assets as of 31 December 2019. See Note 6.



## 8. Right-of-use assets

The Company entered into a lease agreement in November 2016 relating to the property building of its US headquarters in San Jose, CA. The lease in San Jose expires in September 2028. Thinfilm applies exemption for short term leases (12 months or less) and low value leases. The borrowing rate applied in discounting of the nominal lease debt is 7,25% per cent. Right-of-use assets are depreciated linearly over the lifetime of the related lease contract.

Amounts in USD 1,000	Lease Liability
Operating lease commitments as of 31 December 2019:	14,213
Short-term leases and leases of low-value assets	(9)
Lease liability recognized at 1 January 2020	14,204
Lease payment (see note below)	(1,959)
Interest expense	999
<b>Lease liability as of 31 December 2020</b>	<b>13,244</b>

For maturity schedule of minimum lease payments, see Note 14.

In the statement of cash flow principle portion of lease payments are included in line Lease payment with an amount of USD 960 thousand, and interest portion of the payment are included in line Interest paid with an amount of USD 999 thousand. Both are presented as cash flow from financing activities.

A small part of the building was sub-leased and classified as operating lease. The income, for which 2020 amounts to USD 109 thousand is presented as other income (see Note 18).

### Right-of-use assets

Amounts in USD 1,000	31 December 2020	31 December 2019
Net value on 1 January	—	10,376
Adjustments	—	2,543
Impairment (see Note 6)	—	(11,504)
Depreciation	—	(1,415)
<b>Net book value at end of period</b>	<b>—</b>	<b>—</b>



## 9. Inventory

Amounts in USD 1,000	31 December 2020	31 December 2019
Finished goods		1
Raw materials	638	—
<b>Net book value on 31 December 2020</b>	<b>—</b>	<b>1</b>
Inventory reserved	638	4,154

## 10. Trade and other receivables

Amounts in USD 1,000	31 December 2020	31 December 2019
Customer receivables	141	928
Other receivables, prepayments	4,422	5,165
Income tax prepayments	5	—
Less: provision for impairment of receivables and prepayments	(3,428)	(3,287)
<b>Receivables – net</b>	<b>1,140</b>	<b>2,806</b>
Of this, receivables from related parties (Note 24)	—	—

Of other receivables, prepayments of USD 3,287 thousand (which is fully impaired); (2019: USD 3,287 thousand) relate to equipment for San Jose site not yet delivered. All receivables are due within one year and book value approximates fair value.

Other non-current financial receivables of USD 574 thousand mostly relates to security deposit held by Utica Leaseco, LLC.

Total receivables are denominated in currencies as shown below

Amounts in USD 1,000	31 December 2020	31 December 2019
Denominated in NOK	209	842
Denominated in SEK	10	5
Denominated in USD	921	1,873
Denominated in other currencies, including EUR, CNY and CHF	0	86
<b>Total</b>	<b>1,140</b>	<b>2,806</b>

Trade receivables USD 141 thousand were past due by more than 90 days.

The carrying amounts of receivables are adjusted for expected credit losses. The group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.



## 11. Cash and bank deposits

Amounts in USD 1,000	31 December 2020	31 December 2019
Cash in bank excluding restricted cash	3,925	7,263
Deposit for Letter of Credit (restricted)	1,626	1,604
Proceeds pending from warrant exercises (restricted)	229	—
Deposit for withheld tax (restricted)	10	6
<b>Total</b>	<b>5,790</b>	<b>8,872</b>

Payable withheld tax amounts in Norway and Sweden at 31 December 2020 were USD 0 thousand and USD 0 thousand (2019: USD 17 thousand and USD 31 thousand).

## 12. Share capital, warrants and subscription rights

	Number of shares	Number of warrants
<b>Shares at 1 January 2020</b>	<b>58,593,581</b>	—
Shares issued	697,301,779	—
Allotment of warrants		982,351,512
Exercise and issued	229,652,826	(229,652,826)
Exercise, paid and unissued		(17,212,094)
Exercise, pending payment and unissued		(38,468,864)
Expired warrants		(17,835,556)
<b>Shares at 31 December 2020**</b>	<b>985,548,186</b>	<b>679,182,172</b>
<b>Shares at 1 January 2019</b>	<b>58,593,581</b>	—
<b>Shares at 31 December 2019</b>	<b>58,593,581</b>	—

\*\*55,680,958 exercised but not registered warrants are excluded from issued shares in this table.

Number of subscription rights	1 January – 31 December 2020	1 January – 31 December 2019
Subscription rights opening balance	5,373,230	4,412,622
Grant of incentive subscription rights	81,363,440	5,429,856
Terminated, forfeited and expired subscription rights	(2,568,090)	(4,469,248)
Exercise of subscription rights	—	—
<b>Subscription rights closing balance</b>	<b>84,168,580</b>	<b>5,373,230</b>

In connection with the reverse share split resolved by the extraordinary general meeting of the Company, on 23 October 2019, the general meeting authorized the Board to issue three (3) new shares at par value in order for the Company's registered number of shares to be dividable by 20 (the reverse share split ratio). Pursuant to such board authorization, the Board on 24 October 2019 resolved the issuance of three (3) new shares to an existing shareholder, which new shares subsequently could be used in connection with the rounding up of shareholdings of shareholders, who do not have a number of shares dividable by 20. Following the issue of the new shares, the Company's share capital was NOK 128,905,878.20 divided into 58,593,581 registered shares each with a nominal value of NOK 2.20.

The Annual General Meeting of the Company resolved on 28 May 2019 an exchange offer program whereby continuing employees and consultants holding incentive subscription rights ("Eligible Holders") under the Company's 2015, 2016, 2017 and/or 2018 subscription rights programs (the "Former Plans") were entitled to exchange such



subscription rights for new subscription rights to be granted under the Company's 2019 subscription right plan. Having been given the opportunity to participate in the exchange program, Eligible Holders holding a total of 1,864,372 subscription rights under the Former Plans have notified the Company that they wish to participate in the exchange program, whereupon such Eligible Holders explicitly waived any right to claim shares under Former Plans. As a result, the Board of Directors of the Company resolved on 25 September 2019 to grant a total of 1,864,372 incentive subscription rights to nineteen Eligible Holders. The grants were made under the Company's 2019 Subscription Rights Incentive Plan, as resolved at the Annual General Meeting on 28 May 2019. The exercise price of the subscription rights is NOK 4.67 per share.

Subscription rights granted under this program will vest and become exercisable as follows: 33.3% of the shares subject to the new subscription rights will be vested on the grant date, and the remaining 66.7% will vest in approximately equal quarterly installments over the next 3 years, with approximately 5.55% vesting each quarter on each October 15, January 15, April 15 and July 15 thereafter, subject to the Eligible Holder's continued employment or service with the Company or its subsidiaries on each such date. The subscription rights expire on 28 May 2024.

At the Extraordinary General Meeting of 19 August 2020, the shareholders approved grants of a total of 13,800,000 incentive subscription rights to four board members. The exercise price is NOK 0.15 per share, provided, however, that, subject to the board's discretion, the exercise price may be set higher than NOK 0.15 to avoid any issues with taxation in the jurisdiction of the director. To this end, the subscription rights granted to board members Jon Castor and Kelly Doss on 19 August 2020 have an exercise price per share of NOK 0.3415 per share. 50% of the subscription rights will become vested and exercisable on the earliest of the date immediately preceding the 2021 Annual General Meeting and 30 June 2021, and the remaining 50% of the subscription rights will become vested and exercisable on the earliest of the date immediately preceding the 2022 Annual General Meeting and 30 June 2022.

The board of directors resolved on 11 September 2020 to issue 60,031,441 incentive subscription rights to employees in the Thinfilm group. The grant was made under the Company's 2020 incentive subscription rights plan as resolved at the Extraordinary General Meeting on 19 August 2020. The exercise price of the subscription rights is NOK 0.2840 per share. The subscription rights vest by 50% per year over two years and expire on 19 August 2025.

The number of shares, warrants and subscription rights have been adjusted to reflect the reserve share split resolved by the extraordinary general meeting of the Company on 23 October 2019.

In connection with the 15 April 2020 Extraordinary General Meeting, the Company conducted a reduction of paid in capital by reduction in par value of shares in accordance with the Norwegian Public Limited Companies Act to cover the losses. The implication of this is that a resolution to distribute dividends may not be adopted until three years have elapsed from the registration in the Register of Business Enterprises, unless the share capital subsequently has been increased by an amount at least equal to the reduction. The Board proposed and the shareholders approved a reduction in share capital by a reduction of the par value of the shares from NOK 2.20 to NOK 0.11 per share to cover losses. In order to secure the commitment by the consortium of investors, in May 2020, the Board resolved, and issued 5,859,357 shares to investors at a subscription price per share of NOK 0.11, equaling the proposed subscription price in the Private Placement. The current board authorization was approved at the 23 October 2019 extraordinary general meeting.

At the Extraordinary General Meeting of 20 May 2020, the proposals in the Notice of the Extraordinary General Meeting were approved by the shareholders.

- 1 The Company completed the private placement and issued 227,272,727 new shares, thereby increasing share capital by NOK 32,089,823.15 divided into 291,725,665 shares, each share had a par value of NOK 0.11. For each private placement share offered, two warrants ("Warrants") are attached and issued to such subscriber. A total of 454,545,454 warrants were issued as part of the private placement. The warrants were issued free of charge. Each warrant will entitle the holder to demand the issuance of one (1) share in the Company. The first tranche of warrants, totaling 227,272,727 warrants ("Warrant A"), expired on 31 December 2020, and were exercisable at an exercise price per share of NOK 0.11. The second tranche of warrants, totaling 227,272,727 warrants ("Warrant B"), have a term expiring on 20 August 2021, and are exercisable at an exercise price per share of NOK 0.25. The warrants are transferable, but will not be listed and tradable on a regulated market.
- 2 The subsequent offering raised NOK 7 million with the issuance of 63,636,363 shares at a subscription price of NOK 0.11. The subscription period expired on 29 June 2020 with the payment for the offered shares due on 7 July 2020. Following payments of the subscription amounts and the registration of the subsequent offering with the Norwegian Register of Business Enterprises, the share capital was NOK 39,089,823.08 divided into 355,362,028 shares, each with a par value of NOK 0.11. For every share subscribed for and allocated in this subsequent offering, two (2) warrants have been attached and issued to such subscriber. As a consequence of this subsequent offering being fully subscribed, a total of 127,272,726 warrants were issued as part of this



subsequent offering. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The first tranche of warrants, totaling 63,636,363 warrants ("Warrant A"), expired on 31 December 2020, and were exercisable at an exercise price per share of NOK 0.11. The second tranche of warrants, totaling 63,636,363 warrants ("Warrant B"), have a term expiring on 20 August 2021, and are exercisable at an exercise price per share of NOK 0.25. The warrants are transferable, but will not be listed and tradable on a regulated market. At the Extraordinary General Meeting of 19 August 2020, the proposals in the Notice of the Extraordinary General Meeting were approved by the shareholders.

- 3 The Company completed the private placement of 333,866,666 new shares at a subscription price of NOK 0.15, thereby increasing share capital by NOK 50,080,000. Each share had a par value of NOK 0.11. For each private placement share, a warrant was attached and issued to each subscriber. As a consequence of the private placement offering being fully subscribed, a total of 333,866,666 warrants were issued as part of the offering. The warrants have an exercise price of NOK 0.25, and are exercisable at any time between 31 March 2021 and 30 June 2021. The warrants are transferable, but will not be listed and tradable on a regulated market.
- 4 The subsequent offering raised NOK 10 million with the issuance of 66,666,666 shares at a subscription price of NOK 0.15. The subscription period expired on 15 September 2020 with the shares registered on 1 October 2020. For every share subscribed for and allocated in the subsequent offering, a warrant was attached and issued to such subscriber. As a consequence of the subsequent offering being fully subscribed, a total of 66,666,666 warrants were issued as part of the subsequent offering. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The warrants, totaling 66,666,666 ("Warrant C"), have an exercise price of NOK 0.25 and are exercisable at any time between 31 March 2021 and 30 June 2021. The warrants are transferable, but will not be listed and tradable on a regulated market.

## 13. Trade and other payables

Amounts in USD 1,000	31 December 2020	31 December 2019
Trade payables	937	999
Public duties, withheld taxes and social security taxes due	175	667
Share-based liability (subscription rights), employer's tax	77	—
Accrued holiday pay and other accrued salary	434	1,575
Current lease liabilities	1,069	970
Other accrued expenses	754	1,243
<b>Total</b>	<b>3,445</b>	<b>5,454</b>
Of this, payables to related parties (note 24)	176	445

Total payables and accruals are denominated in currencies as shown below

Amounts in USD 1,000	31 December 2020	31 December 2019
Denominated in NOK	200	1,258
Denominated in SEK	7	—
Denominated in USD	3,239	3,951
Denominated in HKD	—	48
Denominated in other currencies, incl. GBP, EUR, CNY and CHF	—	197
<b>Total</b>	<b>3,446</b>	<b>5,454</b>

## 14. Current and long-term debt

In September 2019, the subsidiary in US, Thin Film Electronics, Inc., closed an equipment term loan facility with Utica for USD 13,200 thousand secured by select fixed assets (see Note 6). The terms of the agreement were interest-only monthly payments for the first six months, followed by three months of interim payments, and thereafter a four-year amortization period during which monthly principal and interest payments are due. The Company entered into First Amendment (Amendment) effective 11 April 2020. The terms of the amended agreement were that the lender agreed to accept reduced payments for the month of April 2020, and interest-only payments for May-November 2020, and thereafter to re-amortize the remaining balance of the transaction. The Company entered into the Second Amendment (Amendment) in December 2020. The new terms of the amended agreement are that the lender agreed to accept modified payments from January through June 2021. In July 2021, regular payments will resume, and will include a lump sum "true up" payment for each Schedule to repay the difference of the amounts due and the reduced payments permitted under this Amendment. For the twelve months ended December 31, 2020, the current portion of the loan principal of USD 3,245 thousand and the long-term portion of the principal of USD 9,709 thousand is recorded as Long-term Debt in the Consolidated Statements of Financial Position.

The interest rate for the financing is at 14%. Table below discloses principal payment obligations as well as interest payments for the company.

The Company has pledged its roll-to-roll production line, certain sheet line tools, and certain intellectual property as collateral against the Utica loan. Book value of assets pledged is zero.

The Company entered into a lease agreement in November 2016 relating to its US headquarters in San Jose, California. The lease in San Jose expires in September 2028. The building element of the lease agreement is classified as a lease liability. The land element of the lease became classified as a lease liability from 1 January 2019, with the implementation of IFRS 16, having previously been accounted for separately as an operating lease. As a part of the relocation of Thinfilm's US headquarters in 2017, a USD 1,600 thousand Letter of Credit was issued by Thin Film Electronics ASA to the landlord. The restricted cash of USD 1,600 thousand securing the Letter of Credit is included in the Company's cash and cash equivalents. Thin Film Electronics ASA, in addition, entered into a Tenancy Guarantee with the landlord. The guarantee was given to secure payment of the lease rent. The initial guarantee liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. As of 31 December 2020, the guarantee liability amounted to USD 3,500 thousand.

The San Jose, California lease is reflected under this caption and the table below. In addition, see Note 25.

The interest rate for the financing is at 17%. Table below discloses principal payment obligations for the company.

### Maturity schedule – liabilities

Amounts in USD 1,000					31 December 2020				
	Within 1 year				1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	1st qtr	2nd qtr	3rd qtr	4th qtr					
	Principal obligations due	—	—	2,380	864	3,855	4,580	1,274	
Interest payments	596	563	483	447	1,389	663	433		
Lease payments	490	490	490	526	2,120	2,182	2,245	2,310	6,699
<b>Total</b>	<b>1,086</b>	<b>1,053</b>	<b>3,353</b>	<b>1,837</b>	<b>7,364</b>	<b>7,425</b>	<b>3,952</b>	<b>2,310</b>	<b>6,699</b>



## 15. Warrants liability

In connection with the Extraordinary General Meeting held on 20 May 2020, the proposals in the Notice of the Extraordinary General Meeting were approved by the shareholders.

- 1 The private placement and issuance of 227,272,727 new shares, resulted in two warrants ("Warrants") issued to such subscriber. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The first tranche of warrants, totaling 227,272,727 warrants ("Warrant A"), expired on 31 December 2020, and were exercisable at an exercise price per share of NOK 0.11. The second tranche of warrants, totaling 227,272,727 warrants ("Warrant B"), have a term expiring on 20 August 2021, and are exercisable at an exercise price per share of NOK 0.25. At the time of issue, the value of these warrants was determined to be USD 17,912 thousand based on the Black-Scholes valuation model.
- 2 The subsequent offering of NOK 7 million with the issuance of 63,636,363 shares at a subscription price of NOK 0.11. The subscription period expired on 29 June 2020 with the payment for the offered shares due on 7 July 2020. In addition, for every share subscribed for and allocated in the subsequent offering, two (2) warrants were attached and issued to such subscriber. As a consequence of the subsequent offering being fully subscribed, a total of 127,272,726 warrants were issued as part of the subsequent offering. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The first tranche of warrants, totaling 63,636,363 warrants ("Warrant A"), expired on 31 December 2020, and were exercisable at an exercise price per share of NOK 0.11. The second tranche of warrants, totaling 63,636,363 warrants ("Warrant B"), have a term expiring on 20 August 2021 and are exercisable at an exercise price per share of NOK 0.25. The warrants are transferable, but will not be listed and tradable on a regulated market. At the time of issue, the value of these warrants was determined to be USD 3,725 thousand based on the Black-Scholes valuation model.

At the Extraordinary General Meeting held on 19 August 2020, the proposals in the Notice of the Extraordinary General Meeting were approved by the shareholders.

- 1 The Company completed the private placement of 333,866,666 new shares at a subscription price of NOK 0.15, thereby increasing share capital by NOK 50,080,000. Each share had a par value of NOK 0.11. For each private placement share a warrant was attached and issued to each subscriber. As a consequence of the private placement offering being fully subscribed, a total of 333,866,666 warrants ("Warrant C") were issued as part of the offering. The warrants have an exercise price of NOK 0.25, and are exercisable between 31 March 2021 and 30 June 2021. The warrants are transferable, but will not be listed and tradable on a regulated market. At the time of issue, the value of these warrants was determined to be USD 6,063 thousand based on the Black-Scholes valuation model.
- 2 The subsequent offering raised NOK 10 million with the issuance of 66,666,666 shares at a subscription price of NOK 0.15. The subscription period expired on 15 September 2020 with the shares registered on 1 October 2020. For every share subscribed for and allocated in the subsequent offering, a warrant was attached and issued to such subscriber. As a consequence of the subsequent offering being fully subscribed, a total of 66,666,666 warrants were issued as part of the subsequent offering. The warrants were issued free of charge. Each warrant entitles the holder to demand the issuance of one (1) share in the Company. The warrants, totaling 66,666,666 ("Warrant C"), have a term exercise period of between 31 March 2021 and 30 June 2021, and are exercisable at an exercise price per share of NOK 0.25. The warrants are transferable, but will not be listed and tradable on a regulated market. At the time of issue, the value of these warrants was determined to be USD 1,690 thousand based on the Black-Scholes valuation model.

The warrants are derivatives over own shares and the exercise price is denominated in Norwegian Kroner (NOK), while the functional currency of the Company is the US Dollar. As a result of this difference in currencies, the proceeds that will be received by the Company are not fixed and will vary based on foreign exchange rates. Thus, the fixed for fixed criteria in IAS 32.11 is not met. Further, the warrants are not allocated pro rate to all existing owners of the same class of own equity instruments and does not meet the strict criteria for the rights issue exemption in IAS 32.11. Thus, the warrants are classified as derivative liabilities (scoped under IFRS 9) and measured at fair value (in accordance with IFRS 13) in the statement of financial position. Any changes in fair value from period to period are recorded as a non-cash gain or loss in the consolidated statement of net loss/(income) and comprehensive loss/(income). Upon exercise, the holders will pay the Company the respective exercise price for each warrant exercised in exchange for one common share of Thin Film Electronics ASA and the fair value at the date of exercise and the associated non-cash liability will be reclassified to share capital. The non-cash liability associated with any warrants that expire unexercised will be recorded as a gain in the consolidated statement of net loss/(income) and comprehensive loss/(income) when the liability is extinguished/expire. There



are no circumstances in which the Company would be required to pay any cash upon exercise or expiry of the warrants. A reconciliation of the change in fair values of the derivative is shown in the table below.

Fair Value of Warrant Liability	
Balance, 31 December 2019	\$—
Warrants issued	29,389
Warrants exercised	(7,326)
Change in fair value of warrant liability	6,118
Balance, 31 December 2020	28,181
Deferred loss*	(2,161)
<b>Warrants liability, 31 December 2020</b>	<b>26,020</b>

\*Of the difference between fair value and transaction price at issue date ("day one loss"); USD 19,370 thousand, USD 4,860 thousand has been deferred (as required by IFRS 9 B.1.2A) and is subsequently expensed over the duration of the warrants (remaining deferral at 31 Dec 2020 is USD 2,161 thousand) whereas the rest was expensed immediately.

The fair value of the warrants was calculated using the Black-Scholes valuation model. The inputs used in the Black-Scholes valuation model are:

As of 31 December 2020	
<b>Private placement and subsequent offering as approved on 20 May 2020</b>	<b>Warrant B</b>
Share price	NOK 0.56
Exercise price	NOK 0.25
Expected term (in years)	0.64
Expected share price volatility	113.76%
Annual rate of quarterly dividends	0.00%
Risk-free interest rate	0.031%

As of 31 December 2020	
<b>Private Placement &amp; Subsequent Offering as approved on 19 August 2020</b>	<b>Warrant C</b>
Share price	NOK 0.56
Exercise price	NOK 0.25
Expected term (in years)	0.50
Expected share price volatility	82.81%
Annual rate of quarterly dividends	0.00%
Risk-free interest rate	0.02%

See Note 12 for more details.



## 16. Sales revenue

The breakdown of the sales revenue is as follows:

Amounts in USD 1,000	2020	2019
Sales of goods	492	630
Rendering of services, technology access revenue	—	71
<b>Total</b>	<b>492</b>	<b>701</b>

The Group is domiciled in Norway. There were no sales revenue from external customers in Norway for 2020 or 2019.

The total sales revenue from external customers from other countries is USD 492 thousand, of which USD 492 thousand related to sales to customers in the United States.

In 2019 USD 701 thousand related to sales to customers in the United States out of the total sales revenue of USD 701 thousand.

Sales revenue of approximately USD 492 thousand (2019: USD 290 thousand) are derived from single customers representing 10% or more of total sales revenue.

No warranty costs, penalties or other losses were related to sales revenue in 2020.

## 17. Government grants

In 2018 Thinfilm ASA had a project qualified for the SkatteFUNN scheme for the three-year horizon 2018-2020, which relates to the innovative manufacturing of smart NFC labels enabling the Internet of Everything (IoE). Net contribution from the SkatteFUNN scheme in 2018 was NOK 10 million. Due to a revised strategy the company has ceased the SkatteFUNN project in 2019, and did not include any contribution from this scheme in 2019. The final contribution from the SkatteFUNN project, received in 2020, was NOK 2 million. The SkatteFUNN grant has been credited against cost on a systematic basis.

To receive grants from SkatteFUNN, the Company had engaged in research and development activities that qualified for the SkatteFUNN programme. The costs incurred were reported annually to the Norwegian tax authorities. The Company reported progress and achievements to the Research Council of Norway.

## 18. Other income

Amounts in USD 1,000	2020	2019
Sublease income from the site in San Jose, California (CA)	109	182
Gain on sale of fixed assets, related to sale of equipment from San Jose site.	(89)	290
Government grants and funded development projects	—	8
Other	1	—
<b>Total</b>	<b>21</b>	<b>480</b>



## 19. Salaries and other payroll costs

Amounts in USD 1,000	2020	2019
Salaries	3,878	14,030
Social security costs	314	1,282
Share-based compensation (subscription rights), notional salary cost	626	190
Share-based compensation (subscription rights), accrued employer's tax*	54	19
Pension contribution	151	519
Other personnel related expenses, including recruiting costs	422	1,788
<b>Total</b>	<b>5,445</b>	<b>17,828</b>
Average number of employees for the year (full-time equivalent)	19	75

At the end of the year the group had 22 employees (full-time equivalents), down from 23 at the end of 2019.

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

\*Relates to remeasurement of social security costs. See Note 2.17.

### Compensation to senior management

Amounts in USD 1,000	Salary	Pension contribution	Bonus	Share-based remuneration
<b>2020</b>				
Kevin Barber, CEO	383	11	240	315
David Williamson, Acting CFO (from May 2020)	143	9	29	26
Mallorie Burak, CFO (until May 2020)	254	5	—	(36)
Arvind Kamath, EVP Technology Development	275	11	53	73
<b>2019</b>				
Kevin Barber, CEO	418	10	191	994
Ole Ronny Thorsnes, CFO (until 30 September 2019)	326	—	—	—
Mallorie Burak, CFO (from 1 July 2019)	155	5	8	35
Christian Delay, CCO (until 12 September 2019)	322	6	—	—
Peter Fischer, COO (until 22 February 2019)	160	4	—	—
Arvind Kamath, EVP Technology Development	279	11	78	53
Matt Kaufmann, EVP Operations (until 30 September 2019)	177	7	—	—

The salary amount is the salary declared for tax purposes. Bonus represents the amount earned and accrued as of year-end. Bonuses earned in 2019 were paid during 2020. Bonuses earned in 2020 have been paid in 2021. An additional bonus, related to 2019 but not recognized until 2020, for USD 64 thousand, was paid to the CEO. The value of share-based remuneration is the expensed amount excluding employer's tax in the period for incentive subscription rights. The subscription rights cease when the employee resigns.

There were no subscription rights exercised by senior management in 2020 or 2019.

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



## 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 20 May 2020 resolved remuneration to the chairman of NOK 325 thousand and USD 40 thousand (or an amount in NOK equivalent thereof) for each board member for the period from the annual general meeting in 2020 to the annual general meeting in 2021. Board member Jon S. Castor shall further receive a remuneration of USD 60 thousand (or an amount in NOK equivalent thereof) fixed annual fee for service as Chairman of a strategy committee to be appointed by the Board of Directors supporting the CEO of the Company in relation to strategic questions from the date of the 2020 Annual General Meeting until the date of the 2021 Annual General Meeting. The company has not issued any advance payments or loans to, or guarantees in favor of, any board member.

## 20. Other operating expenses

Amounts in USD 1,000	2020	2019
Services	1,808	4,458
Premises, supplies	3,270	7,094
Sales and marketing	65	1,059
Other expenses	1,943	1,503
<b>Total</b>	<b>7,086</b>	<b>14,114</b>

Thinfilm has lease agreements for premises in the following locations:

**Oslo (Norway):** The Corporate headquarters were located at Henrik Ibsens Gate 100, Oslo, throughout 2018, with an annual lease amount of NOK 780 thousand per year, and a termination clause of 3 months. The Company subsequently moved to Fridjof Nansens Plass 4, Oslo, in March 2019. The lease amount at the new location was NOK 689 thousand per year, with a termination clause of 3 months. The lease expired on 31 August 2019 and the lease was not renewed. The Company currently pays rent on a month to month basis. The monthly rent is NOK 11 thousand per month.

**San Jose (California, US):** The Company entered into a lease agreement in November 2016 relating to the property building of its Global headquarters at Junction Avenue in San Jose, CA. The lease expires in September 2028. The average annual lease amount in the period is USD 2,052 thousand. See Note 8 for further description. From Q3 2018 to Q3 2020, the company received sublease income from the second floor of the building (see Note 18).

**Linköping (Sweden):** This office was closed in 2019.

**Shanghai (China):** This office was closed in 2019.

**London (England):** This office was closed in 2019.

**Singapore:** This office was closed in 2019.

Only the lease agreement for the San Jose premises has duration longer than twelve months.



## 21. 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 USD 1,000	2020	2019
Profit (loss) before tax	(38,794)	(78,456)
Tax (tax income) calculated at domestic tax rate 22% (22%)	(8,535)	(17,260)
Effect of other tax rate in other countries	258	543
Mark to market adjustment	5,097	—
Other permanent differences	32	97
Effect of change in tax rates	—	(261)
Change in deferred tax asset not recognised in the balance sheet	3,148	16,871
<b>Tax charge</b>	<b>—</b>	<b>(10)</b>

## 22. 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 USD 1,000	31 December 2019	Charged to profit/ loss	Equity	31 December 2020
Deferred income tax asset				
Fixed and intangible assets	8,944	(217)		8,727
Inventory	873	106		979
Other accruals	5,948	(1,065)		4,883
Tax loss carried forward outside Norway	387	919		1,306
Tax loss carried forward Norway	60,305	4,270		64,575
Calculated deferred tax asset 22% (2019: 22 %).	76,458	4,013	—	80,470
Impairment of deferred tax asset	(76,458)	(4,013)	—	(80,470)
<b>Deferred tax in the balance sheet</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

The Equity column includes effects of currency translation.

The company has not recognised 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.

The unrecognized deferred tax asset is calculated by applying the local tax rates in Norway and the US. These tax rates are 22 and 21 per cent respectively (2019: 22 and 21).



## 23. Profit (loss) per share

Amounts in USD	2020	2019
Profit (loss) attributable to equity holders of the Company (USD 1,000)	(38,794)	(78,445)
Average number of shares in issue	393,183,402	58,593,581
Average diluted number of shares	393,183,402	58,593,581
<b>Profit (loss) per share, basic</b>	<b>(USD 0.10)</b>	<b>(USD 1.34)</b>

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 adjusted exercise price of subscription rights exceeds the average share price in the period, the subscription rights are not counted as being dilutive.

The weighted average basic and diluted number of shares have been adjusted to reflect the reverse share split resolved by the extraordinary general meeting of the Company on 23 October 2019.

## 24. Related party transactions

### a) Transactions with related parties:

Amounts in USD 1,000	2020	2019
Purchases of services from law firm Ræder	271	747
Purchase of services from Acapulco Advisors AS	27	—

In the period 1 January - 31 December 2020, Thinfilm has recorded USD 271 thousand (net of VAT) for legal services provided by law firm Ræder, in which Thinfilm's Chairman is a partner.

In May 2020, Robert N. Keith and Edvin Austbo, Thinfilm shareholders, provided the company with a bridge loan in the amount of USD 500 thousand. The loan was repaid from the proceeds of the private placement offering approved at the Extraordinary General Meeting of 20 May 2020, plus interest of USD 50 thousand.

In August 2020, Robert N. Keith, a shareholder, provided the company with a bridge loan in the amount of USD 1,000 thousand. The loan was repaid from the proceeds of the private placement offering approved at the Extraordinary General Meeting of 19 August 2020, plus interest of USD 100 thousand.

In the same period, Thinfilm recorded USD 27 thousand for advisory services from Acapulco Advisors AS, a shareholder of Thinfilm.

Robert N. Keith, a shareholder of 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. Mr. Keith waived his compensation for services provided in 2019 and 2020.

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 USD 1,000	2020	2019
Payable to law firm Ræder	173	445
Payable to Acapulco Advisors AS	3	—

## c) Remuneration to the auditor

Amounts in USD 1,000	2020	2019
Audit	156	130
Other assurance services	21	—
Tax services	4	3
Other services	—	—
<b>Total</b>	<b>181</b>	<b>133</b>

## 25. Guarantees

As a part of the relocation of Thinfilm's US headquarters in 2017, a USD 1,600 thousand Letter of Credit has been issued by Thin Film Electronics ASA to the new landlord and is included in the Company's cash balance in Note 11 as restricted cash. Cash and bank deposits. Thin Film Electronics ASA has in addition entered into a Tenancy Guaranty with the new landlord and is included in the Company's cash balance in Note 11. Cash and bank deposits. The Guaranty is given to secure payment of the lease rent. The initial Guaranty liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. As at 31 December 2020, the Guaranty liability amounted to USD 3,500 thousand.



## 26. Shares, warrants and subscription rights

At the end of 2020 there were 985,548,186 shares in the company, versus 58,593,581 at the end of 2019. There were 8,498 registered shareholders (2019: 6,964).

Thinfilm is not aware of any shareholding agreements between shareholders.

Top 20 registered shareholders as of 31 December 2020	Shares	Percent
UBS Switzerland AG	180,427,962	18.3%
Alden AS	125,012,762	12.7%
Tigerstaden AS	100,347,391	10.2%
Middelborg Invest AS	73,226,448	7.4%
Nordnet Bank AB	43,530,429	4.4%
Dukat AS	38,000,000	3.9%
Forsland, Runar	19,065,737	1.9%
Favuseal AS	18,090,891	1.8%
R. Sundvall Invest AS	15,999,920	1.6%
Forte Norge	15,000,000	1.5%
Danske Bank A/S	12,806,949	1.3%
Jaco Invest AS	12,637,596	1.3%
The Bank of New York Mellon	11,648,526	1.2%
Sundvall Holding AS	11,033,750	1.1%
Håvi AS	10,993,750	1.1%
Ellingsen, Andreas	9,000,000	0.9%
MP Pensjon PK	7,972,457	0.8%
UBS AG, London Branch	6,385,892	0.6%
Nordea Bank Abp	6,077,559	0.6%
Thorsen, Simen	5,859,583	0.6%
<b>Total 20 largest shareholders</b>	<b>723,117,602</b>	<b>73.4%</b>
Total other shareholders	262,430,584	26.6%
<b>Total shares outstanding*</b>	<b>985,548,186</b>	<b>100.0%</b>

\*55,680,958 exercised but not registered warrants are excluded from issued shares in this table.



Top 20 registered shareholders as of 31 December 2020	Total Warrants	Exercised in 2020, Registered in 2021	Net Warrants	Percent Total Warrants	Percent Net Warrants
UBS Switzerland AG	146,007,219	—	146,007,219	19.7%	21.5%
Alden AS	86,287,878	—	86,287,878	11.7%	12.7%
Tigerstaden AS	80,537,878	—	80,537,878	10.9%	11.9%
Middelborg Invest AS	55,409,675	—	55,409,675	7.5%	8.2%
Dukat AS	35,833,333	—	35,833,333	4.8%	5.3%
Forsland, Runar	32,915,151	9,540,909	23,374,242	4.5%	3.4%
R. Sundvall Invest AS	31,818,180	10,909,090	20,909,090	4.3%	3.1%
Nordnet Bank AB	19,983,581	1,307,653	18,675,928	2.7%	2.7%
Favuseal AS	22,424,241	4,545,454	17,878,787	3.0%	2.6%
Thorsen, Simen	17,006,095	—	17,006,095	2.3%	2.5%
Sundvall Holding AS	12,040,000	1,020,000	11,020,000	1.6%	1.6%
Håvi AS	12,000,000	1,000,000	11,000,000	1.6%	1.6%
Forte Norge	10,000,000	—	10,000,000	1.4%	1.5%
Algot Invest AS	15,251,861	5,454,544	9,797,317	2.1%	1.4%
MP Pensjon PK	9,434,734	—	9,434,734	1.3%	1.4%
Jaco Invest AS	6,969,696	—	6,969,696	0.9%	1.0%
Livermore Invest AS	6,666,666	—	6,666,666	0.9%	1.0%
Andreas Holding AS	6,969,697	1,818,182	5,151,515	0.9%	0.8%
Saxo Bank A/S	5,940,178	2,044,338	3,895,840	0.8%	0.6%
Nordea (nominee shareholder)	4,451,700	4,451,700	—	0.6%	0.0%
<b>Total 20 largest warrant holders</b>	<b>617,947,763</b>	<b>42,091,870</b>	<b>575,855,893</b>	<b>83.6%</b>	<b>84.8%</b>
Other warrant holders	116,915,367	13,589,088	103,326,279	16.4%	15.2%
<b>Total warrants outstanding</b>	<b>734,863,130</b>	<b>55,680,958</b>	<b>679,182,172</b>	<b>100.0%</b>	<b>100.0%</b>

Shares, warrants and subscription rights held by primary insiders and close relations at 31 December 2020	Shares	Warrants Exercised 2020, Registered 2021	Warrants	Incentive subscription rights
Morten Opstad, Chairman	2,942,305	1,996,542	2,842,850	4,600,000
Preeti Mardia, Board Member	342,053	—	333,333	2,300,000
Jon Castor, Board Member	999,999	909,090	999,999	5,000,000
Kelly Doss, Board Member	787,878	454,545	787,878	2,500,000
Kevin Barber, CEO	909,090	909,090	909,090	32,331,560
David Williamson, Acting CFO	—	—	—	3,882,180
Arvind Kamath, EVP Technology Development & Manufacturing	—	—	—	11,626,804
<b>Total</b>	<b>5,981,325</b>	<b>4,269,267</b>	<b>5,873,150</b>	<b>62,240,544</b>



## Subscription rights

	2020		2019	
	Weighted average exercise price, NOK	Number of subscription rights	Weighted average exercise price, NOK	Number of subscription rights
Granted	4.48	5,373,230	4190	4,412,622
Issued	0.34	81,363,440	3.28	5,429,856
Forfeited	1.81	(2,335,230)	39.93	(4,469,248)
Exercised	—	—	—	—
Expired	29.78	(232,860)	—	—
<b>Total at 31 December</b>	<b>0.443</b>	<b>84,168,580</b>	<b>3.20</b>	<b>5,373,230</b>
Number of exercisable subscription rights at 31 December (included in total)		2,030,726		—

The average strike price is lower than the quote share price on the Stock exchange at 31 December 2020.

## Subscription rights outstanding at 31 December 2020

Holder	Number of subscription rights	Weighted average exercise price, NOK
Kevin Barber, CEO	32,331,560	0.584
David Williamson, Acting CFO	3,882,180	0.356
Arvind Kamath, EVP Technology Development & Manufacturing	11,626,804	0.403
Employees and contractors	36,328,036	0.396
<b>Total</b>	<b>84,168,580</b>	<b>0.443</b>

There were no subscription rights exercised in 2020 or 2019.

The Board of Directors of Thin Film Electronics ASA has become aware of an inadvertent mispricing, compared to US tax laws, of certain subscription rights awards previously granted to US employees under the Company's 2020 Subscription Rights Incentive Plan ("2020 Plan"). The Board has therefore, as allowed under the 2020 Plan, resolved to reprice such prior grants to become fully compliant with applicable US tax laws. With reference to the Company's announcements on Oslo Børs on 13 September, 16 October, 11 December, and 18 December 2020 regarding grants of subscription rights to employees, the exercise prices per share in these four rounds of grants have been amended to NOK 0.3300, NOK 0.3752, NOK 0.3900, and NOK 0.4470, respectively.



Value of subscription rights and assumptions upon grant	Grants in 2019	Grants in 2020
Value of subscription right at grant date, NOK per subscription right	0.34–2.88	0.26–0.68
Share price, NOK per share	22.04–12.18	0.25–1.16
Exercise price, NOK per share	16.40–45.40	0.15–1.02
Expected annual volatility	62%–145%	98%–157%
Duration, years	1.0–4.2	1.1–3.8
Expected dividend	—	—
Risk-free interest rate, government bonds	1.00%–4.18%	0.14%–0.79%

All numbers are adjusted for the 20:1 reverse share split

Value of subscription rights and assumptions on 31 December 2020	Grants in 2019	Grants in 2020
Value of subscription right at 31 December 2020, NOK per subscription right	0.02–2.88	0.26–0.68
Share price, NOK per share	0.56	0.56
Exercise price, NOK per share	0.15–4.67	0.15–1.02
Expected annual volatility	62%–145%	98%–157%
Duration, years	1–4.18	1.1–3.8
Expected dividend	—	—
Risk-free interest rate, government bonds	1.08%–1.43%	0.14%–0.79%
Number of outstanding subscription rights at 31 December 2020	3,855,191	80,313,389

All numbers are adjusted for the 20:1 reverse share split

## 27. Statement on management remuneration policy

Thinfilm's executive management during the year 2020 is specified in Note 19.

Several of the executive management team members serve as officers and directors in the subsidiaries without additional remuneration. The general meeting 2020 resolved guiding and binding executive remuneration policies. Thinfilm's executive remuneration policy in 2020 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 on 3 June 2020.

### Guiding executive remuneration policy and effect of the policies

Thinfilm offers a competitive remuneration consisting of a reasonable base salary with a pension contribution. Salary may be supplemented by performance-based cash bonus and incentive subscription rights. Cash bonus plans are limited to fixed percentage of base pay. In addition, the management team, apart from the CEO, may receive additional discretionary bonus payments tied to specific projects.

There is no post-employment remuneration beyond notice periods of 3–6 months. The former CEO, Davor P. Sutija, had a 3-months' severance pay (equal to 3 months ordinary salary) upon expiration of his termination notice period on 31 May 2019. The current CEO, Kevin Barber, has a termination notice period of (i) three months in case of termination by the Company and (ii) one month in case of termination by Mr. Barber. If the Company terminates Mr. Barber's employment (other than for cause) or if Mr. Barber resigns his employment for good reason, Mr. Barber is entitled to a severance pay equivalent to six months of his base salary and target bonus prorated for six months (if Mr. Barber is on schedule to meet the relevant bonus criteria for the year in question) calculated from the end of his termination notice period, all subject to such detailed terms and conditions as set out in his employment agreement.



The policy described above has been applied consistently throughout 2020. The principles described above apply also in 2021, however individual bonus targets and salary levels will be revisited during the Company's normal salary process. The executive remuneration policy will be reviewed at the Annual General Meeting 3 June 2021.

The actual remuneration to the management in 2020 is reported in Notes 19 and 26. In 2018, the Board decided to grant subscription rights to new members of the management team as a form of performance-based compensation. The options vest in tranches of 25 per cent each year if the employee has not resigned his position at the vesting date and expire after five years.

The Annual General Meeting of Thin Film Electronics ASA (the Company) resolved on 28 May 2019 an exchange offer program whereby continuing employees and consultants holding incentive subscription rights ("Eligible Holders") under the Company's 2015, 2016, 2017 and/or 2018 subscription rights programs (the "Former Plans") would be entitled to exchange such subscription rights for new subscription rights to be granted under the Company's 2019 subscription right plan. Having been given the opportunity to participate in the exchange program, Eligible Holders holding a total of 1,864,372 subscription rights under the Former Plans, as adjusted for the 20:1 reverse stock split in November 2019, have notified the Company that they wish to participate in the exchange program, whereupon such Eligible Holders explicitly waive any right to claim shares under Former Plans. As a result, the Board of Directors of the Company resolved on 25 September 2019 to grant a total of 1,864,372 incentive subscription rights to nineteen Eligible Holders. The grants were made under the Company's 2019 Subscription Rights Incentive Plan as resolved at the Annual General Meeting on 28 May 2019. The exercise price of the subscription rights is NOK 4.67, as adjusted for the November 2019 20:1 reverse split, per share. The new subscription rights will vest and become exercisable as follows: 33.3% of the shares subject to the new subscription rights will be vested on the grant date, and the remaining 66.7% will vest in approximately equal quarterly installments over the next 3 years, with approximately 5.55% vesting each quarter on each October 15, January 15, April 15 and July 15 thereafter, subject to the Eligible Holder's continued employment or service with the Company or its subsidiaries on each such date. The subscription rights expire on 28 May 2024.

The fair value of the subscription rights awarded, calculated according to Black-Scholes option pricing model, was NOK 129.4 million as of December 31, 2020. USD 626 thousand was expensed in 2020. At December 31, 2020, the estimated amount of share-based remuneration cost yet to be expensed throughout the vesting period is NOK 19.2 million.

The Company has granted the management team the following subscription rights in 2020:

Employee name	Number of SR	Weighted average exercise price	Grant date
Kevin Barber, CEO	30,001,440	0.33	11 September 2020
David Williamson, Acting CFO	3,882,180	0.36	11 March and 11 September 2020
Arvind Kamath, EVP Technology Development & Manufacturing	11,250,540	0.33	11 September 2020
<b>Total</b>	<b>52,584,340</b>	<b>0.33</b>	

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

## 28. Events after the balance sheet date

On 6 January 2021, the Company announced board approval of the exercise of a total of 41,480,126 Warrants A and 1,072,573 Warrants B, generating gross proceeds of approximately NOK 4.8 million. On 1 March 2021, the Company announced the contemplation and completion of a private placement of approximately 69 million shares at a subscription price of NOK 0.82 per share, thereby raising gross proceeds of approximately NOK 57 million. On 25 March 2021, the Company announced board approval of the exercise of a total of 58,680,765 Warrants B, generating gross proceeds of approximately NOK 14.7 million. As of the date of this report, the Company has received further written exercise requests for a total of approximately 85 million Warrants B and C that, as of the date of this report, have yet to be approved by the board. Upon approval, such warrant exercises are expected to generate gross proceeds of approximately NOK 21.3 million.



## 29. Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows. The Company is in the process of dissolving some of these subsidiaries in 2021.

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the group 31 December 2020
Thin Film Electronics Inc.	Research & Development, Manufacturing and Marketing services	USA	100%
Thin Film Electronics AB	In liquidation	Sweden	100%
Thin Film Electronics KK	Dormant	Japan	100%
Thin Film Electronics HK Ltd.	In liquidation	Hong Kong	100%
TFE	Owning shares in Thin Film Inc.	USA	100%
Thin Film Electronics UK Ltd.	In liquidation	England, Wales	100%
Thin Film Electronics Singapore Pte. Ltd.	In liquidation	Singapore	100%

## 30. Contractual commitment

Thinfilm has no significant contractual commitment related to equipment for the new roll-based production line at the San Jose site.

## 31. Litigation

The Company and its subsidiaries were not involved in any litigation or legal action as of 31 December 2020 and are not involved in any litigation or legal action as of the date of this report.



# Thin Film Electronics ASA

## Annual financial statements 2020

### Profit and loss statements

Amounts in NOK 1,000	Note	2020	2019
Sales revenue	11	4,741	5,182
<b>Total revenue</b>		<b>4,741</b>	<b>5,182</b>
Employee salaries and other benefits	13	(10,346)	(16,126)
Services (external)		(11,084)	(18,088)
Services (from subsidiaries)	16,17	(85,475)	(261,595)
Other operating expenses	17	(9,044)	(13,079)
Contribution from Skattefunn scheme	12	2,040	—
Amortization and impairment of intangible assets	7	—	(22,466)
<b>Operating profit (loss)</b>		<b>(109,168)</b>	<b>(326,172)</b>
Impairment investment in subsidiary	6	—	(164,465)
Interest income		2,349	1,090
Other financial costs		(1,027)	3,223
<b>Net financial items</b>		<b>1,321</b>	<b>(160,151)</b>
<b>Profit (loss) before income tax</b>		<b>(107,847)</b>	<b>(486,323)</b>
Income tax expense	14	—	—
<b>Profit (loss) for the year</b>		<b>(107,847)</b>	<b>(486,323)</b>

The notes on pages 50 to 61 are an integral part of these annual financial statements.

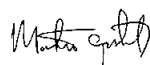



## Balance sheet

Amounts in NOK 1,000	Note	31 December 2020	31 December 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	6	—	37,376
<b>Total non-current assets</b>		—	<b>37,376</b>
<b>Current assets</b>			
Trade and other receivables	8	75	1,304
Cash and bank deposits	9	41,445	27,717
<b>Total current assets</b>		<b>41,520</b>	<b>29,021</b>
<b>Total assets</b>		<b>41,520</b>	<b>66,397</b>
<b>EQUITY</b>			
Ordinary shares	10,19	108,410	128,906
Other paid-in capital		(98,304)	—
<b>Total paid-in equity</b>		<b>10,107</b>	<b>128,906</b>
Retained profit/uncovered losses		(783)	(136,968)
<b>Total equity</b>	<b>4</b>	<b>9,324</b>	<b>(8,062)</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable		2,439	6,389
Withheld tax and public duties payable		—	313
Debt to group companies	6,16	29,755	63,403
Other payables and accruals		2	4,354
<b>Total liabilities</b>	<b>18</b>	<b>32,196</b>	<b>74,459</b>
<b>Total equity and liabilities</b>		<b>41,520</b>	<b>66,397</b>

The notes on pages 50 to 61 are an integral part of these annual financial statements.

The board of directors of Thin Film Electronics ASA, Oslo, Norway, 28 April 2021

				
Morten Opstad Chairman	Jon Castor Board Member	Preeti Mardia Board Member	Kelly Doss Board Member	Kevin Barber CEO



## Cash flow statements

Amounts in NOK 1,000	Note	2020	2019
<b>Cash flows from operating activities</b>			
Profit (loss) before income tax		(107,847)	(486,323)
Share-based compensation (equity part)	4	3,777	3,489
Amortization and impairment (reversal)	7	—	22,466
Impairment investment in subsidiary	6	—	164,465
Change in working capital and other items		(3,659)	83,772
<b>Net cash from operating activities</b>		<b>(107,729)</b>	<b>(212,131)</b>
<b>Cash flows from investing activities</b>			
Purchased intangible assets	7	—	(2,971)
<b>Net cash from investing activities</b>			<b>(2,971)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares	4,10	121,457	—
<b>Net cash from financing activities</b>		<b>121,457</b>	<b>—</b>
<b>Net change in cash and bank deposits</b>		<b>13,728</b>	<b>(215,102)</b>
Cash and bank deposits at the beginning of the year		27,717	242,819
<b>Cash and bank deposits at the end of the year *</b>	<b>9</b>	<b>41,445</b>	<b>27,717</b>

The company had no bank draft facilities at the end of 2020 or 2019.

The notes on pages page 50 to page 61 are an integral part of these annual financial statements.

\* See Note 9 for restricted amount.



# Notes to the Annual Financial Statements Thinfilm ASA

## 1. Information about the company

Thin Film Electronics ASA ("Thinfilm" or "the Company") was founded on 22 December 2005. See Note 29 of the Consolidated Financial Statements for list of subsidiaries.

Thinfilm is energizing innovation with ultrathin, flexible, and safe energy storage solutions for wearable devices, connected sensors, and beyond.

The Company is a public limited liability company incorporated and domiciled in Norway. The address of its registered office is Fridjof Nansens Plass 4, Oslo, Norway. The company's shares were admitted to listing at the Oslo Axess on 30 January 2008 and to the Oslo Børs on 27 February 2015. On 24 March 2015 Thinfilm's American Depository Receipts (ADRs) commenced trading in the United States on OTCQX International. Thinfilm's ADR was moved to OTCQB with effect on 23 June 2020.

These annual financial statements for the parent company were resolved by the company's board of directors on 28 April 2021.

### Going concern

The board confirms that the financial statements of the group, as well as the parent company, have been prepared under the going concern assumption. Per the date of this report, the group and the parent company have sufficient funds to support operations through the second quarter of 2021 independent of the exercise of outstanding warrants. The Company has received further written exercise requests for a total of approximately 85 million Warrants B and C that, as of the date of this report, have yet to be approved by the board. Following approval, receipt of payment, and subsequent issue of shares, the funding raised by such warrant exercises is sufficient to support operations well into the third quarter of 2021.

Depending on the timing and quantity of additional warrant exercises, including remaining unexercised Warrants B (expiring 20 August 2021) and Warrants C (exercisable between 31 March 2021 and 30 June 2021), the Company may be able to fund planned operations into the first quarter of 2022. However, if the timing and quantity of warrant exercises are insufficient to meet the Company's needs, the Company intends to pursue other sources of financing. To continue to fund the Company's activities further into 2022, the Company intends to seek additional funds from the investor market. However, if the group is not able to successfully raise funds as planned, significant uncertainty would exist as to whether the Company and group will continue as going concerns.

The board of directors monitors the financial position closely and receives frequent reports and forecasts on expenditure and cash flow.

## 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 of Thin Film Electronics ASA are prepared in NOK. 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 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.

Thinfilm ASA 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

During 2020, the Company sold Electronic Article Surveillance (EAS) anti-theft tags from existing inventory. The performance obligation was to deliver distinctive goods, and the performance obligation was satisfied when the control was transferred to the customer being at the point of delivery of the goods. Sales of goods are recognized when the risks and rewards of ownership are transferred to the customer, the costs incurred in respect of the transaction can be measured reliably, and Thinfilm retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

### (b) Rendering of services

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.

### (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, revenue from technology access agreements that involve an upfront lump-sum payment that is not tied to any future deliveries from Thinfilm is recognized at the time the agreement is entered into.

## Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and the conditions will be complied with. Grants which are related to specific development programs with commercial end-objectives are recognised as other operating revenue over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. Grants or other contributions in the form of tax credit are credited against costs.

## Intangible assets

Reference is made to Note 2.6 in the Consolidated Financial Statements.

## 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.

## Cash flow statement

The cash flow statement is prepared in accordance with the indirect method.

## Costs

In principle, cost of sales and other expenses are recognized in the same period as the revenue to which they relate. In instances where there is no clear connection between the expense and revenue, the apportionment is estimated.

## 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 2020 Subscription Rights Plan vests 50% on the first anniversary and 50% on the second anniversary. 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.

When the parent has an obligation to settle the share based payment transaction with the subsidiaries' employees by providing the parent's own equity instruments, this is accounted for as an increase in equity and a corresponding increase in investment in subsidiaries.

### 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, going concern, events after the balance sheet date, financial risk

On 6 January 2021, the Company announced board approval of the exercise of a total of 41,480,126 Warrants A and 1,072,573 Warrants B, generating gross proceeds of approximately NOK 4.8 million. On 1 March 2021, the Company announced the contemplation and completion of a private placement of approximately 69 million shares at a subscription price of NOK 0.82 per share, thereby raising gross proceeds of approximately NOK 57 million. On 25 March 2021, the Company announced board approval of the exercise of a total of 58,680,765 Warrants B, generating gross proceeds of approximately NOK 14.7 million. As of the date of this report, the Company has received further written exercise requests for a total of approximately 85 million Warrants B and C that, as of the date of this report, have yet to be approved by the board. Upon approval, such warrant exercises are expected to generate gross proceeds of approximately NOK 21.3 million.

### Financial risk factors

Reference is made to Note 4.2 in the Consolidated Financial Statements.



## 4. Equity

Amounts in NOK 1,000	Share capital	Other paid-in equity	Uncovered loss	Total
<b>Balance at 1 January 2020</b>	<b>128,906</b>	<b>0</b>	<b>(136,968)</b>	<b>(8,062)</b>
Reduction of share capital by reduction of PAR	(122,461)		122,461	—
Share based compensation		3,777		3,777
Board Authorized Share Purchase (approved 20 May 2020)	645			645
Private placement (approved 20 May 2020)	25,000			25,000
Private placement related repair and warrant exercises Q2 (approved 20 May 2020)	7,000			7,000
Private placement (approved 19 August 2020)	36,725	13,355		50,080
Private placement related repair and warrant exercises Q3 (approved 20 May and 19 August 2020)	423	77		500
Private placement related repair and warrant exercises Q4 (approved 20 May and 19 August 2020)	32,172	4,110		36,282
Private placement related repair and warrant exercises Q4 (approved 20 May and 19 August 2020) - funds received in advance of share registration		1,950		1,950
Net profit (loss) for the year			(107,847)	(107,847)
<b>Balance at 31 December 2020</b>	<b>108,410</b>	<b>23,268</b>	<b>(122,354)</b>	<b>9,324</b>
<b>Balance at 1 January 2019</b>	<b>128,906</b>	<b>2,425,538</b>	<b>(2,070,966)</b>	<b>483,478</b>
Share based compensation	—	(5,217)	—	(5,217)
Net profit (loss) for the year	—	—	(486,323)	(486,323)
Transfer for coverage of losses	—	(2,420,321)	2,420,321	—
<b>Balance at 31 December 2019</b>	<b>128,906</b>	<b>0</b>	<b>(136,968)</b>	<b>(8,062)</b>

## 5. Property, plant and equipment

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

## 6. Investment in subsidiaries

In 2019 the remainder of the shares in subsidiaries were written down to zero, except for Thin Film Electronics AB (Sweden). The Company initiated the process of dissolving many of the subsidiaries in 2020.

The investments are held at the lower of cost and fair value in the balance sheet in 2020.



Amounts in NOK 1,000	Percent holding	Percent of votes	Book value
Thin Film Electronics Inc. — CA, USA			
At 31 December 2020	100%	100%	
Accumulated cost			287,579
Accumulated impairment charge			(287,579)
<b>Net book value at 31 December 2020</b>			<b>—</b>
At 31 December 2019	100%	100%	
Accumulated cost			303,517
Accumulated impairment charge			(303,517)
<b>Net book value at 31 December 2019</b>			<b>—</b>

The local currency of Thin Film Electronics Inc. is USD. The net income in USD in 2020 was a loss of USD 3,284 thousand compared to a loss of USD 43,009 thousand in 2019. The total equity 31 December 2020 was USD (21,860) thousand (2019: USD (18,917) thousand). The shares were fully impaired as of 31 December 2019. The provision was mainly triggered by the impairment of PPE in INC as a result of the corporate restructuring (please refer to Note 6 in the Consolidated Financial Statements).

Amounts in NOK 1,000	Percent holding	Percent of votes	Book value
Thin Film Electronics AB — Linköping, Sweden			
At 31 December 2020	100%	100%	
Accumulated cost			58,563
Accumulated impairment charge and debt forgiveness			(58,563)
<b>Net book value at 31 December 2020</b>			<b>—</b>
At 31 December 2019	100%	100%	
Accumulated cost			58,563
Accumulated impairment charge			(21,187)
<b>Net book value at 31 December 2019</b>			<b>37,376</b>

Thin Film Electronics AB (Linköping, Sweden), is a 100% owned subsidiary. The local currency of Thin Film Electronics AB is SEK. The net loss in SEK in 2020 was SEK 184, while the total equity at 31 December 2020 was SEK (941) thousand. The balance at 31 December 2019 of NOK 37,376 thousand was forgiven in 2020. The company completed necessary steps to dissolve the legal entity in March 2021.

Thin Film Electronics KK (Tokyo, Japan), is a 100% owned subsidiary, which was fully written down in 2016, as all activity in the Japanese legal entity had ceased.

Thin Film Electronics HK Ltd. (Hong Kong), is a 100% owned subsidiary, which was fully written down in 2018. The local currency of Thin Film Electronics HK is HKD. The net loss in HKD in 2020 was HKD 73 thousand, while the total equity at 31 December 2020 was HKD 6 thousand. The company has submitted all necessary paperwork in 2020 and awaits final confirmation from the government.

TFE Holding (NV, USA), is a 100% owned subsidiary, of which the only activity is holding shares in Thin Film Electronics Inc. Net book value is zero in both 2020 and 2019.



Amounts in NOK 1,000	Percent holding	Percent of votes	Book value
Thin Film Electronics UK Ltd. — London, England			
At 31 December 2020	100%	100%	
Accumulated cost			564
Accumulated impairment charge			(564)
<b>Net book value at 31 December 2020</b>			—
At 31 December 2019	100%	100%	
Accumulated cost			564
Accumulated impairment charge			(564)
<b>Net book value at 31 December 2019</b>			—

The local currency of Thin Film Electronics UK Ltd. is GBP. The entity was established in March 2017. The net loss in GBP in 2020 was GBP 10 thousand compared to a loss of GBP 76 thousand in 2019. Total equity 31 December 2020 was GBP 171 (2019: GBP (4) thousand). The investment was fully impaired in 2019 as Thinfilm ceased the operation in the UK. The company completed necessary steps to dissolve the legal entity in February 2021.

Thin Film Electronics UK Ltd. has taken advantage of section 479a of the UK Companies Act 2006 to be exempt from audit of its financial statements for the years 2020 and 2019.

Amounts in NOK 1,000	Percent holding	Percent of votes	Book value
Thin Film Electronics Co. Ltd. — Shanghai, China			
At 31 December 2020	100%	100%	
Accumulated cost			—
Accumulated impairment charge			—
<b>Net book value at 31 December 2020</b>			—
At 31 December 2019	100%	100%	
Accumulated cost			21,753
Accumulated impairment charge			(21,753)
<b>Net book value at 31 December 2019</b>			—

The local currency of Thin Film Electronics Co. Ltd. is CNY. The entity was established in February 2017. The net loss in CNY in 2020 was CNY 16,097 thousand (2019: loss of CNY 2,787 thousand) while the total equity 31 December 2020 was CNY 0 (2019: CNY 1,557 thousand). The investment was fully impaired in 2019 as Thinfilm ceased the operation in Shanghai. The company completed necessary steps to dissolve the legal entity in April 2020.

Amounts in NOK 1,000	Percent holding	Percent of votes	Book value
Thin Film Electronics Singapore Pte Ltd. — Singapore			
At 31 December 2020	100%	100%	
Accumulated cost			395
Accumulated impairment charge			(395)
<b>Net book value at 31 December 2020</b>			—
At 31 December 2019	100%	100%	
Accumulated cost			395
Accumulated impairment charge			(395)
<b>Net book value at 31 December 2019</b>			—



The local currency of Thin Film Electronics Singapore Pte Ltd. is SGD. The entity was established in November 2017. The net income in SGD in 2020 was a loss of SGD 1,521 thousand (2019: loss of SGD 562 thousand) while the total equity at 31 December 2020 was SGD 3,789 (SGD (1,532) thousand in 2019). The investment was fully impaired in 2019 as Thinfilm has ceased the operation in Singapore. The company initiated steps to dissolve the legal entity in 2020 and anticipates completing the process in 2021.

## Guarantees provided to subsidiaries

As a part of the relocation of Thinfilm's US headquarters in 2017 a USD 1,600 thousand Letter of Credit has been issued by Thin Film Electronics ASA to the new landlord. Thin Film Electronics ASA has in addition entered into a Tenancy Guaranty with the new landlord. The guaranty is given to secure payment of the lease rent.

The initial Guaranty liability amounted to USD 5,000 thousand and reduces on an annual basis of USD 500 thousand per year commencing with the second lease year until the liability reaches zero dollars. As at 31 December 2020, the Guaranty liability amounted to USD 3,500 thousand.

## 7. Intangible assets

Amounts in NOK 1,000	Purchased intellectual property	Negative goodwill	Capitalized development costs	Total
Amortization period, years (linear)	13-16	5		
Accumulated costs 31 December 2020	15,872	(2,925)	12,744	25,691
Amortization at 31 December 2020	(15,872)	2,925	(12,744)	(25,691)
<b>Net book value 31 December 2020</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Acquisition cost</b>				
Accumulated cost on 1 January 2019	15,872	(2,925)	9,773	22,721
Additions	—	—	2,971	2,971
Impairment	—	—	—	—
<b>Accumulated costs 31 December 2019</b>	<b>15,872</b>	<b>(2,925)</b>	<b>12,744</b>	<b>25,692</b>
Accumulated amortization on 1 January 2019	(6,152)	2,925	—	(3,227)
Amortization	(1,329)	—	—	(1,329)
Impairment	(8,391)	—	(12,744)	(21,135)
<b>Amortization at 31 December 2019</b>	<b>(15,872)</b>	<b>2,925</b>	<b>(12,744)</b>	<b>(25,691)</b>
<b>Net book value 31 December 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>



The purchased intellectual property relates to licensing of certain patents. The portfolio is reviewed for impairment annually by comparing the book value to the fair market value at the patent level. In 2019 the remaining unamortized balance of NOK 8,391 was impaired in full as the company has revised its strategy whereby the future value of these patents are uncertain. 2018 impairments related to patents with a fair market value lower than the recorded book value.

In 2019 it was decided that the capitalized development costs relating to NFC SpeedTap™ would not be further commercialized and the remaining costs of NOK 12,744 were impaired.

## 8. Trade and other receivables

Amounts in NOK 1,000	31 December 2020	31 December 2019
Customer receivables	1,192	2,344
Other receivables, prepayments	75	860
Less: provision for impairment of receivables	(1,192)	(1,900)
<b>Receivables — net</b>	<b>75</b>	<b>1,304</b>

All receivables are due within one year and book value approximates fair value. The total amount denominated in NOK is 75 thousand (2019: NOK 1,304 thousand).

Of other receivables NOK 75 thousand were not past due as per 31 December.

The company assesses impairment risk on an individual basis.

## 9. Cash and bank deposits

Amounts in NOK 1,000	31 December 2020	31 December 2019
Bank deposits excluding restricted cash	25,762	13,574
Deposit for Letter of Credit (restricted)	13,652	14,096
Deposit for withheld tax (restricted)	82	47
Deposit for warrant exercises, shares not yet registered (restricted)	1,950	—
<b>Total</b>	<b>41,445</b>	<b>27,717</b>

As a part of the relocation of Thinfilm INC.'s US headquarters in 2017 a USD 1,600 thousand Letter of Credit was issued to the new landlord.

Payable withheld tax amounts at 31 December 2020 was NOK 82 thousand.

Payments received for warrant exercises not registered by 31 December 2020 total NOK 1,950 thousand.

## 10. Share capital

Reference is made to Note 12 in the Consolidated Financial Statements.



## 11. Sales revenue

Amounts in NOK 1,000	2020	2019
Sales of goods	4,741	4,672
Rendering of services, delivery of samples, technology access revenue	—	510
<b>Total</b>	<b>4,741</b>	<b>5,182</b>

No warranty costs, penalties or other losses were related to sales revenue in 2020 or 2019.

## 12. Government grants

In 2018 Thinfilm ASA had a project qualified for the SkatteFUNN scheme for the three-year horizon 2018-2020, which relates to the innovative manufacturing of smart NFC labels enabling the Internet of Everything (IoE). Net contribution from the SkatteFUNN scheme in 2018 was NOK 10 million. Due to a revised strategy the company has ceased the SkatteFUNN project in 2019, and did not include any contribution from this scheme in 2019. The final contribution from the SkatteFUNN project, received in 2020, was NOK 2 million. The SkatteFUNN grant has been credited against cost on a systematic basis.

To receive grants from SkatteFUNN, the Company had to engage in research and development activities that qualify for the SkatteFUNN programme. The costs incurred had to be reported annually to the Norwegian tax authorities. The Company reported progress and achievements to the Research Council of Norway.

## 13. Employee salaries and other benefits

Amounts in NOK 1,000	2020	2019
Salaries	5,867	10,319
Social security costs	266	1,740
Share-based compensation (subscription rights), notional salary cost	3,777	3,489
Share-based compensation (subscription rights), accrued employer's tax*	317	87
Pension contribution	107	347
Other personnel related expenses, including recruiting costs	12	144
<b>Total</b>	<b>10,346</b>	<b>16,126</b>
Average number of employees for the year	1	4
Number of employees 31 December	1	1

At the end of 2020 there was one fulltime employee in the company (2019: 1 fulltime employee). 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
<b>2020</b>				
Kevin Barber, CEO	3,606	107	2,261	2,967
<b>2019</b>				
Kevin Barber, CEO	3,681	92	1,681	8,743
Ole Ronny Thorsnes, CFO until 1 July 2019	2,870	—	—	—

The salary amount is the salary declared for tax purposes. Bonus is the amount earned during the year and accrued at year-end.

Bonuses earned in 2019 were subsequently paid 2020. Bonuses earned in 2020 have been paid in 2021. An additional bonus, related to 2019 but not recognized until 2020, for NOK 600 thousand, was paid to the CEO.

The value of share-based remuneration is the expensed amount excluding employer's tax in the period for incentive subscription rights.

No subscription rights were exercised in 2020 or 2019.

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

## Remuneration to the board of directors

Reference is made to Note 19 in the Consolidated Financial Statements.

## 14. Income tax expense

The tax on the company'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	2020	2019
Profit (loss) before tax	(107,847)	(486,323)
Tax (tax income) calculated at corporate tax rate	(23,726)	(106,991)
Permanent differences	487	37,543
Change in deferred tax asset not recognised on the balance sheet	23,239	69,448
<b>Tax charge</b>	<b>(0)</b>	<b>(0)</b>
Corporate tax rate	22%	22%



## 15. 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 2020	31 December 2019
Deferred income tax asset Intangible asset	(7,959)	(8,485)
Tax loss carried forward	(553,391)	(529,470)
Calculated deferred tax asset	(561,350)	(537,955)
Impairment of deferred tax asset	561,350	537,955
<b>Deferred tax asset in the balance sheet</b>	<b>—</b>	<b>—</b>

The Company has not recognised 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.

The unrecognized deferred tax asset is calculated by applying the local tax rates in Norway with tax rate 22 % (2019: 22%).

## 16. Related party transactions

### a) Transactions with related parties:

Amounts in NOK 1,000	2020	2019
Technical development services from Thinfilm AB	—	8,824
Sales, marketing, R&D and manufacturing services from Thinfilm Inc.	(85,475)	249,045
Sales and marketing services from Thinfilm UK	—	5,343
Intercompany interest income on loan to Thinfilm Inc.	(1,568)	(2,393)
Purchases of services from law firm Ræder	2,551	6,031
Purchases of advisory services from Acapulco Advisors AS	250	—

Services provided by subsidiaries and capitalized in the balance sheet as development costs amount to NOK 0 thousand (2019: 2,971 thousand).

Thinfilm's chairman, Morten Opstad, is a partner of Advokatfirmaet Ræder AS, 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.

In May 2020, Robert N. Keith and Edvin Austbo, Thinfilm shareholders, provided the company with a bridge loan in the amount of USD 500 thousand. The loan was repaid from the proceeds of the private placement offering approved at the Extraordinary General Meeting of 20 May 2020, plus interest of USD 50 thousand.

In August 2020, Robert N. Keith, a Thinfilm shareholder, provided the company with a bridge loan in the amount of USD 1,000 thousand. The loan was repaid from the proceeds of the private placement offering approved at the Extraordinary General Meeting of 19 August 2020, plus interest of USD 100 thousand.

In the same period, Thinfilm recorded NOK 250 thousand for advisory services from Acapulco Advisors AS, a Thinfilm shareholder.

Robert N. Keith, a shareholder of 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. Mr. Keith waived his compensation for services provided in 2019 and 2020.

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	2020	2019
Payable to Thinfilm Inc.	30,002	25,225
Payable to Thinfilm AB	—	37,376
Payable to Thinfilm UK	247	802
Payable to law firm Ræder	1,478	3,729

## 17. Other operating expenses

Amounts in NOK 1,000	2020	2019
Premises, supplies	7,143	4,710
Sales and marketing	212	2,883
Other expenses	1,339	5,486
<b>Sum</b>	<b>9,004</b>	<b>13,079</b>

Premises, supplies of NOK 7,143 thousand includes NOK 6,056 thousand for directors and officers insurance.

Thinfilm had a lease agreement for premises in Oslo (Norway). The lease amount in Oslo is NOK 780 thousand per year, with a termination clause of 3 months. The agreement was terminated effective March 2019, and Thinfilm moved to a new office location in March 2019.

The new lease amounts to NOK 689 thousand per year, with a termination clause of 3 months. The lease expired on 31 August 2019 and the lease was not renewed. The Company pays rent on a month to month basis. The monthly rent is NOK 11 thousand per month.

Thinfilm ASA has not entered into any other lease agreements.

## Remuneration to the auditor (ex VAT)

Amounts in NOK 1,000	2020	2019
Audit	1,472	1,141
Other assurance services	195	—
Tax services	40	30
Other services	—	—
<b>Total</b>	<b>1,707</b>	<b>1,171</b>

## 18. Guarantees

Reference is made to Note 25 in the Consolidated Financial Statements.

## 19. Shareholders, warrants and subscription rights

Reference is made to Note 26 in the Consolidated Financial Statements.

## 20. Statement on management remuneration policy

Reference is made to Note 27 in the Consolidated Financial Statements.



# Corporate Social Responsibility (CSR) Statement

The Thin Film Electronics ASA Group recognizes that it has important obligations regarding 1) the treatment of its employees, 2) the conditions within its facilities, 3) its impact on the environment, and 4) the relationships it maintains with the communities in which it operates. As such, it adheres to policies related to these obligations and strives to achieve goals that engender safety, health, fairness, diversity, integrity, compliance, and sustainability.

## Human rights and workplace practices

### Policy

Thinfilm 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 applicable to the countries, regions, cities, and towns in which it operates. Thinfilm encourages and expects similar commitments from its customers, partners, suppliers, and other vendors with whom the Company works.

### 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. 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 policies prohibit discrimination against employees, shareholders, directors, customers, partners, suppliers, and other vendors on account of gender, race, sexual orientation, religion, disability, nationality, political opinion, and social or ethnic origin. Employees are provided with an Employee Handbook outlining corporate policy. Workplace diversity at all levels is highly encouraged and monitored. All persons shall be treated with dignity and respect and are encouraged to assist in creating a work environment free from any form of discrimination. The necessary conditions for a safe and healthy work environment shall be provided for all employees of the Company.

At Thin Film Electronics, Inc. (US subsidiary), all employees are required to complete a safety training course within their first month of employment. In compliance with the Safe Drinking Water and Toxic Enforcement Act of 1986 of the State of California, commonly referred to as Proposition 65, Thin Film Electronics, Inc. also informs employees of the onsite presence of any known chemical known to cause cancer or reproductive toxicity.

Thinfilm is committed to fully complying with all applicable laws regarding equal employment opportunities. Employees who believe they have been subjected to any form of unlawful discrimination may submit a complaint to their manager, any member of the management team, and/or Human Resources. The Company encourages all employees to immediately report incidents of harassment or other conduct prohibited by its anti-harassment policy so that complaints can be resolved in a fair and timely manner.



## Conditions Within Facilities and Environmental Impact

### Policy

Thinfilm requires that all subsidiaries of the Thinfilm Group follow all current environmental laws and regulations for the jurisdictions in which they reside and operate. Thinfilm routinely evaluates the environmental impact of its production – and manufacturing- related activities, with particular emphasis on the potential risks regarding present and future operations. Thinfilm operates its production facility and laboratories in San Jose, California.

### Objective

Thinfilm strives to monitor waste production, such as chemicals and electronics materials, to evaluate where and how the Company can improve – such as using fewer chemicals, leveraging alternative materials, and/or maximize the usage of current materials. Thinfilm recognizes the impact that hazardous waste can have on the environment and takes every reasonable precaution to discard and recycle waste according to federal, state, and regional laws and regulations.

In the San Jose, California facility, Thinfilm partners with a licensed Environmental Services provider and strict guidelines are followed for the storage and disposal of hazardous material. The State of California tracks any Thinfilm hazardous material shipments to the final disposal/incineration site to ensure overall compliance.

## Ethics and anti-corruption

### Policy

It is important that Thinfilm staff members do not place themselves in situations whereby their fidelity can be undermined or in which they may be vulnerable to external pressures contrary to Thinfilm's or their own integrity. It is communicated and expected that all employees do 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 as it relates to ethics and anti-corruption compliance. Thinfilm's Ethical Guidelines are based on respect and fairness in all aspects of the Company's 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 violation to HR, corporate management, and in certain cases, the local authorities.



# 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 of 31 December 2020. 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 and Managing Director (CEO) 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, 28 April 2021

Morten Opstad  
Chairman

Preeti Mardia  
Board Member

Jon Castor  
Board Member

Kelly Doss  
Board Member

Kevin Barber  
Managing Director (CEO)



# Auditor's Report

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To the General Meeting of Thin Film Electronics ASA

INDEPENDENT AUDITOR'S REPORT

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Thin Film Electronics ASA, which comprise:

- The financial statements of the parent company Thin Film Electronics ASA (the Company), which comprise the balance sheet as at 31 December 2020, the profit and loss statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Thin Film Electronics ASA and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at 31 December 2020, the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and 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.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements of the Group and Note 1 in the financial statements of the parent and in the Board of Directors' report. The Group and the parent are operating at a loss and management estimate the Group and the parent have funds to support operations into second quarter 2021. There is no assurance that management will be successful in raising funds. Failure to obtain funding would adversely affect the ability to continue as a going concern and consequently the Group and the parent might enter into liquidation. As stated in Note 2 in the financial statements of the Group and note 1 in the financial statements of the parent and in the Board of Directors' report, the liquidity situation, along with other matters as set forth in the notes and the Board of Directors' report, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no key audit matters to communicate in our report.

### *Other information*

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Board of Directors and the Managing Director for the Financial Statements*

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company's or the Group's internal control.



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- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

##### *Opinion on the Board of Directors' report*

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 and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements and the going concern assumption 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, 28 April 2021  
Deloitte AS

**Mette Herdlevær**  
State Authorised Public Accountant (Norway)



# Corporate Governance

Resolved by the board of directors of Thin Film Electronics ASA (the "Company") on 27 April 2021. The statement outlines the position of the Company in relation to the recommendations contained in the Norwegian Code of Practice for Corporate Governance dated 17 October 2018 ("the Code"). The Code is available at [www.nues.no](http://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 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 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 Thinfilm Group presently has 27 ordinary full-time employees, 2 part-time employees, and a few consultants on site. The board of directors believes that, in the present organization, the board and management have monitoring and control systems in place that generally ensure insight into and control over the activities, although consistent with the philosophy of continuous improvement, the board and management are making and intend to make improvements to the legal and financial functions that are essential to the performance of these monitoring and control systems. (Note: In this review, the noun "the management" includes all persons conducting managerial functions, whether employed or otherwise contracted).

In a separate document the board has resolved ethical guidelines that 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

As announced in January 2020, the objectives of the Company shall be "Energizing Innovation" with ultrathin, flexible, and safe energy storage solutions for wearable devices, connected sensors, and beyond.

The description of the Company's business, as contained in the Articles of Association, covers such objectives; however, the Board will at the 2021 Annual General Meeting propose the adoption of an updated and more precise description of the business in the Articles of Association.

The Company believes that Thinfilm's innovative solid-state lithium battery (SSLB) technology could be uniquely positioned to enable the production of powerful, lightweight, and cost-effective rechargeable batteries for diverse applications. The Company is currently focused on realizing these objectives, which may be carried out in full internally, or in whole or in part externally through collaborative efforts with one or more of the Company's ecosystem and commercial partners.

The Company's business goals and principal strategies are defined in the business plans that are developed and proposed by management and reviewed, modified as appropriate, and adopted by the board of directors. The plans are reviewed and revised periodically, and when needed.

## 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 (the "PLCA"). In the past, the Company has needed to raise equity on several occasions to fund its operations and working capital requirements. The board has proposed to the general meeting only reasonable authorizations for share issues, generally limited to 10% of the Company's share capital. Such board authorizations have explicitly stated the type and purposes of transactions in which the authorizations may be applied. As of the general meeting(s) to be held in 2021, any proposed authorizations to issue shares shall be considered and voted separately by each type and purpose of such share issues.



The board authorizations 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 in place an authorization to the board to acquire up to 10 percent of the Company's own shares for a maximum price of NOK 1,000 per share. The board was authorized to decide upon the manner and terms of the acquisition, disposition, transfer and sale of its own shares. The length of the authorization is limited to the earlier of (i) the next annual general meeting of shareholders (scheduled for 3 June 2021) or (ii) 30 June 2021.

Thinfilm has not 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 authorizations to issue shares to raise additional capital for the Company, where the existing shareholders have resolved to waive the pre-emptive right to subscribe for shares, the rationale for doing so has and shall be presented as part of the decision material presented to the general meeting. If and when such transactions are conducted, hereunder when resolved by the board pursuant to authorizations from the general meeting, the justification will also be included in the announcements to the market.

All related party transactions in effect are entered into on an arm's length basis. Any material future related party transactions shall be subject to an independent third-party valuation whenever required 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. Shares and negotiability

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

#### 6. General meetings

The annual general meeting of shareholders, the Company's highest decision-making body, provides a forum for shareholders to raise issues with the board as such and with the individual board members. The Company has fully complied with the temporary restrictions implemented in Norway in respect of physical meetings due to the Covid-19 pandemic and all general meetings of shareholders since March 2020 have been held as online meetings. To the maximum degree possible, all members of the board shall be present virtually or in-person at the general meeting. The Company's auditors shall also be present at the annual general meeting. The board proposes a person to chair the meeting, who is then approved by a simple majority of the votes cast at the general meeting. 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 website and not sent to the shareholders.

The board of directors endeavors to provide comprehensive information in relation to each agenda item in order to facilitate productive discussion 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 favor 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 elections. The notice, as well as the Company's website, will set out the rights that shareholders have to propose resolutions in respect of matters to be dealt with at the general meeting.

The general meeting has included in Section 7 of the Company's Articles of Association that documents which have been made available in a timely manner on the website 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 Børs marketplace ([www.oslobors.no](http://www.oslobors.no) and [www.newsweb.no](http://www.newsweb.no)) within the Oslo Stock Exchange, and on the OTCQB Venture Market (<https://www.otcmarkets.com/stock/TFECY/overview>). The reports and other pertinent information are also available at [www.thinfilmsystems.com](http://www.thinfilmsystems.com).

## 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, and
- Propose the remuneration to be paid to the nomination committee members, all of which shall be resolved by the annual general meeting.

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

## 8. Board of directors; composition and independence

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 and that at least two of the members of the board should be independent of the Company's main shareholder(s). 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.

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 each member 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 with respect to 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/Managing Director 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 Chair is not impartial or not operative, the most senior board member shall chair the board until a deputy Chair 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 of only four members, there has not been any need for subcommittees to date. The future need for any sub-committees will be considered at a 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 Company's Audit Committee consists 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 according to the schedule adopted by the board. Closing of accounts, financial reporting and key risks analysis are provided monthly to the board of directors.

Thinfilm has established a series of risk assessment and control measures in connection with the preparation of financial statements. In connection with subsidiaries' closing of accounts, internal review meetings are held by management. In addition, management identifies and proposes risk factors and measures linked to important accounting items or other factors which are reviewed, discussed, and sometimes modified in conjunction with the board. The board also has at least one separate meeting with the external auditor to review such risk factors and measures and conducts preparatory reviews of interim financial statements and annual financial statements.

A financial manual provides detailed instruction for financial planning, treasury, accounting and reporting, and has been reviewed and updated regularly by the board.

## 11. Remuneration of the board of directors

A reasonable cash remuneration to the board members for their services from the annual general meeting in 2019 until the annual general meeting in 2020 was proposed to and resolved at the 2020 annual general meeting. The nomination committee will propose board remuneration for the period between the annual general meetings of 2020 and 2021.

At the 2019 Annual General Meeting, two US residents were elected as new Board members. In order for the Company to be able to attract the interest of these two individuals, a grant of subscription rights was proposed to, and resolved by, the 2020 Annual General Meeting, as share-based incentives represent a relatively customary and expected board remuneration and incentive in the US market. In line with this, and to ensure similar type of remuneration for all board members, the general meeting in 2020 also resolved an issuance of subscription rights to the non-US board members. The board acknowledges that such grants were in contradiction to the Corporate Governance recommendations, but remains of the view that it was in the Company and shareholders' mutual best interest to make these grants in order to secure and retain the services of US-based board members.

The Company has in place an agreement with Morten Opstad, the Chair of the Board, for remuneration for executive services beyond his board functions and role as Chair of the Board. Morten Opstad further received an additional fee for his special services in connection with the funding processes in the Company in 2020, which were deemed necessary given the urgent need for funding to secure continued operations in 2020. Moreover, Advokatfirmaet Ræder AS, in which the Chair, 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 any such arrangements. Adequate details shall be disclosed in Thinfilm's annual financial statements.

## 12. Remuneration of executive personnel

Thinfilm offers market-based compensation packages for the executives and employees in order to attract and retain the competence that the Company needs, including a share-based incentive program in the form of a subscription rights plan. The subscription rights vest in tranches over two years.



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.

At the annual general meeting in 2021, the board will present to the shareholders for their approval a remuneration policy for leading persons. Any material change in the remuneration policy must thereafter be approved by the general meeting and the policy must, in any case, be approved by the shareholders every four years. Further, the Company will annually, the first time beginning in 2022, present to the annual general meeting a remuneration report, which shall provide a comprehensive overview of the remuneration, including all benefits in whatever form, awarded or due during the most recent financial year. The aforementioned remuneration policy and annual remuneration report are in compliance with new legislation implemented in Norway as of 1 January 2021.

### 13. Information and communications

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 necessary or 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 are issued and distributed according to the rules and practices at the market place(s) where 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 presentation, any dividend payment date (if applicable), etc. The reports and other pertinent information are also available on the Company's website, [www.thinfilmsystems.com](http://www.thinfilmsystems.com).

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 meeting, and
- Policy for information management in unusual situations attracting or likely to attract media or other external interest.

The financial reporting of Thinfilm is believed to be fully compliant with applicable laws and regulations, and the Company retains the services of an internationally recognized auditor to review its accounts, policies and procedures. As of the interim financial information for the 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 defense mechanisms in place. The board will endeavor that shareholder value is maximized and that all shareholders are treated equally. The board shall otherwise ensure full compliance with Section 14 of the Code.

### 15. Auditor

The Company's auditor is fully independent of the Company. In case the Company should wish to obtain non-audit services from the auditor, the amended Auditors Act in Norway requires the board of directors to consider and confirm in advance that the service is not believed to be prohibited under the Auditors Act and that any such non-audit service is of a nature and level that will not affect the auditor's independence in respect of their statutory audit of the Company's annual financial statements. In this manner, the board must pre-approve any such non-audit services from the auditor.

The board of directors shall otherwise ensure full compliance with Section 15 of the Code.



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# Articles of Association

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## §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 company's business shall encompass multiple complimentary technologies, including but not limited to, enabling Intelligence Everywhere® through near field communications (NFC) solutions, including hardware, software and integration services. The company's business shall also include maximizing the value of its San Jose, California Roll-to-Roll factory's unique combination of capabilities, including roll-based production, process knowhow, and print expertise, which are relevant to market needs for a broad range of applications within flexible large-area electronics. The Company's objectives may be carried out in full internally or in whole or in part externally through collaborative efforts with one or more of the company's ecosystem and commercial partners. The Company's business may be carried out directly by the Company and/or through subsidiary companies. The Company may hold ownership positions in companies with similar activities.

## §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 128,571,605.58 divided into 1,168,832,778 shares each having a par value of NOK 0.11.

## §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 timely have been made available on the Internet 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.
- a 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
- 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.



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## Board of Directors

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**Morten Opstad**  
Chairman

**MORTEN OPSTAD** has served as Thinfilm board chair since 2006. He is a partner in Advokatfirmaet Ræder AS in Oslo, Norway. Morten has been a legal and strategic advisor to multiple successful companies in the technology sector and has guided growth from early entrepreneurial stages to stock exchange listings. He currently serves as board chair of IDEX Biometrics ASA, listed on Oslo Børs and Nasdaq. Mr. Opstad holds a legal degree (Cand. Jur.) from the University of Oslo and was admitted to the Norwegian Bar Association in 1986. He is a Norwegian citizen and resides in Oslo.



**Preeti Mardia**  
Board Member

**PREETI MARDIA** has diverse business management and operations leadership experience across the electronics, telecommunications, banking, and FMCG sectors. She has successfully scaled multiple businesses, including world-class semiconductor manufacturing companies. She has held executive management positions in technology companies including IDEX ASA, Axxcss Wireless Ltd, and Filtronic Plc and FMCG leader Cadbury Schweppes Plc. She has served on the boards of two publicly listed companies in the United Kingdom, GFinity Plc and Maistro Plc and is strategically involved in a UK charity organization. Preeti has a master's degree in management from Ashridge Business School in the United Kingdom and joined the Thinfilm board in 2013. She is a British citizen and resident.



**Jon Castor**  
Board Member

**JON CASTOR** is an entrepreneur and active independent private and public company director. His 25 years of senior leadership experience has included building both classic Silicon Valley venture funded startups and two new divisions for Fortune 500 companies. He also has considerable private and public company M&A experience, including leading the team of a venture he co-founded through a double exit. His industry experience includes ICs, systems, and software, digital media, consumer electronics and services, and multiple forms of advanced and renewable power generation. Jon's Silicon Valley venture successes include Omneon, where the team built the world leader in broadcast video servers, and TeraLogic, a pioneering HDTV venture supported by Sony, Mitsubishi, and Samsung, where he was cofounder and CEO. Jon has an MBA from the Stanford Graduate School of Business and a BA with distinction from Northwestern University. Jon joined the Thinfilm board in May 2019 and served as Chairman of the Strategy Committee. He is a United States citizen and resident.



**Kelly Doss**  
Board Member

**KELLY DOSS** is a senior marketing executive and brand consultant. She has over 25 years of experience in global brand management with a strong track record of delivering breakthrough revenue and sales growth in varying channels of distribution. She has considerable expertise across the marketing, innovation, and operational functions in both the alcoholic beverage and beauty categories. Her industry experience includes 15 years in the global spirits category, leading marketing for Beam Suntory in both EMEA and North America and over 10 years in the beauty industry across hair care, skin care, and color cosmetics. Over the course of her career, leading cross-functional teams, she has launched well over 100 new products & multiple global packaging restages. Kelly has a master's degree in international management from the Thunderbird School of Global Management, and a BA with honors from the University of Michigan. Kelly joined the Thinfilm board in May 2019. She is a United States citizen and resident.

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# Executive Management

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**Kevin Barber**  
Chief Executive Officer

KEVIN BARBER joined Thinfilm as CEO in November 2018. He is responsible for driving worldwide strategic growth, scaling product innovation and manufacturing operations while increasing market penetration and identifying new business opportunities. Mr. Barber was previously Senior Vice President, General Manager Mobile Division of Synaptics, where he drove the strategy, business development, M&A and execution of growing revenue fourfold to over \$1 billion annually. Previously, he was CEO of ACCO Semiconductor a Venture Capital funded startup. Prior to ACCO, Mr. Barber served as Senior Vice President, General Manager Mobile Business at Skyworks Solutions where he led the strategy achieving top RF power amplifier market share in the high growth mobile market. Prior to Skyworks, Mr. Barber served as Senior Vice President, Operations at Conexant leading strategic efforts of global manufacturing scale, technology development, and supply chain management enabling Conexant to be a leader in diverse markets. He holds a Bachelor of Science in Electrical Engineering from San Diego State University and an MBA from Pepperdine University. Mr. Barber currently serves as a Board Director at Intevac.



**Dave Williamson**  
Acting Chief Financial Officer

DAVE WILLIAMSON joined Thinfilm in February 2020 and serves as Acting Chief Financial Officer. He is an experienced financial executive with years of vice president and senior controller experience at large public international companies in addition to successful venture backed companies. Williamson has established a reputation for building world-class teams and for aligning financial and business metrics to support business strategy and growth. He is based at Thinfilm's San Jose, California office.



**Dr. Arvind Kamath**  
EVP Technology Development & Manufacturing

DR. ARVIND KAMATH joined Thinfilm in January 2014 from Kovio, Inc., where he served as Sr. Director, Technology Development. At Thinfilm, he has built and led several teams in the areas of technology development, engineering, and operations. Most recently, he was responsible for the flexible substrate roll-to-roll PDPS (Printed Dopant Polysilicon) manufacturing scale-up and led the development of a global enabling ecosystem. At Kovio, Dr. Kamath led materials and process development and integration of a revolutionary printed electronics platform based on silicon ink, from feasibility to qualification and yield enhancement. Prior to Kovio, he worked at LSI Logic in various managerial and specialist roles, including process engineering, group management, R&D operations, SRAM integration and yield enhancement. Dr. Kamath earned a B.Tech degree in Metallurgical Engineering from the Indian Institute of Technology, Chennai and a Ph.D in Materials Science and Engineering from the microelectronics program at The University of Texas - Austin.



**Louis Golato**  
VP Operations

LOUIS GOLATO joined Thinfilm in December 2020 and leads manufacturing scale-up activities related to roll-based solid-state lithium battery manufacturing. Golato brings decades of experience leading factory ramp-up and manufacturing operations in the energy storage and semiconductor industries. Most recently, he served as vice president, manufacturing and operations at grid-scale energy storage company VionX Energy and previously served in executive roles at Stion Corporation and A123 Systems, where he was responsible for launching multiple lithium-ion battery factories worldwide. Golato earned a Bachelor of Science degree in Business Administration from Bryant University.



**Shannon Fogle**  
VP Global Human Resources & Administration

SHANNON FOGLE joined Thinfilm in January 2014 from Kovio, Inc. She leads the Company's human resources and administrative functions. Ms. Fogle led the human resources functions at Kovio from 2007 until 2014. Prior to Kovio, Ms. Fogle worked in various operations roles at Spansion and Advanced Micro Devices. Shannon holds a Bachelor of Science degree in Business Management from San Jose State University and is Certified by the Society of Human Resource Management.



Thin Film Electronics ASA