



Corporate Governance

Resolved (updated) by the Board of Directors of Thin Film Electronics ASA (the "Company") on 12 April 2016.

The Statement outlines the position of the Company in relation to the recommendations contained in the Norwegian Code of Practice for Corporate Governance dated 30 October 2014 ("the Code"). The Code is available at www.nues.no and from Oslo Børs. In the following, the Board of Directors will address each section of the Code and explain the areas, if any, where the Company does not fully comply with the recommendations and the underlying reasons.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

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

The Board believes that in the present organization – the Thinfilm group presently has approximately 103 ordinary employees and a few consultants on site – the Board of Directors and the management have adequate monitoring and control systems in place to ensure insight into and control over the activities. (Note: In this review, the noun "the management" includes all persons conducting managerial functions, whether employed or otherwise contracted.)

The Board has resolved ethical guidelines 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

In Section 2 of the Company's Articles of Association, the Company's business is defined as "The objectives of the Company shall be the commercialization, research, development and production of technology and products related to printed electronics components and smart systems. 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's business goals and principal strategies are defined in the business plans adopted by the Board of Directors. The plans are reviewed and revised periodically, and when needed.

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

3. EQUITY AND DIVIDENDS

The Board is aware of and acknowledges the equity requirements and duty of action in connection with loss of equity, as set out in the Norwegian Public Limited Companies Act (the "PLCA"). In the past, the Company has been in need of raising equity on several occasions to fund its working capital requirements. The Board has proposed to the general meeting only reasonable authorizations for share issues and incentive schemes. 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 2016, 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% 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 own shares. The length of the authorization is limited to the earlier of (i) the next annual general meeting of shareholders (scheduled for 12 May 2016) or (ii) 30 June 2016.

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

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

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

In the 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 shall be presented as part of the decision material presented to the general meeting. If and when such transactions are conducted, the justification will also be included in the announcements to the market.

All related party transactions in effect are entered into on arm's length basis. Any material future related party transactions shall be subject to an independent third-party valuation unless the transaction by law requires shareholder approval. The Company takes legal and financial advice on these matters when relevant. Members of the Board and the management are obliged to notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

5. FREELY NEGOTIABLE SHARES

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

6. GENERAL MEETINGS

The 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. To the maximum degree possible, all members of the Board shall be present at the general meeting. The Company's auditors shall also be present at the general meeting. The shareholders elect a person to chair the general meeting. The Board will arrange for an independent candidate if so requested by shareholders. Notice of a meeting of the shareholders shall be sent in a timely manner and the Company shall issue the notice and documents for a general meeting, including the proxy form, no later than 21 days before the date of the general meeting. Foreign residents will receive the notice and documents in English. When appropriate, the documents will be made available on the Company's web site 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 discussions and informed resolutions at the meeting. The notice will also provide information on the procedures shareholders must observe in order to participate in and vote at the general meeting. Shareholders who are unable to attend in person will be provided the option to vote by proxy in 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 the elections. The notice, as well as the Company's website, will set out that the shareholders have the right to propose resolutions in respect of matters to be dealt with at the general meeting.

The general meeting has included in Section 7 of the Company's Articles of Association that documents which have been made available in a timely manner on the web site of the Company and which deal with matters that are to be handled at the general meeting, need not be sent to the Company's shareholders.

All reports will be issued on the Oslo Børs marketplace (www.oslobors.no and www.newsweb.no) within the Oslo Stock Exchange, and on the OTCQX International Marketplace (www.otcmarkets.com/marketplaces/otcqx). The reports and other pertinent information are also available at www.thinfilm.no.

7. NOMINATION COMMITTEE

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

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

The mandate of the nomination committee 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. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS; COMPOSITION AND INDEPENDENCE

Thinfilm does not have a corporate assembly.

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

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

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

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

9. THE WORK OF THE BOARD OF DIRECTORS

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

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

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

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

Thinfilm is not obliged to have a separate audit committee and in view of the small number of Board Members, the 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. These monthly reports also include financials per legal entity (Thinfilm ASA, Thinfilm AB, Thinfilm Inc., Thinfilm HK and Thinfilm KK) which are analyzed and addressed against set budgets.

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

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

11. REMUNERATION TO THE BOARD OF DIRECTORS

A reasonable cash remuneration to the Board Members for their services from the annual general meeting in 2014 until the annual general meeting in 2015 was proposed to and resolved at the 2015 annual general meeting. To lessen the cash outflow, the annual general meeting granted an option to the Board Members to receive all or part of the remuneration in kind in the form of shares in the Company. Two of five Board Members took up this option in 2015. These Board members have pledged to not sell the shares before the earliest of the annual general meeting of the Company in 2016 and 30 June 2016. The nomination committee will propose Board remuneration for the period between the annual general meetings of 2015 and 2016.

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

12. REMUNERATION OF THE MANAGEMENT

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

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

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

13. INFORMATION AND COMMUNICATION

The Board of Directors places great emphasis on the relationship and communication with the shareholders. The primary channels for communication are the interim

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

The Board of Directors has adopted the following policies:

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

The financial reporting of Thinfilm is fully compliant with applicable laws and regulations. As of the interim

financial information for third quarter 2007, Thinfilm has prepared its consolidated financial reports in accordance with IFRS. The current information practices are adequate under current rules.

14. TAKE-OVERS

There are no take-over 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. AUDITORS

The Company's auditor is fully independent of the Company. Thinfilm represents a minimal share of the auditor's business. Thinfilm does not obtain business or tax planning advice from its auditor. The auditor may provide certain technical and clerical services in connection with the preparation of the annual tax return and other secondary reports, for which Thinfilm assumes full responsibility.

The Board of Directors has established written guidelines to the CEO in respect of assignments to the auditor other than the statutory audit.

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



A quality test manager works with a roll-to-roll printed display tester at the Company's Linköping, Sweden facility.