



NORSK TITANIUM

Norsk Titanium AS

Second half 2021 report  
3 March 2022

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## Innovating the future of metal manufacturing

Norsk Titanium AS and its subsidiaries (collectively “Norsk Titanium” or “the Group”) provide cost-efficient 3D printing of metal alloys through its proprietary Rapid Plasma Deposition® (RPD®) technology. We are positioned to disrupt metal manufacturing by delivering value-added parts cheaper, faster and in a more environmentally friendly way to the large addressable market for metal alloys.

Norsk Titanium focused on high end applications for which the adoption of 3D printed Titanium parts will add substantial value compared to existing materials and production methods. High complexity markets such as commercial aerospace and defense allow Norsk Titanium to deliver a strong value proposition and strategically positions us for expansion into other markets. Having established a leading position within the commercial aerospace market, Norsk Titanium is progressing with multiple customers in other attractive markets including defense and industrial. Extension to new industries is achieved in three stages:

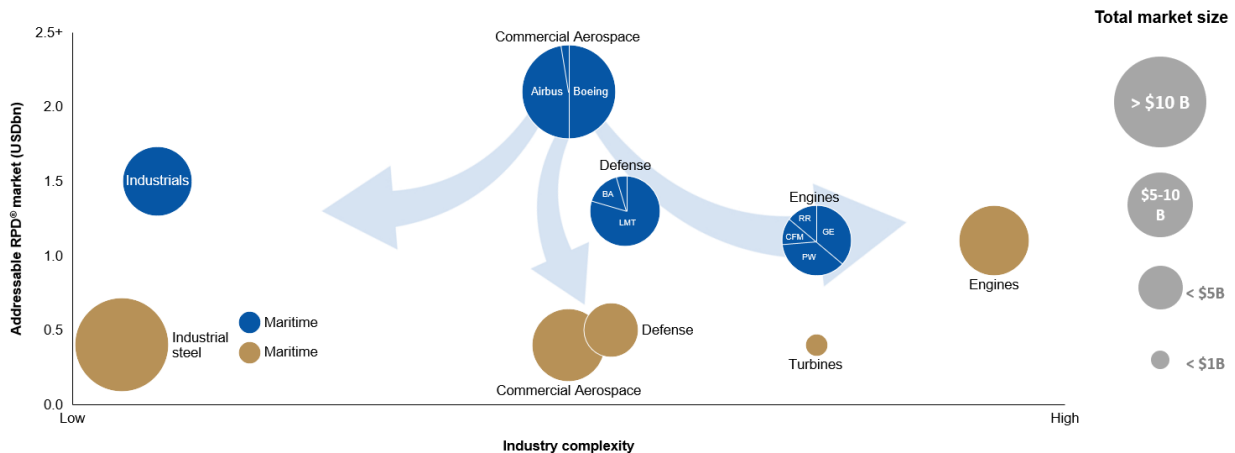
- **Technology adoption** through qualification programs and establishing material specifications,
- **Design facilitation** by enabling customers to rapidly design and test parts, and
- **Customized mass manufacturing** utilizing Norsk Titanium’s 700 MT of global additive manufacturing capacity.

Norsk Titanium has an annual capacity of 700 MT between its US and Norwegian facilities that can be deployed to meet customer demand; twice the capacity needed to meet its USD 150 million revenue target in 2026. With no further investments needed in machinery and technology to meet the mid-term business plan, our resources are directed towards qualifications and testing to ensure customers can utilize RPD® material commercially as a direct replacement for their existing raw material supply chain.

## Uniquely positioned to enter new markets

Large potential market for 3D printed parts

● Ti6-4, Titanium Alloys ● Other Alloys



\*The above chart contains management estimates of addressable market size.

## Highlights from second half 2021

Norsk Titanium continued to achieve 100% on-time deliveries to tier-one Boeing suppliers and maintained its position as a technology leader in metal 3D printing, laying a strong foundation for further growth and expansion into new industries. Adding to its leading technology platform, Norsk Titanium launched its proprietary Software Development Kit, known as RPD Builder™, in October 2021. RPD Builder™ automates the process to translate complex part geometries into optimized RPD® form designs, thereby dramatically decreasing the time needed to turn a drawing into a finished part. RPD Builder™ is at the forefront of our expansion into the industrial and defense markets, having been used to produce and deliver parts for Hittech, the Group's first industrial customer, as well as parts for a US defense prime contractor. This not only represents a successful expansion into leading industrial applications, but also manifests the scalability of the RPD® technology.

### Second half operational highlights

- Maintained a 100% on-time delivery to all customers
- Expanded our product reach beyond the commercial aerospace market:
  - Developed and delivered to Hittech the first industrial scale part using RPD Builder™
  - Delivered test material to two major US Department of Defense (DOD) prime contractors supporting their material specification development
  - Completed full scale article testing with one of the two US DOD prime contractors and received a contract for follow on development efforts
- Delivered a 700mm part to an Airbus tier-one supplier for machining trials
- Commenced printing of Airbus qualification parts for delivery in 2022

In the second half of 2021, the Group generated revenue of USD 1.0 million from sale of printed parts and USD 1.4 million in other income, namely grants from the Norwegian government through Innovation Norway and Skattefunn. Total revenue and other income for the full year 2021 was USD 5.3 million. The average monthly cash burn during the second half 2021 was slightly higher than in the first half of 2021 at USD 1.9 million. The Group ended the period with a cash balance of USD 22.9 million.

## Operational review

Norsk Titanium is capable of industrial scale production operations to deliver structural 3D printing solutions to multiple markets. We established a leading position within the additive sector through a world class manufacturing facility in Plattsburgh, New York. Globally, we have 35 RPD<sup>®</sup> machines capable of producing 700 MT of metal parts annually. When operating at capacity, the manufacturing facility in Plattsburgh is expected to generate revenues of more than USD 300 million per year. Our technology development center in Norway has four RPD<sup>®</sup> machines utilized for a mix of development and production efforts.

Although our largest opportunity continues to be in commercial aerospace structural parts, we capitalized on the slow-down in the commercial aerospace market to expand our reach to the defense sector and other industries and further develop our product design capabilities.

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### Foundational Principles

Repeatable, Scalable and Robust RPD<sup>®</sup> Process Measured Through a Robust Data Management Platform

The Norsk Titanium engineering team achieved a significant milestone during the second half of 2021 by designing and delivering a 120 kg part using RPD Builder<sup>™</sup>. The ability to design parts using a set of pre-programmed features dramatically shortens the part development cycle and improves the velocity of the organization to transition parts to production.

Preparing for the Airbus material qualification in the first half of 2022, the engineering team finalized process enhancements to control microporosity for fatigue applications. Additionally, we completed a series of projects related to internal fatigue testing, operational efficiencies, new alloy development, and delivery of test material to customers.

Norsk Titanium employs a mix of trade secrets and patents designed to protect its position as a leader in 3D printing of metal alloys. We were awarded an additional 21 patents since the publication of the first half 2021 report. To date, we have 148 patents in key markets protecting our RPD<sup>®</sup> technology with a further 51 patent applications pending.

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### Operational Principles

Excellence Through an Organization that Improves Velocity of Business Processes for Customers

During the second half Norsk Titanium continued its 100% on-time delivery of serial production parts to tier-one Boeing suppliers Leonardo and GKN Aerospace. Serial production quantities in commercial aerospace continue to be depressed due to low-rate production of the Boeing 787 program, resulting in delivery of 20 parts during the second half of 2021. Offsetting the low production rate in commercial aerospace we delivered 30 development parts under our ongoing qualification programs with two US DOD prime contractors.

In the second half of 2021 Norsk Titanium received approval from Boeing to transition recurring serial production to our new Plattsburgh Production Center (PPC). This is an important step as we continue to expand our operations in New York. We completed our internal transition to

production activities and began producing Boeing production parts at PPC in the fourth quarter. Our intent is to convert our original Plattsburgh Development and Qualification Center (PDQC) into a dedicated location for manufacturing materials for defense customers.

Norsk Titanium continues to expand its supplier base and qualified three new suppliers to provide value added work to our parts. This is key to establishing a robust supply chain and maintaining our on-time delivery record as we increase part volumes.

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### **Market Penetration Vision**

Competitive Parts  
Production in Commercial  
Aerospace and Diversified  
Structural Titanium  
Market

Norsk Titanium's largest addressable opportunity is in the commercial aerospace market. We finalized the qualification and test plan with Airbus and commenced printing of the Airbus material qualification parts. Upon completion in the first half of 2022, we will initiate manufacturing of our first two serial production parts for the A350 aircraft. We plan to deliver multiple production runs of trial parts to Airbus in 2022. Parts not used for destructive testing will be available for installation on delivery aircraft. In addition, we delivered a new 700mm part to an Airbus tier-one supplier for machining trials that is expected to transition to full rate production in early 2023.

Although Boeing's demand remains suppressed due to low build-rates, Norsk Titanium continued to explore additional RPD® material applications with the Boeing team and tier-one Boeing suppliers.

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### **Expanded go-to-market strategy**

RPD® Adaptability in New  
Markets through  
Diversified Superalloys  
and Strategic Markets

Norsk Titanium made significant progress in qualification and demonstration programs with two prime contractors for the US DOD. One DOD customer received a full-scale test article built to its specifications and the other has completed full-scale testing and issued a contract for follow-on qualification materials. The qualifications are progressing as planned with initial parts production for delivery to the defense industry expected to start in 2022.

In the industrial segment, Norsk Titanium delivered a large 120 kg demonstrator part to Hittech, a leading manufacturer of semi-conductor manufacturing equipment. Hittech plans on final machining and testing of the component with the end customer in 2022, and we anticipate serial production to start after finalization of the test program.

## Financial review

Norsk Titanium is in the early stages of commercialization with a keen focus on product qualification and development programs with customers. Total revenue in the second half 2021 was USD 2.4 million. Revenue from delivery of parts amounted to USD 1.1 million in the second half of 2021, in addition Norsk Titanium recognized USD 1.4 million from grants as Other income. Total revenue and Other income for the full year 2021 was USD 5.3 million primarily consisting of \$3.9 million recognized from grants awarded to the Group. The operating loss (EBIT) amounted to USD 10.5 million in the second half 2021, with a loss before tax of USD 7.4 million. The Group ended the year with a cash balance of USD 22.9 million.

### Income Statement

During the second half of 2021, Norsk Titanium generated USD 1.0 million in revenue from sale of parts to customers. Full year 2021 revenue generated from the sale of printed parts was USD 1.3 million.

Other income amounted to USD 1.4 million, which mainly reflects recognition of grants from Innovation Norway and Skattefunn.

Operating expenses amounted to USD 11.0 million, generating an EBITDA-loss of USD 8.5 million. Employee benefit costs amounted to USD 5.9 million and raw material and other consumables costs to USD 2.4 million. Other operating expenses amounted to USD 2.7 million.

Depreciation and amortization amounted to USD 1.9 million for the second half 2021 on all non-current assets. The operating loss (EBIT) was hence a negative USD 10.5 million for the period.

Net financial income was USD 3.0 million in second half 2021, compared to a loss of USD 4.4 million in the same period last year. The conversion of shareholder loans to equity in connection with the private placement in May 2021 reduced the interest expenses during second half 2021, as well as unrealized net foreign exchange gains. Loss before taxes hence amounted to USD 7.4 million, compared to a loss of USD 20.3 million in the same period last year, whereas the group net loss improved to USD 7.4 million from a loss of USD 20.3 million in the second half 2020.

The financial results reflect that Norsk Titanium is in the initial growth stages with the industrialization and commercialization of its disruptive 3D metal printing technology.

### Cash Flow

Net cash used in operating activities was USD 11.0 million in the second half of 2021, compared to USD 14.7 million in the same period in 2020.

Cost reduction measures put into effect in the second quarter of 2020 were realized in full in 2021, reducing the monthly cash burn rate (see definition in note on Alternative Performance Measures) to approximately USD 1.8 million for the year.

Cash used in investing activities was USD 0.4 million, compared to an outflow of USD 1.8 million in the same period last year, mainly reflecting a reduction in capital expenditures.

Cash flow from financing activities amounted to negative USD 0.3 million, mainly representing the payment of capitalized lease liabilities under IFRS 16. In the same period in 2020, cash flow from financing activities were USD 16.5 million, boosted by increase in debt to fund operations.

### Balance sheet

Total assets at 31 December 2021 were USD 42.0 million, compared to USD 22.9 million at the end of 2020. USD 11.0 million of this was non-current assets, of which intangible assets accounted for USD 6.4 million, PPE for USD 4.1 million and right-of-use of assets for USD 0.5 million.

Current assets amounted to USD 31.0 million, of which inventories accounted for USD 5.2 million, trade receivables for USD 0.4 million and other current assets for USD 2.5 million. Cash and cash equivalents increased to USD 22.9 million from USD 2.2 million at the end of 2020 due to the private placement in May 2021.

Total equity amounted to USD 34.1 million at 31 December 2021, compared to negative USD 80.5 million per the end of 2020. The increase from year-end 2020 primarily reflects USD 88.1 million conversion of shareholder loan facility, a USD 6.6 million subsequent repair issue, USD 9.3 million conversion of the 2021 convertible loan facility and USD 32.7 million in proceeds from the private placement in May 2021.

Total liabilities amounted to USD 7.9 million, compared to USD 103.4 million at the end of 2020. USD 1.1 of this was non-current liabilities (USD 1.5 million), and USD 6.8 million current liabilities (USD 101.9 million). The decline in current liabilities reflect the conversion of the shareholder loan facility and the convertible loan into equity during the first half of 2021. Please see note 5 in the Notes to the financial statements for more details.

## Risks

Norsk Titanium engages in limited commercial production but is in the process of further industrialization of its technology which entails risks related to continued technology development, customer qualification programs, and commercial efforts in both existing and new business segments. Company specific financial risks include liquidity risk, credit risk, interest rate risk and foreign exchange risk. Given the cash position of USD 22.9 million per 31 December 2021, the Board of Directors does not see a substantial liquidity risk for 2022; however, the Group will need additional capital for 2023 and beyond. The current financing structure is equity-based with limited exposure to interest rate sensitives liabilities. The Group's main operations are linked to the reporting currency USD, with the main exposure related to translation of limited revenue and expenses in other currencies. Credit risk is negligible, and the group had no losses in receivables in the second half of 2021.

The aviation and aerospace industry suffered severely from COVID-19 imposed travel restrictions in 2020 and through 2021, generating a substantial decline in demand for air transportation services. Commercial aerospace manufacturers are an important part of Norsk Titanium's customer base and growth strategy, and the impact of COVID-19 hampered the Group's ability to further its qualifications and the adoption of its technology within the commercial aerospace sector. While Airbus and Boeing project full recovery of air traffic to pre-pandemic levels between 2023 and 2025, there is a risk that the pandemic may continue to affect travel patterns, which may impact the Group's customers and suppliers and its planned operations and projects. We maintained constant contact with the OEMs Boeing and Airbus as well as their tier-one suppliers to advance our qualifications throughout the pandemic, but the risk remains that such qualification efforts will be unsuccessful, or that full qualification will not be achieved on the timetable necessary to meet the milestones set forth in the Group's business plan.

The full impact of recent geopolitical tensions between Ukraine and Russia and sanctions imposed by the U.S. and other countries is not yet known. We see no immediate impact to our near-term business plans; however, at this time we cannot predict the medium to long-term impacts on our supply chain or end markets for our products.



## Outlook

Norsk Titanium's disruptive 3D metal printing solution is rapidly scaling with commercial aerospace, defense and industrial customers. Current qualifications are expected to create a long-term pipeline of visible revenue as we will be qualified to manufacture parts for platforms with 10+ year production runs. At the same time, we see significant potential in expanding into new sectors over time leveraging its published material specification and instant part development software, RPD Builder™.

As aerospace sector revenue is set to increase after the substantial negative impact of the COVID-pandemic in 2020, long-term demand for new commercial aircrafts will grow subject to interacting technical and economic objectives. Airbus currently forecasts full recovery of air traffic to pre-pandemic levels sometime in between 2023 and 2025.

Norsk Titanium aims to become a preferred supplier of Titanium structures in commercial aerospace programs and reach serial production with all parts delivered. With a tier-one customer base and extensive qualification programs, we expect that the cost efficiency and flexibility of its production method will continue to draw interest both from other aerospace customer and new industries.

Within the defense industry, we are in qualification processes with multiple potential customers for program with significant production potential after qualification. Ongoing development programs and one new qualification program with prime contractors of the US Department of Defense could open doors to several new opportunities in the industry. We see significant volume potential within industrial applications, and in the first half 2021 secured a qualification contract for potential deliveries to a semiconductor equipment manufacturer. Norsk Titanium's digitally enabled technology allows expansion of business model to support industrial product volumes and local manufacturing desires. Norsk Titanium was awarded a NOK 35 million grant from Innovation Norway and up to NOK 9.5 million from Skattefunn to further industrialize the RPD® manufacturing process. These funds have been deployed in various projects to improve the velocity of development efforts and qualification programs to expand RPD® technology's applicability across industries. By the end of 2021 Norsk Titanium has completed 50% of the projects relating to the Innovation Norway grant and expects to complete all projects by the end of 2022.

The Group will continue to raise additional capital to fund ongoing development and production activity until such time as revenue from operations can support the business, and reiterates its target to generate USD 150 million in sales revenues in 2026.



## Plattsburgh

New York, USA

World's largest 3D printing facility,  
focused on manufacturing customer parts  
with separate qualification facility

- Area: 147,000 sq. ft
- Capacity: 620 MT / year
- 31 RPD® machines + material warehouse + downstream activities
- 38 employees



## Eggemoen

Ringerike, Norway

Focused on research and development of  
new technologies for 3D printing

- Area: 37,000 sq. ft
- Capacity: 80 MT / year
- 4 RPD® machines + metallurgy lab
- 55 employees



Half year Condensed Interim Financial Statements and Notes

## Consolidated interim financial statements

### Consolidated statement of comprehensive income

Norsk Titanium Group

unaudited, in USD thousand	Notes	Second half 2021	Second half 2020	Full year 2021	Full year 2020*
Revenue	2	1,011	230	1,267	357
Other income	3	1,415	579	3,985	619
<b>Total revenues and other income</b>		<b>2,427</b>	<b>809</b>	<b>5,252</b>	<b>977</b>
Raw materials and consumable used		(2,388)	(1,930)	(3,748)	(3,891)
Employee benefits expense		(5,921)	(9,229)	(12,586)	(13,741)
Other operating expenses		(2,657)	(4,003)	(5,676)	(10,645)
Depreciation and amortisation		(1,931)	(1,550)	(3,369)	(2,968)
<b>Operating profit</b>		<b>(10,471)</b>	<b>(15,903)</b>	<b>(20,128)</b>	<b>(30,269)</b>
Financial income	4	5,852	(5,390)	8,613	17,458
Financial expenses	4	(2,830)	1,001	(4,572)	(30,024)
<b>Profit or loss before tax</b>		<b>(7,449)</b>	<b>(20,292)</b>	<b>(16,087)</b>	<b>(42,835)</b>
Income tax expense		105	(20)	94	(62)
<b>Profit or loss for the year</b>		<b>(7,344)</b>	<b>(20,312)</b>	<b>(15,993)</b>	<b>(42,896)</b>
Profit/loss attributable to owners of the parent		(7,344)	(20,312)	(15,993)	(42,896)
Basic earnings per share (in USD)		(0.03)	(0.41)	(0.09)	(0.86)
Diluted earnings per share (in USD)		(0.03)	(0.41)	(0.08)	(0.86)
Weighted average number of ordinary shares (thousand)		211,896	49,821	172,298	49,821
Weighted average number of ordinary shares diluted (thousand)		212,016	49,941	188,608	49,941
<b>Other comprehensive income</b>					
<i>Items that subsequently may be reclassified to profit or loss:</i>					
Exchange differences on translation of foreign operations		(3,921)	435	(6,436)	(953)
<b>Other comprehensive income for the period</b>		<b>(3,921)</b>	<b>435</b>	<b>(6,436)</b>	<b>(953)</b>
<b>Total comprehensive income for the period</b>		<b>(11,265)</b>	<b>(19,877)</b>	<b>(22,429)</b>	<b>(43,849)</b>

\* Audited

## Consolidated statement of financial position

Norsk Titanium Group

unaudited, in USD thousand	Notes	31 December 2021	30 June 2021	31 December 2020*
<b>ASSETS</b>				
<b>Non-current assets</b>				
Deferred tax asset		24		
Right of use of assets		501	731	1,202
Property, plant and equipment		4,080	4,543	4,859
Intangible assets		6,358	7,654	8,202
<b>Total non-current assets</b>		<b>10,962</b>	<b>12,929</b>	<b>14,264</b>
<b>Current assets</b>				
Inventories		5,166	4,788	4,724
Trade receivables		389	350	787
Other current assets		2,536	1,164	961
Cash and cash equivalents		22,932	35,150	2,196
<b>Total current assets</b>		<b>31,023</b>	<b>41,452</b>	<b>8,669</b>
<b>TOTAL ASSETS</b>		<b>41,985</b>	<b>54,381</b>	<b>22,933</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	5	2,005	2,005	464
Share premium	5	48,627	48,627	0
Treasury shares	5	0	0	(10)
Other capital reserves		(908)	(997)	0
Other equity		(15,622)	(4,357)	(80,975)
<b>Total equity</b>		<b>34,102</b>	<b>45,278</b>	<b>(80,521)</b>
<b>Non-current liabilities</b>				
Deferred tax		0	0	0
Non-current lease liabilities		221	364	513
Long term liabilities		897	992	1,022
Derivative financial liabilities		0	0	0
Loan measured at fair value		0	0	0
<b>Total non-current liabilities</b>		<b>1,118</b>	<b>1,356</b>	<b>1,535</b>
<b>Current liabilities</b>				
Trade and other payables		1,297	2,054	1,608
Current interest bearing debt		17	31	21,195
Current loan measured at fair value		0	0	69,106
Contract liability		4,068	4,072	3,927
Current lease liabilities		387	501	843
Other current liabilities		1,029	1,091	5,192
Tax payable		(33)	(2)	47
<b>Total current liabilities</b>		<b>6,764</b>	<b>7,746</b>	<b>101,918</b>
<b>Total liabilities</b>		<b>7,882</b>	<b>9,102</b>	<b>103,453</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>41,985</b>	<b>54,381</b>	<b>22,933</b>

\* Audited

## Consolidated statement of changes in equity

Norsk Titanium Group

unaudited, in USD thousand	Attributable to the equity holders of the parent						Total equity
	Share capital	Share premium	Treasury shares	Other capital reserves	Cumulative translation effect	Retained earnings	
<b>Balance at 31 December 2019*</b>	464	92,726	(10)	2 857	(1,038)	(132,051)	(37,052)
Profit (loss)						(42,896)	(42,896)
Other comprehensive income					(953)		(953)
Issue of share capital							0
Purchase of treasury shares			(0)	(22)			(22)
Sales of treasury shares							0
Shared-based payment				403			403
Transfer to other capital reserves				(3,238)		3,238	0
Transfer to share premium		(92,726)				92,726	0
<b>Balance at 31 December 2020*</b>	464	0	(10)	0	(1,991)	(78,984)	(80,521)
<b>Balance at 31 December 2020*</b>	464	0	(10)	0	(1,991)	(78,984)	(80,521)
Profit (loss)						(15,993)	(15,993)
Other comprehensive income					(6,436)		(6,436)
Issue of share capital**	1,541	136,528		(2,077)			135,991
Purchase of treasury shares			(0)	(2)			(2)
Sales of treasury shares			10	773			783
Shared-based payment				279			279
Transfer to other capital reserves				119		(119)	0
Transfer to share premium		(87,901)			2,818	85,083	0
<b>Balance at 31 December 2021</b>	2,005	48,627	0	(908)	(5,609)	(10,013)	34,102

\* Audited

## Consolidated statement of cash flows

Norsk Titanium Group

unaudited, in USD thousand	Notes	Second half 2021	Second half 2020	Full year 2021	Full year 2020*
<b>Cash flows from operating activities</b>					
Profit before tax		(7,449)	(20,292)	(16,087)	(42,835)
<i>Adjustments to reconcile profit before tax to net cash flow:</i>					
Depreciation and amortisation		1,931	1,550	3 369	2,968
Net financial income/expense included in financing activities	4	17	5,942	1 336	14,569
Net foreign exchange differences	4	(3,039)	(1,553)	(5,377)	(2,003)
Tax payable		35	(93)	(11)	(182)
		0	0		
<i>Working capital adjustment:</i>					
		0	0		
Changes in inventories and right of use assets		(147)	730	261	(8)
Changes in trade and other receivables		(39)	(776)	397	120
Changes in other current assets**		(1,372)	97	(1,575)	615
Changes in trade and other payables		(757)	(578)	(311)	(782)
Changes in other accruals		(174)	259	(2,501)	212
<b>Net cash flows from operating activities</b>		<b>(10,994)</b>	<b>(14,713)</b>	<b>(20,499)</b>	<b>(27,325)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(699)	(652)	(951)	(372)
Investment in intangible assets		338	(1,166)	257	(358)
Interest received	4	4	1	65	7
<b>Net cash flow from investing activities</b>		<b>(357)</b>	<b>(1,816)</b>	<b>(629)</b>	<b>(724)</b>
<b>Cash flow from financing activities</b>					
Proceeds from issuance of shared capital		0	0	38,374	0
Purchase of treasury shares		0	(22)	(2)	(22)
Sale of treasury shares		0	0	783	0
Payment of principle portion of lease liabilities		(281)	(415)	(807)	(853)
Increase of debt		0	17,226	6,000	29,192
Repayment of debt		(14)	(80)	(1,828)	(80)
Interests paid	4	(19)	(198)	(88)	(198)
<b>Net cash flow from financing activities</b>		<b>(314)</b>	<b>16,510</b>	<b>42,433</b>	<b>28,039</b>
Net change in cash and cash equivalents		(11,665)	(19)	21,305	(10)
Effect of change in exchange rate		(554)	246	(570)	62
Cash and cash equivalents, beginning of period		35,150	1,969	2,196	2,145
<b>Cash and cash equivalents, end of period</b>		<b>22,931</b>	<b>2,196</b>	<b>22,931</b>	<b>2,196</b>

\* Audited

\*\* Accrual for Innovation Norway and Skattefunn of USD 1,347 thousand is reflected in the Other receivables of USD 2,487 thousand.

# Notes to the consolidated financial statements for the second half 2021

## Note 1 General information and basis for preparation

The consolidated financial statements of Norsk Titanium AS and its subsidiaries (collectively, "Norsk Titanium" or "the Group") for the half year period ended 31 December 2021 were authorized for issue in accordance with a resolution of the directors on 2 March 2022. Norsk Titanium AS (the "Company") is a Norwegian public limited liability Company listed on the Euronext Growth Oslo Stock Exchange. The registered office is located at Karenslyst Allé 9C, Oslo in Norway.

The consolidated financial statements of Norsk Titanium AS are comprised of consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, and related notes. The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Financial Standards Board (IASB) and as adopted by the European Union (EU).

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are limited material uncertainties that may cast significant doubt over this assumption. During 2022, however, the Company will require additional capital to continue to fund its operations in 2023 and beyond. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

Norsk Titanium identifies its reportable segments and discloses segment information under IFRS 8 Operating Segments. This standard requires Norsk Titanium to identify its segments according to the organisation and reporting structure used by management. Currently Norsk Titanium operates its business as a single business unit developing its RPD™ technology and selling parts to the commercial aerospace sector.

As a result of rounding differences numbers or percentages may not add up to the total.



## Note 2 Revenue

in USD thousand	Second half 2021	Second half 2020	Full year 2021	Full year 2020
<b>Revenues</b>				
Sale of printed parts	1,011	230	1,267	357
<b>Total revenues</b>	<b>1,011</b>	<b>230</b>	<b>1,267</b>	<b>357</b>
<b>Geographic information</b>				
<b>Revenues from customers</b>				
Europe	75	0	75	0
USA	937	230	1,192	357
<b>Total revenues</b>	<b>1,011</b>	<b>230</b>	<b>1,267</b>	<b>357</b>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	1,011	230	1,267	357
<b>Total revenues</b>	<b>1,011</b>	<b>230</b>	<b>1,267</b>	<b>357</b>

## Note 3 Other income

in USD thousand	Second half 2021	Second half 2020	Full year 2021	Full year 2020
<b>Other income</b>				
Gain on disposal of property, plant and equipment – RPD machines	0	299	0	299
Net gain from RPD machine grant	66	43	135	84
Grants from European Space of Agency (ESA)	0	237	0	237
US CARES Payroll Protection Program	0	0	1,246	0
Grant from Innovation Norway*	803	0	2,058	0
Skattefunn**	545	0	545	0
Gain on disposal of inventory	2	0	2	0
<b>Total other income</b>	<b>1,415</b>	<b>579</b>	<b>3,985</b>	<b>619</b>

\* 50% of NOK 35 million grant from Innovation Norway recognized as Other income for the full year 2021 (USD 2,058 thousand) following 50% of project costs accrued by year end 2021. Total grant is pending the capital requirement in the project.

\*\* NTi has been granted Skattefunn from Forskningsrådet for the years 2021 and 2022. Total grant is pending the capital requirement in the project.

## Note 4 Financial items

in USD thousand	Second half 2021	Second half 2020	Full year 2021	Full year 2020
<b>Financial income and expenses</b>				
Gains/(losses) on net foreign exchange	3,039	1,553	5,377	2,003
Interest income and other financial income	4	1	65	7,638
Interest and other financial expenses	(21)	(5,944)	(1,401)	(22,207)
<b>Net financial items</b>	<b>3,022</b>	<b>(4,389)</b>	<b>4,041</b>	<b>(12,566)</b>

The conversion of the loans to equity reduced the interest expenses during second half of 2021, as well as unrealized net foreign exchange gains.

## Note 5 Equity

Total equity for the Group decreased from USD 45,278 thousand at 30 June 2021 to USD 34,102 thousand at 31 December 2021. In the second half 2021 the nominal share capital was unchanged at USD 2,005 thousand.

Total equity for the Group increased from negative USD 88,105 thousand at 31 December 2020 to positive USD 45,278 thousand at 30 June 2021. In the first half 2021 the nominal share capital was in total increased by USD 1,541 thousand by issuance of 211,398,173 new shares.

In the first quarter of 2021 the Company's shareholders converted USD 88,333 thousand under the shareholder loan agreements to 567,024 preference shares and 621,429 ordinary shares. Repair offer to shareholders resulted in an issuance of 78,687 new preference shares in the first quarter of 2021.

In the second quarter of 2021 all 645,711 preference shares issued in first half 2021 were converted to ordinary shares 1:1, so that after the conversion there are only ordinary shares in the Company. A share split 1:100 was carried out, and the nominal value of each share was reduced from NOK 8 to NOK 0.08 per share. The shareholders converted USD 9,285 thousand convertible loan to ordinary shares by issuance of 8,833,900 shares. On 18 May 2021 the Company's shares were listed on the Euronext Growth stock exchange in Oslo. Private placement capital raise resulted in an issuance of 26,520,985 new shares, including exercise of the greenshoe option.

### Share capital in Norsk Titanium AS

<b>At 31 December 2021</b>	<b>Number of</b>	<b>Nominal</b>	<b>Share</b>
<b>Amounts in USD thousand</b>	<b>shares</b>	<b>Share capital</b>	<b>premium</b>
<b>At 31 December 2020</b>	<b>498,212</b>	<b>464</b>	<b>0</b>
Debt conversion shareholder loans in Q1 2021	1,188,516	1,128	87,205
Private placement repair offer shareholders in Q1 2021	78,687	73	5,775
Share split 1:100 in Q2 2021	174,776,085	0	0
Debt conversion convertible loan in Q2 2021	8,833,900	85	9,199
Private placement capital raise in Q2 2021	25,287,850	243	32,786
Exercise of greenshoe option in Q2 2021	1,233,135	12	1,562
<b>Issuance of share capital first half 2021</b>	<b>211,398,173</b>	<b>1,541</b>	<b>136,528</b>
Transfer to share premium first half 2021			(87,901)
<b>At 30 June 2021</b>	<b>211,896,385</b>	<b>2,005</b>	<b>48,627</b>
Issuance of share capital second half 2021	0	0	0
Transfer to share premium second half 2021	0	0	0
<b>At 31 December 2021</b>	<b>211,896,385</b>	<b>2,005</b>	<b>48,627</b>
<b>At 31 December 2020</b>	<b>Number of</b>	<b>Nominal</b>	<b>Share</b>
<b>Amounts in USD thousand</b>	<b>shares</b>	<b>Share capital</b>	<b>premium</b>
<b>At 31 December 2019</b>	<b>498,212</b>	<b>464</b>	<b>92,726</b>
Issuance of share capital	0	0	0
Transfer to share premium	0	0	(92,726)
<b>At 31 December 2020</b>	<b>498,212</b>	<b>464</b>	<b>0</b>

## Note 6 Subsequent events

Reference to the Extraordinary General Meeting (EGM) held in Norsk Titanium AS on 14 December 2021, where the implementation of a long-term incentive program (LTI) of a total frame of 9,000,000 shares to be granted over a three-year period was approved. The LTI consists of the instruments (i) Restricted Stock Units (RSUs) – which each at vesting gives the right to subscribe for one share at par value; (ii) Performance Shares (PSUs) – which each at vesting gives the right to subscribe for one share at par value; and (iii) Stock Options – which each at vesting gives the right to subscribe for one share at the market value at the time of grant.

On 17 January 2022, the Grant Date, the Board approved a total grant of 4,928,435 units consisting of 2,524,167 RSUs and 2,404,268 PSUs under the LTI program approved by the shareholders at the 14 December 2021 EGM. The RSUs will vest annually over a three-year period at the anniversary of the Grant Date. The PSUs will vest at the third anniversary from the Grant Date if performance requirements have been fulfilled.

## Alternative performance measures

Norsk Titanium discloses alternative performance measures (APMs) in addition to those normally required by IFRS. This is based on the group's experience that APMs are frequently used by analysts, investors and other parties as supplemental information.

The purpose of APMs is to provide an enhanced insight into the operations, financing and future prospect of the group. Management also uses these measures internally to drive performance in terms of monitoring operating performance and long-term target setting. APMs are adjusted IFRS measures that are defined, calculated and used in a consistent and transparent manner over the years and across the group where relevant.

Financial APMs should not be considered as a substitute for measures of performance in accordance with the IFRS.

### Norsk Titanium's financial APMs

**EBITDA:** is defined as earnings before interest, tax, depreciation, amortisation and impairment. EBITDA corresponds to operating profit/(loss) plus depreciation, amortisation and impairment.

The table below reconciles the EBITDA from earnings before tax with the most directly comparable financial measure or measures calculated in accordance with IFRS.

unaudited, in USD thousand	Second half 2021	Second half 2020	Full year 2021	Full year 2020*
Operating profit	(10,471)	(15,903)	(20,128)	(30,269)
Depreciation and amortisation	1,931	1,550	3,369	2,968
<b>EBITDA</b>	<b>(8,540)</b>	<b>(14,353)</b>	<b>(16,759)</b>	<b>(27,301)</b>

**Cash burn rate:** is defined as Net Change in Cash and Cash Equivalents excluding Proceeds from issuance of shared capital, Purchase and Sale of treasury shares and Increase and Repayment of debt.

The table below reconciles the Cash burn rate from Net changes in Cash and Cash Equivalents with the most directly comparable financial measure or measures calculated in accordance with IFRS.

unaudited, in USD thousand	Second half 2021	Second half 2020	Full year 2021	Full year 2020*
<b>Net change in cash and cash equivalents</b>	<b>(11,665)</b>	<b>(19)</b>	<b>21,305</b>	<b>(10)</b>
Proceeds from issuance of shared capital	0	0	38,374	0
Purchase of treasury shares	0	(22)	(2)	(22)
Sale of treasury shares	0	0	783	0
Increase of debt	0	17,226	6,000	29,192
Repayment of debt	(14)	(80)	(1,828)	(80)
<b>Net change from share capital transactions and increase/repayment of debt</b>	<b>(14)</b>	<b>17,124</b>	<b>43,327</b>	<b>29,090</b>
<b>Cash burn rate</b>	<b>(11,651)</b>	<b>(17,143)</b>	<b>(22,022)</b>	<b>(29,101)</b>
<b>Average monthly cash burn rate</b>	<b>(1,942)</b>	<b>(2,857)</b>	<b>(1,835)</b>	<b>(2,425)</b>

\* Audited

