ANNUAL REPORT

2020

NORSK TITANIUM

Table of contents

THE BOARD OF DIRECTORS' REPORT 2020

INTRODUCTION

Norsk Titanium ("NTi" or "the Group") is the world's pioneering supplier of additive-manufactured, structural titanium components, distinguished in the aviation industry by its patented high deposition Rapid Plasma Deposition™ (RPD™) process.

Based on plasma arc welding technology and with titanium wire as the main feedstock, RPD™ produces "near net shape" titanium components with forged-equivalent quality at deposition rates not achieved by other technologies. RPD™ produces high-quality titanium components that require far less raw material and substantially less processing / machining compared to similar products produced with conventional technologies. The result is parts manufactured at a significantly lower cost while meaningfully reducing production lead times. The technology provides significant energy and waste savings and is therefore more environmentally friendly than conventional processes.

NTi's primary initial market is structural titanium components for commercial aerospace. NTi is currently supplying parts approved by the US Federal Aviation Administration to the Boeing 787 program in serial production, and works with Boeing, Airbus and other aerospace OEMs to expand adoption of RPD™ components in the industry.

NTi's business office is located in Oslo, with production facilities and technology center at Eggemoen, Norway (the Eggemoen Technology Center or "ETC"). The company operates two AS9100D qualified production facilities in Plattsburgh, NY. These facilities were established in close cooperation with New York State. Under the alliance agreement entered into by the parties, New York State funded the capital investments for the facilities.

At year end 2020 Norsk Titanium AS had 498,212 shares, owned 43.3% by Norsk Titanium Cayman Ltd, 18.6% by NTi Holding AS, 8.7% by Triangle Holdings L.P., 3.9% by MB Precision Investment Holdings LLC, 3.3% by Disruptive Innovation Fund L.P.2.6% by Orchard International Inc., 2.5% by RTI Europe, Ltd., 1.7% by Applied Ventures, and 1.6% by MP Pensjon PK. The remaining 13.8% are shares owned by employees and other investors and the company itself.

BUSINESS ACTIVITY OF 2020

NTi achieved several milestones pertaining to its industrialization strategy during 2020. NTi continued to deliver 100% quality on the Boeing 787 program serial production parts to GKN and Leonardo. On technology development, the company completed the delivery of all Boeing Fatigue Phase 2 test articles. The Airbus RPD™ material qualification program is progressing, and a study of RPD process capability has been initiated in support of the Airbus qualification. In addition to commercial aerospace, NTi delivered a full-scale UAV landing gear component for qualification testing to a potential customer in the defense industry.

NTi was awarded seven new patents in 2020 from 3 patent families, bringing our total to 85 patents from 13 families. Additionally, the company has 61 patent applications in process. The first large format Generation 4 Large RPD™ machine was completed and delivered to New York State in December 2020. The new machines can print double-sided parts without removal and retooling. Many of the new features are backward integrable to our existing Generation 4B RPD™ machines.

The Plattsburgh Production Center (PPC) i is in the qualification and certification process to initiate serial production of parts for Boeing. Machine Qualification Test articles have been printed and are in downstream processing. PPC represents the largest 3D printing mass production facility in the US. NTi was successful in re-certifying to AS9100D at both our sites in Norway and US.

The COVID-19 pandemic has severely restricted the level of activity around the world. The governments of many countries, states, and regions have taken preventative or protective actions. The United States, State of New York and Norwegian government actions directly impacted the Group's business. On 12 March 2020, Norway invoked emergency powers to close a wide range of public and private institutions. The State of New York's directed that 100% of the workforce (excluding essential services) must stay home beginning 22 March 2020.

Consequently, NTi temporarily shut down its Plattsburgh, operations, with operations at Eggemoen, following suit on 1 April 2020 and placing most of its employees on furlough. Given the uncertain global commercial aerospace market, the company made the decision to implement a significant organizational restructuring with approximately 40% reduction in headcount to reduce cash spend. NTi restarted global operations in June 2020 with the reduced workforce. The company reorganized from a functional approach led by a Senior Leadership Team to process-based "Value Streams" with leaders focused on specific activities. Our aim is to rapidly increase the velocity of our internal processes to improve our ability to react to the dynamic market conditions that exist today

CONSOLIDATED FINANCIAL STATEMENTS

NTi prepares its consolidated financial statements in accordance with IFRS as adopted by the European Union (EU), and the presentation currency is US dollars.

NTi's total revenue and other income in 2020 was USD 1.0 million, compared to USD 0.4 million in 2019. Profit after tax for the year was negative USD 42.9 million in 2020, compared to negative USD 36.6 million in 2019.

Revenue in 2020 consist of sale of parts of USD 0.4 million, and the Other Income of USD 0.6 million consist of margins from sale of RPD™ machines of USD 0.4 million and other European grants of USD 0.2 million. Comparable Revenue in 2019 consist of sale of parts of USD 0.3 million, and Other Income consist of margins from sale of RPD™ machines of USD 0.1 million.

In addition to generating revenue, the total operating cost of USD 31.2 million in 2020 was used to develop PPC and PDQC, qualify NTi as a supplier of titanium components to the aerospace, complete the organizational restructuring, and settle an outstanding legal claim.

NTi's intangible assets of USD 8.2 million by end of 2020 are mainly related to the development of the production platform, consisting of the RPD™ technology related qualification programs, and the G4 production machine technology**.** Property, plant and equipment of USD 4.9 million mainly consist of the three G4 machines at ETC and related production infrastructure at ETC, PDQC and PPC.

During 2020, the Group drew down a total of USD 28.0 million under the shareholder loan facilities put into place. USD 9.0 million were drawn under the Second Subordinated loan agreement, which was signed in December 2019. In June 2020 the Group entered into a third Secured Loan Agreement under which a total of USD 19.0 million were drawn. The lenders were granted warrants to purchase 18,999 shares under the Subordinated Loan agreements. The third Secured Loan agreement did not contain any warrants.

Norsk Titanium US Inc, a wholly owned subsidiary of Norsk Titanium AS, was granted a USD 1.2 million loan as part of the Payroll Protection Program created under the US Cares Act to provide small businesses relief during the COVID-19 pandemic. Similarly, Norsk Titanium AS received an offer of a NOK 35.0 million grant from Innovation Norway to support our technology development activities at ETC. The company is working to meet all the requirements of the grant to enable the company to access the funding.

Current loan measured at fair value of USD 69.1 million at the end of the year consist of loans from Shareholders due within 12-months. Current interest-bearing debt of USD 21.2 million consist of USD 19.9 million loan from Shareholders, USD 1.2 million loan in US CARES Payroll Protection Program and USD 0.1 million for the final principal repayment of the loan from The Development Corp Clinton County NY issued in 2016. Reference is made to Subsequent events below, where shareholder loans have been converted to equity.

NTi's net cash flow from operating activities was negative USD 27.4 million, and the net cash used in investing activities was negative USD 0.7 million. Net cash flow from financing activities was positive USD 28.1 million, resulting in a net change in cash and cash equivalents of approximately USD 0 million during the year 2020.

The Board of Directors is of the opinion, that the consolidated financial statements give a fair and true view of NTi's assets and liabilities, financial position, and operating results.

PARENT COMPANY

The parent company Norsk Titanium AS has prepared its financial statements in accordance with Norwegian Accounting principles, and the presentation currency for the Norsk Titanium AS standalone financial statements is in Norwegian kroner. In 2020, Norsk Titanium AS was also the entity within NTi Group responsible for developing and advancing the RPD™ technology and transitioning the commercial production of titanium parts to production at PPC.

Norsk Titanium AS' total revenue and other income in 2020 was NOK 27.8 million, compared to NOK 4.0 million in 2019. Profit after tax for the year was negative NOK 160.3 million, compared to negative NOK 169.6 million in 2019. Revenues of NOK 25.6 million in 2020 consist of sale of goods and services from Norsk Titanium AS to its 100% owned subsidiaries Norsk Titanium Equipment AS and Norsk Titanium US Inc. Norsk Titanium AS' costs are related to salaries, professional services, cost of goods and other operating costs.

Norsk Titanium AS' intangible assets were NOK 70.0 million, and property, plant and equipment were NOK 32.7 million by end of 2020. The non-current interest-bearing liabilities of NOK 756.7 million consist of loans from Shareholders.

GOING CONCERN

In accordance with the Norwegian Accounting Act § 3-3a, we confirm that the financial statements have been prepared under the assumption of going concern, and that this assumption was realistic at the time of preparation. The Group is still in a commercial growth phase with negative operating cash flow, consistent with our business plan. During 2020, financing activities included shareholder loans where the Group drew down a total of USD 28.0 million.

On 29 January 2021, the Company raised a convertible loan up to a maximum of USD 37.0 million. The new convertible debt facility was initiated as the principal fundraising instrument for 2021. USD 9 million of the maximum loan amount of USD 37 million has been drawn by the Company.

NTi has converted a total of USD 84.9 million of total debt of USD 89.0 million from the facility agreements of 2018-2020 to equity, improving the equity position of the balance sheet as a measure to attract new capital to the Group. The Board of Directors has engaged advisors to explore alternative funding opportunities alongside the convertible debt facility which provides further ability to secure long term capital for the Group.

The Board of Directors believes NTi's present cash balance and committed funding enables the company to continue its operations in accordance with the current business plan through 2021 and beyond.

NTi is gradually transitioning from an R&D phase to an operational commercial business for the manufacturing and sales of titanium components and RPD™ equipment. The technology qualification process is making good progress and the Board of Directors expects the commercialization process to generate significantly higher revenues and margins in the coming years.

RISK FACTORS

NTi is in a commercial growth phase and currently depends on demand from customers in the aviation and aerospace industry who are significantly exposed to changes in global and regional economic growth.

The global COVID-19 pandemic has impacted companies and markets globally, and the aviation and aerospace industry has suffered severely from travel restrictions that have generated a substantial decline in demand for air transportation services. Commercial manufacturers of aerostructures represent an important part of the company's customer base, and the repercussions of Covid-19 has had an adverse impact on the demand for the company's products.

The pandemic may result in more uncertain markets also going forward, with potentially stricter regulations impacting international trade, and with operations becoming more vulnerable to interruptions. Such consequences may impact the company and its current and planned operations and projects – as well as its customers, and suppliers of goods and services. This includes future customers ability to buy the company's products and services, contractors' ability to provide goods and services required for the company's projects, and the company's ability to raise capital or secure financing. Based on on-going communication with our customers and suppliers the Board of Directors is not aware of any imminent risk of disruption to the business. Management has taken a proactive role in keeping real-time dialogue with customers and suppliers as well as building a plan to execute on existing contracts.

Company specific financial risks including liquidity risk, credit risk, interest rate risk and foreign exchange risk are covered in further detail in note 4.6 to the Consolidated financial statements. The company seeks to minimize the potential adverse effects of such risks through sound business practices and has not deployed derivatives to hedge these risk exposures.

Given the current financing structure with equity and fixed-rate loans, the interest rate risk is limited. NTi reports in USD and is exposed to foreign exchange risks related to revenue and expenses in other currencies and translation of cash flows into USD. The Group continuously monitors this exposure and may potentially use financial derivatives to manage the risk in the future. The company considers credit risk as negligible and had no losses on receivables in 2020. As described above in the ‘Going Concern’ statement, the Board of Directors and the management assesses the liquidity as sufficient to support the company’s operations through 2021 and beyond

CORPORATE GOVERNANCE

NTi is operating under established principles and procedures for sound corporate governance, including risk management and internal controls, rules of procedure for the Board of Directors and management, and equal treatment of shareholders.

The company intends to formalize its corporate governance framework according to the Norwegian Code of Practice for Corporate Governance, last revised 17 October 2018, in 2021, and will report according to this code going forward.

CORPORATE SOCIAL RESPONSIBILITY

NTi is committed to responsible business practices with respect to human rights, labor standards, equality and non-discrimination, social matters, the external environment, and anti-corruption.

The company has developed a framework including a Code for ethical behavior and business conduct, policies for anti-harassment, anti-corruption, anti-bribery, raising concerns (whistleblowing), confidentiality and IP, and systematic HSE work, as well as a detailed quality manual to secure compliance with the international aerospace standard AS9100 and ISO 9001 – Quality Management Systems.

NTi supports the UN Nation’s Global Compact initiative, and the company’s Code of Ethics and Business Conduct is compatible with UN Global Compact and OECD’s guidelines for Multinational Enterprises. The Code covers human rights, workers’ rights in accordance with ILO conventions, personnel policy and the working environment, health and safety, environment and climate, as well as competitive behavior and company interactions with customers, third parties, and society at large.

NTi works systematically with health, safety and environment to ensure safety of personnel and protection of the environment, with an aim to incur no injuries, no incidents, and no spills.

HSE committees at each site are responsible for identifying and monitoring HSE risks, ensure compliance to applicable laws and regulations, plan and follow-up site specific HSE activities such as safety training, review and follow-up HSE observations, and document HSE work.

Equal opportunity
At the end of 2020 NTi had 92 employees, of whom 22 are women. This is in line with the gender balance in the industry sector in Norway, which in 2020 was 76% men and 24% women according to SSB. The executive management group consists of 6 men and 1 woman, and the Board of Directors of 6 men. All appointments are based on qualification in a non-discriminatory manner, and NTi's employees will enjoy equal opportunities irrespective of ethnic background, race, color, gender, gender identity, sexual orientation, age, marital or civil partner status, religion, culture or disability. The company does not have any temporary female employees and one temporary male employee. Three of NTi's employees worked part-times in 2020, two females and one man. This is equal to 9.1% of our female employees and 1.4% of our male employees. Two female and 4 male employees had parental leave in 2020, the females had in average 5.5 weeks leave while the men had 5 weeks in 2020. We work proactively to achieve equality between the genders during recruitment processes, internal promotions and our merit increases. Gender based statistics is a standard tool during annually salary reviews, we encourage female employees to participate in leadership training and we are a sponsor at the "Women in Leadership" event.

Working environment
NTi is a good, stimulating place to work where employees are given the opportunity to use their skills and abilities to contribute both the company's and their own progress. The company is committed to an inclusive work culture, based on diversity, equal employment opportunity and fair treatment of all employees. Norsk Titanium does not accept any form of harassment or discrimination. No harassment cases were reported or investigated in 2020.

Total sick leave for the parent company Norsk Titanium AS was 3.3% in 2020. No injuries or accidents were reported or investigated in 2020.

The company has established a Working Environment Committee functioning as an advisory and decision-making committee with regards to HSE to establish a fully satisfactory working environment and participate in planning safety and environmental work. The working environment is considered to be good which is supported by quarterly employee surveys. The Employee Satisfaction Index for 2020 was 3.7 based on a scale from 1 to 5 where 5 is the best.

Covid-19 prevention and preparedness
NTi in 2020 established a detailed Covid-19 prevention and preparedness policy to protect employees, business partners and the workplace, while safeguarding uninterrupted and efficient operations. The company has operated in compliance with all national and regional rules and recommendations regarding the pandemic. The company had only one Covid-19 case reported among the employees by the end of 2020.

Anti-corruption and anti-bribery
NTi's anti-corruption policy and anti-bribery policy are developed in compliance with the U.S. Foreign Corrupt Practices Act, the U.K Bribery Act and other applicable anti-corruption laws, and states that NTi will not engage in, or otherwise tolerate, any form of bribery or corruption in the business dealings of any member of the Group. No corruption or bribery cases were reported or investigated in 2020.

Raising concerns – Whistleblowing
NTi's Raising Concerns policy establishes the route of notification about concerns, including the possibility to raise concerns anonymously to an external third party. The company does not tolerate any form of retaliation or reprisal against anyone who in good faith report violations to the codes and policies of the company. No concerns were raised via internal or external channels in 2020.

Environment
NTi's core business is to contribute to the development and future production of titanium in environmental-friendly processes. The company's production technology and titanium component production methods use less raw material and substantially less processing / machining compared to similar products produced with conventional technologies. This generates significant energy and waste saving and the company's technology and production processes are therefore more environmentally friendly than conventional processes.

NTi strives to reduce the environmental impact of its business. The main input factors for the company's production process are titanium metal wire and plate, energy machine consumables, and inert argon gas. NTi strives to reduce the environmental impact of our business. The company will try to reduce direct and indirect greenhouse gas emissions resulting from operations. This will address resource consumption in general, including energy consumption, water use and waste treatment. No reported industry environmental incidences were reported during 2020.

ALLOCATION OF THE RESULT FOR THE YEAR

The Board of Directors proposes that the loss for the year for Norsk Titanium AS of NOK 160,283,357 is charged to other equity. The equity in Norsk Titanium AS as of 31st December 2020 is NOK 33.3 million. The Board of Directors proposes to offset accumulated losses of NOK 774,648,113 against other paid in capital and share premium in 2020.

SUBSEQUENT EVENTS

On 29 January 2021, NTi Shareholders approved conversion of existing debt under the shareholder loan agreements to preference shares and ordinary shares through a Private placement (set-off). The majority of the lenders of the secured senior debt have converted their loans of USD 84.9 million into preference shares (principal amount) and ordinary shares (interest). The lenders of the junior debt under the Facility Agreements of 2019 and 2020 have converted their loans into ordinary shares. The share capital was increased by NOK 4,262,576 by issue of 532,822 new preference shares, each with a par value of NOK 8. The share capital was increased by NOK 4,875,048 by issue of 609,381 new ordinary shares, each with a par value of NOK 8. If the conversion of debt described above had taken place prior to closing balance at 31 December 2020, it would have implied a positive impact on total consolidated equity of the Group resulting in an equity ratio of approximately 50%.

Reference to note 4.7 describing the Group's capital management to maintain a healthy cash flow to finance ongoing commercial ramp-up phase; on 29 January 2021 the Company raised a convertible loan up to a maximum of USD 37 million, of which USD 9 million has been drawn as of 15 March 2021. The convertible loan shall accrue interest at a nominal rate of 10% p.a. The company has the right to convert the loan into equity. Unless converted, the loan including accrued interest shall be repaid by 31 December 2022.

Eggemoen, March 15, 2021

……………………….... John Andersen Jr.
Chairman

…………………………….. Shan A. Ashary
Board Member

……………………………. Bart van Aalst
Board Member

……………………….... Jeremy Barnes
Board Member

……………………………. Michael Canario
Board Member

Steve Geskos

……………………………. Steve D. Geskos
Board Member

Consolidated statement of total comprehensive income

For the years ended 31 December

USD 1000	Notes	2020	2019
Revenue	2.1	357	336
Other income	2.2	619	57
Total revenues and other income		**977**	**393**
Raw materials and consumable used	2.3	(3 891)	(3 195)
Employee benefits expense	2.5	(13 741)	(20 872)
Other operating expenses	2.6,7.2	(10 645)	(6 796)
Depreciation and amortisation	3.1,3.2	(2 968)	(3 404)
Impairment of intangible assets	3.2	0	(713)
Operating profit		**(30 269)**	**(34 586)**
Financial income	4.5	17 458	15 386
Financial expenses	4.5	(30 024)	(17 380)
Profit or loss before tax		**(42 835)**	**(36 580)**
Income tax expense	5.1	(62)	(7)
Profit or loss for the year		**(42 896)**	**(36 587)**
Profit/loss attributable to owners of the parent		(42 896)	(36 587)
Other comprehensive income			
Items that subsequently may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(953)	(40)
Other comprehensive income for the period		(953)	(40)
Total comprehensive income for the period		**(43 849)**	**(36 626)**
Total comprehensive income attributable to owners of the parent		(43 849)	(36 626)

Consolidated statement of financial position

USD 1000	Notes	31.12.2020	31.12.2019
ASSETS			
Non-current assets			
Right of use of assets	7.3	1 202	1 601
Property, plant and equipment	3.1	4 859	5 728
Intangible assets	3.2	8 202	9 235
Total non-current assets		**14 264**	**16 564**
Current assets			
Inventories	2.4	4 724	4 317
Trade receivables	2.7	787	907
Other current assets	2.7	961	1 577
Cash and cash equivalents	4.4	2 196	2 145
Total current assets		**8 669**	**8 945**
TOTAL ASSETS		**22 933**	**25 509**
EQUITY AND LIABILITIES			
Equity			
Share capital	4.7	464	464
Share premium		0	92 726
Treasury shares	4.7	(10)	(10)
Other capital reserves		0	2 857
Other equity		(80 975)	(133 090)
Total equity		**(80 521)**	**(37 052)**
Non-current liabilities			
Non-current lease liabilities	7.3	513	843
Long term liabilities		1 022	814
Derivative financial liabilities	4.2, 4.10	0	6 665
Loan measured at fair value	4.2, 4.10	0	40 614
Total non-current liabilities		**1 535**	**48 936**
Current liabilities			
Trade and other payables	2.8	1 608	2 391
Current interest bearing debt	4.2, 4.9, 7.4	21 195	74
Current loan measured at fair value	4.2, 4.10, 7.4	69 106	
Deferred revenue		3 927	6 518
Current lease liabilities	7.3	843	863
Other current liabilities	7.1	5 192	3 731
Tax payable	5.1	47	48
Total current liabilities		**101 918**	**13 624**
Total liabilities		**103 453**	**62 561**
TOTAL EQUITY AND LIABILITIES		**22 933**	**25 509**

Eggemoen, March 15, 2021

John Andersen, Jr
Chairman of the Board

Michael Canario
Member of the Board

Steve D. Geskos
Member of the Board

Bart Van Aalst
Member of the Board

Shan A. Ashary
Member of the Board

Jeremy Barnes
Member of the Board

Consolidated statement of cash flows

For the years ended 31 December

USD 1000

Cash flows from operating activities	Notes	2020	2019
Profit before tax		**(42 835)**	**(36 580)**
Adjustments to reconcile profit before tax to net cash flow:			
Depreciation and amortisation	3.1,3.2	2 968	3 404
Impairment of intangible assets	3.2	0	713
Net financial income/expense included in financing activities	4.5	14 569	1 813
Net foreign exchange differences	4.5	(2 003)	181
Tax payable	5.1	(182)	(48)
Working capital adjustment:			
Changes in inventories and right of use assets	2.4	(8)	(1 973)
Changes in trade and other receivables	2.7	120	3 048
Changes in other current assets	2.7	615	78
Changes in trade and other payables	2.8	(782)	(719)
Changes in other accruals	7.1	212	2 899
Net cash flows from operating activities		**(27 325)**	**(27 183)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3.1	(372)	(56)
Investment in intangible assets	3.2	(358)	(156)
Interest received	4.5	7	77
Net cash flow from investing activities		**(724)**	**(135)**
Cash flow from financing activities			
Purchase of treasury shares	4.7	(22)	(9)
Sale of treasury shares	4.7	0	114
Payment of principle portion of lease liabilities	7.3	(853)	(671)
Increase of debt	4.2	29 192	11 600
Repayment of debt	4.2	(80)	(536)
Interests paid	4.5	(198)	(235)
Net cash flow from financing activities		**28 039**	**10 263**
Net change in cash and cash equivalents		(10)	(17 055)
Effect of change in exchange rate		62	(203)
Cash and cash equivalents, beginning of period	4.4	2 145	19 402
Cash and cash equivalents, end of period		**2 196**	**2 145**

Consolidated statement of changes in equity

USD 1000	Share capital	Share premium	Treasury shares	Other capital reserves	Cumulative translation effect	Retained earnings	Total equity
	Attributable to the equity holders of the parent				Other equity		
Balance as of 31.12. 2018	**464**	**92 726**	**(10)**	**1 315**	**(999)**	**(95 464)**	**(1 969)**
Profit (loss) for the year						(36 587)	(36 587)
Other comprehensive income					(40)		(40)
Issue of share capital							0
Purchase of treasury shares			(0)	(9)			(9)
Sales of treasury shares			1	114			114
Shared-based payment				1 437			1 437
Balance as of 31.12.2019	**464**	**92 726**	**(10)**	**2 857**	**(1 038)**	**(132 051)**	**(37 052)**
Profit (loss) for the year						(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	0			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
Balance as of 31.12.2020	**464**	**0**	**(10)**	**0**	**(1 991)**	**(78 984)**	**(80 521)**

The Company decided to offset acumulated losses against other capital reserves and share premium in 2020.

For further information regarding share capital, shareholders, treasury shares and shares owned by the board and executive employees, see note 4.7.

Notes to the Consolidated financial statements
1.1 Corporate information

The consolidated financial statements of Norsk Titanium AS and its subsidiaries (collectively, "the Group" or "Norsk Titanium") for the year ended 31 December 2021 were authorized for issue in accordance with a resolution of the directors on 15 March 2021. Norsk Titanium AS (the Company or the parent) is a limited liability Company incorporated and domiciled in Norway. The registered office is located at Karenslyst Allé 9C, Oslo in Norway.

Norsk Titanium specializes in additive manufacturing (AM) and producing structural titanium parts with reduced lead time and cost from traditional methods.

Basis of preparation
The consolidated financial statements of Norsk Titanium AS comprise 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 Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

Financial instruments at fair value through profit or loss. The consolidated financial statements are presented in USD and all values are rounded to the nearest thousand (000), except when otherwise indicated. Comparative financial information is provided for the preceding period in the Consolidated statement of comprehensive income, Consolidated statement of financial position and Consolidated statement of cash flows.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2020. 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 return. 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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Foreign currencies
The Group's consolidated financial statements are presented in USD. The parent company's functional currency is NOK. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method. P&L figures are converted from functional currency to presentation currency by use of average rates. Balance sheet figures are converted from functional currency to presentation currency by use of spot rate on the balance sheet date.

1.2 Key source of estimation uncertainty, judgement and assumptions

Significant accounting judgements, estimates and assumptions

In connection with the preparation of the Group's consolidated financial statements, the management has made assumptions and estimates about future events and applied judgements that affect the reported values of assets, liabilities, revenues, expenses and related disclosures.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The assumptions, estimates and judgements are based on historical experience, current trends and other factors that the Group's management believes to be relevant at the time the consolidated financial statements are prepared.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The estimates and the underlying assumptions are reviewed on an ongoing basis. The accounting policies applied by the Group in which judgments, estimates and assumptions may significantly differ from actual results are discussed below:

Judgements

Sale and lease agreement with Fort Schuyler Management Corporation ("FSMC")

In 2015 the Group signed a contract with FSMC under which FSMC is responsible for building a manufacturing facility and purchase manufacturing equipment from Norsk Titanium, and subsequently lease the manufacturing facility and equipment to Norsk Titanium at a yearly rent of 1 USD with an option of extending the term. During the third quarter 2016 the group entered a Master Equipment Purchase Agreement with FSMC, where Norsk Titanium shall build and sell in total 32

RPD™ machines to FSMC. In the fourth quarter 2018 NTi executed an Amendment to the Alliance Agreement. The RPD™ machines are the main part of the Manufacturing Equipment that shall be leased to Norsk Titanium under the agreement with FSMC. In return for the subsidized lease, The Group has committed itself to operations related to the manufacturing facility and hire new employees as production increases for the 10 years period from 1 September 2019 to 31 August 2029. The production facility is located in Plattsburg, New York.

Based on IAS 17, management treated the lease of the facility and equipment as an operating lease and presented the gain/loss from sale of equipment under the sale/leaseback agreement net in the statement of profit and loss since the equipment are used in production.

Upon the transition to IFRS 16 in 2019, NTi was not required to reassess the sale of the RPD machines to FSMC, and therefore no adjustments related to these sales was recorded in 2019. The only transition impact for NTi was the recognition of a lease liability reflecting the remaining lease payments and a corresponding right-of-use asset. The financial liability is accounted for applying IFRS 9.

As FSMC meets the definition of a government in accordance to IAS 20, the difference between market rent and agreed rent is treated as a government grant. Applying the guidance in IAS 20, NTi has a choice of presenting the grant either as a reduction of the carrying amount of the machines (net presentation), with the grant offsetting the depreciation of the asset, or as deferred income that is recognised over the useful life of the asset (gross presentation). NTi has elected to present the deferred revenue as a reduction of the carrying amount of the machines (i.e. net presentation), with difference between the sales price and cost of the RPD machines being recognized as other income over the lease term.

The total utilized grant from FSMC amounts to USD 112 million by 31 December 2020 with an additional USD 9 million committed.

Research and Development

Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. The assessment of when product development is capitalised is highly subjective, as the outcome of these projects may be uncertain. At 31 December 2020, the carrying amount of intangible assets was USD 8.2 million.

Estimates and assumptions

Share based payment

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the assumptions and models used for estimating the fair value are disclosed in note 4.8.

Intangible assets

The useful lives of intangible assets are assessed as either finite or indefinite and may in some cases involve considerable judgements. Intangible assets with indefinite useful lives are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Fair value measurement of shareholder loan

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of share holder loan. An increase of 1% and 2% in the Group's annual effective interest rate would result in a change in fair value for the loans measured at fair value of USD 448 thousand and USD 890 thousand respectively. Further information is disclosed in note 4.2 and 4.10.

2.1 Revenues

Amounts in USD thousand

Revenues	2020	2019
Sale of titanium components	357	336
Total revenues	**357**	**336**

Geographic information	2020	2019
Revenues from customers		
Europe	0	0
USA	357	336
Total revenues	**357**	**336**

Timing of revenue recognition	2020	2019
Goods transferred at a point in time	357	336
Services transferred over time	0	0
Total revenues	**357**	**336**

2.2 Other income

Amounts in USD thousand

Other income	2020	2019
Gain on disposal of property, plant and equipment - RPD machines	299	0
Net gain from RPD machine grant*	84	57
Grants from European Society of Anaesthesiology (ESA)	237	0
Total other income	**619**	**57**

Government grants have been received for research and development activities but are not related to a specific program. The grants included in other income contains no unfulfilled conditions or contingencies.

*Net gain from RPD machine grant reflect net gain from the sale and leaseback of RPD machines to FSCM, being recognized as other income over the lease term, reference to note 1.2.

2.3 Raw materials and consumables used

Amounts in USD thousand

Raw materials and consumables used	2020	2019
Cost of materials	3 197	2 424
Cost for machining of components	171	288
Consumables used	171	181
Cost of handling and freight	353	302
Total cost of goods, raw materials and consumables used	**3 891**	**3 195**

Raw materials and consumables used is mainly related to qualification for the aerospace market, research, test production and product development.

2.4 Inventories

Amounts in USD thousand

Inventories	31.12.2020	31.12.2019
Raw materials	1 562	1 542
Work in progress	3 162	2 775
Total inventories (gross)	**4 724**	**4 317**
Provision for obsolete inventories 31.12	0	0
Total inventories (net)	**4 724**	**4 317**

Work in progress consist of manufacturing of production machines, for own or external use, in addition to titanium components in progress. Inventories consists of wire, argon and substrate for production of titanium components.

2.5 Employee benefit expenses

Amounts in USD thousand

Employee benefit expenses	2020	2019
Salaries and holiday pay	10 936	15 925
Social security tax	1 302	1 565
Pension costs defined contribution plans	612	719
Cost of share-based payment	(17)	1 812
Other personnel costs	908	851
Capitalized salary and personnel expense	0	0
Total payroll and related costs	**13 741**	**20 872**
Full Time equivalent Employees as of 31.12	92	139

Given the uncertain global commercial aerospace market following COVID-19 pandemic, the company made the decision to implement a significant organizational restructuring with approximately 40% reduction in headcount.

Pensions

The Norwegian companies in the Group are obligated to keep an occupational pension scheme pursuant to the Norwegian Mandatory Occupational Pensions Act. The Group's pension scheme satisfies these requirements.

Contributions are paid to pension insurance plans and charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, there are no further payment obligations.

Management and board remuneration

Amounts in USD thousand

Remuneration to management in 2020	Salary	Performance-related bonus	Other remuneration	Total remuneration
Michael Canario - CEO	458	0	41	**499**

Remuneration to management in 2019	Salary	Performance-related bonus	Other remuneration	Total remuneration
Michael Canario - CEO	450	306	73	**829**

Benefits to the CEO

Executive management takes part in the general pension scheme described above. Additionally, the CEO is part of the Group's ordinary bonus scheme and does also have the right to severance payment if the Group terminates the employment. Upon termination of the CEO's employment contract, he is entitled to one year of the annual salary and one year of target incentive compensation based on that annual salary. CEO, executive management and the Board takes part in the Group's option programs as described in note 4.8.

Total remuneration to Board members	2020	2019
Board members	0	0

In the General Meetings 2019 and 2020 it was decided that no remuneration is paid to the board members.

At the end of the financial year, members of the Board and executive employees held shares in the parent company, Norsk Titanium AS. Reference is made to note 4.7 for disclosures on shareholdings.
The board members are not subject to agreements for severance pay, bonuses or profit-sharing.

2.6 Other operating expenses

Amounts in USD thousand

Other operating expenses	2020	2019
Professional services	2 182	3 836
Travel expenses	207	912
Rental and leasing expenses	275	213
Other operating expenses*	7 980	1 834
Total other operating expenses	**10 645**	**6 796**

* In 2020 the company made a payment to Clark Street Associates in accordance with the settlement agreement, expensed as Other operating expenses. Reference to note 7.2.

Auditor related fees	2020	2019
Statutory audit	206	221
Other assurance services	22	7
Tax consultant services	6	13
Total remuneration to the auditor	**234**	**241**

Audit fee:
The amounts above are excluding VAT.

2.7 Trade receivables and other current assets

Amounts in USD thousand

Trade receivables	31.12.2020	31.12.2019
Trade receivables	787	907
Allowance for expected credit loss	0	0
Total trade receivables	**787**	**907**

No provision for bad debt has been recognised in 2020 or 2019.

Other current assets	31.12.2020	31.12.2019
Pre-payments	307	153
Deposits	580	527
VAT	107	245
Short term financial receivables	0	559
Other receivables	(34)	92
Total other receivables	**961**	**1 577**

As at 31 December 2020 the ageing analysis of trade receivables is, as follows:

			Past due but not impaired			
Aging analysis of trade receivables	**Total**	**Not due**	**< 30 days**	**31-60 days**	**61-90 days**	**> 90 days**
Trade receivables at 31.12.2020	**787**	106	635	46	-	-
Trade receivables at 31.12.2019	**907**	195	615	(16)	-	112

For details regarding the Group's procedures on managing credit risk, reference is made to note 4.6.

2.8 Trade and other payables

Amounts in USD thousand

Trade and other payables	31.12.2020	31.12.2019
Accounts payables to related parties	4	4
Accounts payables	1 117	1 810
Withholding payroll taxes and social security	487	576
Total trade and other payables	**1 608**	**2 391**

Trade payables are non-interest bearing and are normally settled on 30-day terms. For an overview of the term date of trade and other payables, reference is made to note 4.3.

3.1 Property, plant and equipment

Amounts in USD thousand	**Machinery and equipment**	**Furniture and vehicles**	**Buildings, IT**	**Total**
Acquisition cost 1.1.2019	**10 223**	**445**	**1 755**	**12 424**
Additions	195	3	(143)	56
Currency translation effects with rates at 31.12.2019	(107)	(5)	(18)	(130)
Acquisition cost 31.12.2019	**10 311**	**443**	**1 594**	**12 350**
Additions	(68)	(2)	(26)	(97)
Currency translation effects with rates at 31.12.2020	299	13	46	358
Acquisition cost 31.12.2020	**10 542**	**454**	**1 614**	**12 611**
Accumulated depreciation and impairment 1.1.2019	**4 073**	**142**	**493**	**4 709**
Depreciation for the year	1 004	105	254	1 364
Impairment for the year	713			713
Currency translation effects with rates at 31.12.2019	(156)	(22)	15	(163)
Accumulated depreciation and impairment 31.12.2019	**5 634**	**226**	**763**	**6 622**
Depreciation for the year	585	95	256	936
Impairment for the year	0	0	0	0
Currency translation effects with rates at 31.12.2020	172	(6)	29	195
Accumulated depreciation and impairment 31.12.2020	**6 390**	**315**	**1 047**	**7 753**
Carrying amount 31.12.2019	**4 678**	**218**	**831**	**5 728**
Carrying amount 31.12.2020	**4 152**	**139**	**566**	**4 859**
Economic life	5-20 years	5 years	5 years	
Depreciation plan	linear	linear	linear	

The global pandemic and the repercussions thereof have had an adverse impact on the demand for the Group's products in the short term and is an potential impairment indicator. Norsk Titanium is gradually moving from an R&D operation to a commercial business with manufacturing and sales of titanium components and of RPD™ equipment. The impact from the pandemic is not considered to impact the long-term business plan in such a way that an impairment should be recorded as of 31 December 2020. The assessment is further supported by the enterprise value in the debt to equity conversion described in note 7.5.

An impairment loss of USD 713 thousand was recognised as Impairment of machinery and equipment in the consolidated statement of comprehensive income in 2019. The impairment loss in 2019 was related to a previous generation of the RPD™ machine. The third-generation machine (P01) has been in use for experiments, prototyping and technology development. The functionality will be replaced by a new G4 Large RPD™machine, which was developed in 2020.

3.2 Intangible assets

Amounts in USD thousand

Intangible assets	Development costs	Other intangible	Total
Acquisition cost 1.1.2019	**14 545**	**1 417**	**15 962**
Additions	0	156	156
Currency translation effects with rates at 31.12.2019	(152)	-15	(167)
Acquisition cost 31.12.2019	**14 393**	**1 559**	**15 952**
Additions	0	17	17
Currency translation effects with rates at 31.12.2020	263	28	291
Acquisition cost 31.12.2020	**14 656**	**1 604**	**16 260**
Accumulated amortisation and impairment 1.1.2019	**5 143**	**357**	**5 500**
Amortisation for the year	1 108	165	1 273
Impairment for the year	0	0	0
Currency translation effects with rates at 31.12.2019	(54)	(4)	(58)
Accumulated depreciation and impairment 31.12.2019	**6 197**	**519**	**6 716**
Amortisation for the year	1 112	69	1 180
Impairment for the year	0	0	0
Currency translation effects with rates at 31.12.2020	146	15	161
Accumulated amortisation and impairment 31.12.2020	**7 455**	**603**	**8 057**
Carrying amount 31.12.2019	**8 196**	**1 040**	**9 235**
Carrying amount 31.12.2020	**7 201**	**1 001**	**8 202**
Economic life	10 years	3-10 years	
Amortisation plan	Straight-line	Straight-line	

Norsk Titanium has invested heavily in researching and developing the market-leading high-deposition rate additive manufacturing (AM) process. Based on available plasma welding technology NTi has developed an automated process for the production of “near net shape” titanium components with titanium wire and titanium substrate as the main feedstock.

Development costs

Norsk Titanium has capitalized technology development up until 2017 for development of the RPD Production Platform reflecting the deposition process and the associated qualification programs and fourth generation production machinery. The Group assess the Production platform and acquired patents as one Cash Generating Unit. Norsk Titanium estimates that the cash inflow from sale of RPD machines and commercial aerospace component sales are higher than the carrying value of the intangible assets.

Impairment of intangible assets

The global pandemic and the repercussions thereof have had an adverse impact on the demand for the Group's products in the short term and is an potential impairment indicator. Norsk Titanium is gradually moving from an R&D operation to a commercial business with manufacturing and sales of titanium components and of RPD™ equipment. The impact from the pandemic is not considered to impact the long-term business plan in such a way that an impairment should be recorded as of 31 December 2020. The assessment is further supported by the enterprise value in the debt to equity conversion described in note 7.5.

No impairment loss is recognised as impairment of intangible assets in the consolidated statement statements for 2019 and 2020.

Other intangible assets
Other intangible assets consist of software and acquired patents.

Other Research and development
A large part of the research and development in 2019 and 2020 has been related to Allowables programs, development of RPD database through design of experiments and specifications and customer qualification programs. Due to the restrictive nature in IAS 36 and IAS 38, specifically related to the demonstration of technical feasibility and demonstrating how the asset will generate future economic benefits, all R&D activities in 2019 and 2020 have been expensed. In 2020 the research and developement expenses amounted to USD 1.7 million. The development costs are activity related to parts development and modeling, GRIT, fatigue qualification, lab activity and wire and substrate improvement.

4.1 Financial instruments

The following tables shows the various financial assets and liabilities, grouped in the different categories of financial instruments:

Amounts in USD thousand

31.12.2020	Financial assets at amortised cost	Financial liabilities	Financial liabilities at fair value through profit and loss	Total
Assets				
Trade receivables (note 2.7)	787			787
Other receivables (note 2.7)	961			961
Cash and cash equivalents (note 4.4)	2 196			2 196
Total financial assets	**3 944**	**0**	**0**	**3 944**
Liabilities				
Trade and other payables (note 2.8)		1 608		1 608
Deferred revenue		3 927		3 927
Long term liabilities (note 7.3)		1 535		1 535
Other current liabilities (note 7.1, 7.3)		5 192		5 192
Interest bearing debt - Short term (note 4.2)		21 195	69 106	90 301
Total financial liabilities		**33 458**	**69 106**	**102 564**

31.12.2019	Financial assets at amortised cost	Financial liabilities	Financial liabilities at fair value through profit and loss	Total
Assets				
Trade receivables (note 2.7)	907			907
Other receivables (note 2.7)	1 018		559	1 577
Cash and cash equivalents (note 4.4)	2 145			2 145
Total financial assets	**4 069**	**0**	**559**	**4 628**
Liabilities				
Interest bearing debt - Long term (note 4.2)		(193)	47 473	47 279
Trade and other payables (note 2.8)		2 391		2 391
Deferred revenue		6 518		6 518
Long term liabilities (note 7.3)		1 657		1 657
Other current liabilities (note 7.1, 7.3)		4 594		4 594
Interest bearing debt - Short term (note 4.2)		74		74
Total financial liabilities		**15 040**	**47 473**	**62 513**

Financial assets at amortised cost

When determining the classification for financial assets, the Group evaluates the investment related to the “SPPI” test and the “Business model” test. The “SPPI” test involves evaluating if the instruments consist of solely payments of principal and interest (hence, SPPI). If the instruments pass the “SPPI” test, the Group further evaluates the “Business model” test. When doing so, the Group evaluates the purpose of the investment. If the investment is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, the investments will be valued at amortized cost.

Financial assets at amortised cost includes cash and short-term deposits, trade receivables and contract assets.

Financial liabilities
Financial liabilities are measured either at fair value through profit or loss or at amortised cost.

Financial liabilities are measured at fair value through profit or loss when they meet the definition of held for trading, or when they are designated as such on initial recognition. Derivatives are always recognised at fair value through profit or loss. In addition, hybrid instruments (embedded derivative in a non-derivative host contract), are recognised at fair value through profit or loss when the Group choose not to separate the embedded derivative and account for the contract as a whole. All other financial liabilities, are generally classified as subsequently measured at amortised cost using the effective interest method.

The third secured shareholder loan signed in June 2020 is considered a non-derivative contract and classified as subsequently measured at amortised cost using the effective interest method (ref. note 4.2).

The loan agreement of September 2018 with shareholders and the second subordinated loan agreement (ref. note 4.2) are hybrid instruments including several embedded derivatives. The Group has chosen not to separate the embedded derivatives from the non-derivative host contract and therefore, the whole contract is recognized at fair value through profit and loss.

4.2 Interest bearing debt

Amounts in USD thousand

Non-current Interest bearing loans and borrowings	Effective interest rate	Maturity	31.12.2020	31.12.2019
Loan from Harbert European Growth Capital Fund*	12.00%	2019	0	0
Loan from The Development Corp Clinton County NY	3.50%	2021	0	80
Derivative financial liabilities - Warrants**		2021	0	6 665
Loan from shareholders measured at fair value**	14.72%	2021	0	40 614
Total non-current interest bearing loans and borrowings			**0**	**47 359**

	31.12.2020	31.12.2019
Short term portion of Loan from The Development Corp Clinton County NY	57	74
US CARES Payroll Protection Program****	1 246	
Current loan from shareholders measured at amortised cost***	19 892	
Current loan from shareholders measured at fair value**	69 106	
Current interest bearing debt	**90 301**	**74**

* The Lender has been granted warrants to purchase USD 1,200 thousand worth of the Issuer's stock.

**As part of the Shareholder loan agreement in September 2018, the Lenders were in 2018 granted warrants to purchase 65,309 shares. The loan was extended from USD 32.9 million up to USD 42.5 million in 2019. Additional 13,422 warrants were granted related to the extension of the loan to USD 42.5 million. The strike price of the warrants granted was equal to the market value of shares as of September 2018. A second subordinated loan agreement was signed in December 2019 of USD 5 million, which was extended from USD 5 million to USD 11 million in 2020.The lenders have been granted warrants to purchase 18,999 shares under the subordinated loan agreements. The strike price of the warrants granted was equal to the market value of shares as of September 2018.

*** A third secured loan agreement of USD 9.0 million was signed in June 2020, which was extended from USD 9.0 million to USD 20 million during 2020. The third secured loan agreement does not contain any warrants.

The duration of the shareholder loan from September 2018 may be extended from 36 months up to 54 months (i.e. 18 months extension) at NTi's discretion. The additional shareholder loans expire at the same time as the first shareholder loan from September 2018. The shareholder loan from December 2019 and the loan agreements from 2020 carries an interest at a fixed 15 % per annum in arrears, compounded quarterly. The accrued interest shall be settled by converting to new shares in NTi.

**** US CARES Payroll Protection Program reflect a loan granted from US government following the COVID-19 pandemic.

Assets pledged as security and guarantee liabilities

Secured balance sheet liabilities	**31.12.2020**	**31.12.2019**
Intangible Assets	8 202	9 235
Property, plant and equipment	4 859	5 728
Inventories	4 724	4 317
Trade receivables	787	907
Other current assets	961	1 577
Cash and cash equivalents	2 196	2 145
Total	**21 730**	**23 907**

The Group has not given any guarantees to or on behalf of third parties in the current and previous period.

4.3 Financial liabilities

Reconciliation of changes in liabilities incurred as a result of financing activities.

			Non-cash changes		
	01.01.2020	**Cash flow effect**	**Foreign exchange**	**Other changes**	**31.12.2020**
Interest bearing debt - Long term (note 4.2)	47 359	(80)	1 375	(48 654)	**0**
Interest bearing debt - Short term (note 4.2)	74	29 192	2	61 033	**90 301**
Non-current lease liabilities	843	(323)	14	(21)	**513**
Current lease liabilities	863	(530)	22	488	**843**
Total liabilities from financing	49 139	28 259	1 413	12 846	**91 657**

			Non-cash changes		
	01.01.2019	**Cash flow effect**	**exchange movement**	**Other changes**	**31.12.2019**
Interest bearing debt - Long term (note 4.2)	33 687	11 520	(352)	2 504	**47 359**
Interest bearing debt - Short term (note 4.2)	536	(457)	(6)	0	**73**
Non-current lease liabilities	0	(332)	(7)	1 181	**843**
Current lease liabilities	0	(339)	(6)	1 209	**863**
Total liabilities from financing	34 223	10 392	(371)	4 894	**49 138**

4.4 Cash and cash equivalents

Amounts in USD thousand

Cash and cash equivalents	**31.12.2020**	**31.12.2019**
Bank deposits, unrestricted	1 929	1 881
Bank deposits, restricted*	267	264
Total cash and cash equivalents	**2 196**	**2 145**

* Restricted bank deposits relates to cash for withholding taxes which may not be used for other purposes. Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

For more information on the Group's credit facilities see note 4.2.

4.5 Financial income and expenses

Amounts in USD thousand

Financial income and expenses	**2020**	**2019**
Financial income		
Interest income	7	77
Foreign exchange gains	9 820	3 082
Other financial income	7 631	12 227
Total financial income	**17 458**	**15 386**
Financial expenses		
Interest expenses	(778)	(3)
Foreign exchange losses	(7 817)	(3 263)
Other financial expenses	(21 429)	(14 113)
Financial expenses	**(30 024)**	**(17 380)**

Other finance income primarily comprise gain fair value derivative, while other finance expense primarily comprise loss fair value on loans and interest of IFRS 16 leases.

4.6 Financial risk and capital management

The Group is exposed to a range of risks affecting its financial performance, including market risk (interest rate risk and foreign exchange risk), liquidity risk and credit risk. The Group seeks to minimise potential adverse effects of such risks through sound business practices. Currently no derivatives are used to hedge risk exposures, which are summarized below.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Interest rate risk
The Group's interest bearing debt from Shareholder loan and The Development Corp Clinton County NY are all loans with a fixed interest rate, hence the Groups exposure to interest rate risk is limited.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

As the Group reports its consolidated results in USD, any change in exchange rates between USD and its subsidiaries' functional currencies, primarily with respect to changes in NOK, affects the consolidated financial statements when those subsidiaries are translated to USD for reporting purposes. The Group has a limited amount of loans and borrowings in other currencies than USD. The Group does not hedge currency exposure with financial instruments at the current time, but monitors the net exposure and may chose to use financial derivatives to manage this risk in the future.

Other market risk
The outbreak of COVID-19 has resulted in a global pandemic and has severely impacted companies and markets globally. The aviation industry has suffered severely under the pandemic due to substantially decreased demand for air transportation services. As an important part of the Group's customer base includes commercial manufacturers of aerostructures, the global pandemic and the repercussions thereof have had an adverse impact on the demand for the Group's products that is considered to be short term.

It is expected that the pandemic may in the future result in more uncertain markets, operations becoming more vulnerable to interruptions and policy makers around the world may gravitate towards stricter regulations impacting international trade. Such consequences will likely also impact the Group and its current and planned operations and projects – as well as its customers, suppliers of goods and services - including the Group's ability to raise capital or secure financing (see note 7.5), future customers' ability to buy the Group's services, and contractors' ability to provide goods and services required for the Company's project at the agreed terms, or at all.

Liquidity risk and Going concern assumption
In accordance with the Norwegian Accounting Act § 3-3a, we confirm that the financial statements have been prepared under the assumption of going concern. The Group is still in a commercial growth phase with negative operating cash flow, consistent with our business plan. During 2020, funding activities included shareholder loans, and the Group drew in total USD 28.0 million on the shareholder loans.

On 29 January 2021, the Company raised a convertible loan up to a maximum of USD 37.0 million. The new convertible debt facility was initiated as the principal fundraising instrument for 2021. USD 9 million of the maximum loan amount of USD 37 million has been drawn by the Company.

In addition to the new convertible debt facility, and as described in the note 7.5, NTi has converted a total of USD 84.9 million of total debt of USD 89.0 million from the facility agreements of 2018-2020 shareholder loans to equity, improving the equity position of the balance sheet as a measure to attract new capital to the Group. The Board of Directors has engaged advisors to explore alternative funding opportunities alongside the convertible debt facility which provides further ability to secure long term capital for the Group.

The Board of Directors believes NTi's present cash balance and committed funding enables the company to continue its operations in accordance with the current business plan through 2021 and beyond.

NTi is gradually transitioning from an R&D phase to a commercial business with manufacturing and sales of titanium components and of RPD™ equipment. The technology qualification process is making good progress and the Board of Directors expects the commercialization process to generate significantly higher revenues and margins in the coming years. In the near-term, however, COVID-19 implications on the global economy present uncertainties that cannot be fully assessed or estimated relative to potential impacts on the Company's future business, revenues, financial condition and results of operations.

Ageing of financial liabilities:

Amounts in USD thousand

31.12.2020	1 year	2 years	3-5 years	Over 5 years	Total
Trade and other payables (note 2.8)	1 608	0	0	0	**1 608**
Interest bearing debt - Short term (Note 4.2)	90 301	0	0	0	**90 301**
Non - Current lease liabilities (Note 7.3)	890	401	248	0	**1 539**
Current lease liabilities (Note 7.3)	843	0	0	0	**843**
Total	**93 643**	**401**	**248**	0	94 291

31.12.2019	1 year	2 years	3-5 years	Over 5 years	Total
Interest bearing debt - Long term (note 4.2)	0	40 654	6 705	0	**47 359**
Trade and other payables (note 2.8)	2 391	0	0	0	**2 391**
Interest bearing debt - Short term (Note 4.2)	74	0	0	0	**74**
Non - Current lease liabilities (Note 7.3)	899	732	263	0	**1 894**
Current lease liabilities (Note 7.3)	863	0	0	0	**863**
Total	**4 226**	**41 386**	**6 968**	0	52 580

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions.

Norsk Titanium is currently in a technology development stage but has accounts receivable at year end. The Group has currently few customers, which generally might imply a concentration of credit risk. However, major part of the limited revenues are related to governmental funding agreements and large firms in the aerospace industry with limited credit risk.

The company has not provided any guarantees for third parties liabilities. It is the management's opinion that there is no material credit risk connected to The Group's current assets. For an overview of the ageing of trade receivables, please refer to Note 2.7.

4.7 Equity and shareholders

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Groups' capital management is to ensure that it maintains a healthy cash flow to cover ongoing operations and maximise shareholder value over time.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. Refer to descriptions in note 4.6 related to capital management measures taken to secure short-term financing and improving the balance sheet to attract new capital, including conversion of debt to equity and raising convertible debt.

Total equity for the Group decreased to negative USD 88 105 thousand at 31 December 2020. As described in note 7.5 Events after the reporting period, on 29 January 2021 the company's shareholders converted USD 84.9 million under the shareholder loan agreements to preference shares and ordinary shares. The share capital was inceased by USD 1.1 million (NOK 9.1 million) by issue of 532,822 new preference shares and 609,381 new ordinary shares. Each of the preference shares and common shares were issued at a par value of NOK 8.

Amounts in USD thousand

Net debt	**31.12.2020**	**31.12.2019**
Interest bearing loans and borrowings	90 301	47 433
Less: cash and short-term deposits	(2 196)	(2 145)
Net debt	**88 105**	**45 288**
Equity	(80 521)	(37 052)
Capital and net debt	**7 584**	**8 237**
Gearing ratio	1162%	550%

Issued capital and reserves:

Share capital in Norsk Titanium AS at 31.12.2020	Number of shares	Nominal Value	Balance Sheet
At 31 December 2019	**498 212**	**464**	**464**
Issuance of share capital	0	0	0
At 31 December 2020	**498 212**	**464**	**464**

Share capital in Norsk Titanium AS at 31.12.2019	Number of shares	Nominal Value	Balance Sheet
At 31 December 2018	**498 212**	**464**	**464**
Issuance of share capital	0	0	0
At 31 December 2019	**498 212**	**464**	**464**

Each share has a nominal value of NOK 8. Included in ordinary shares outstanding, 10,541 treasury shares as of 31 December 2020 are included. All issued shares have equal voting rights and the right to receive dividend.

Dividend distribution to shareholders

The company has not paid dividend in 2019, and has proposed not to pay dividend for 2020.

Treasury shares

The background for having treasury shares is to facilitate that the company has sufficient holding of treasury shares for use in connection with inter alia employee share options and potential transactions with new investors. NTi has purchased 43 treasury shares during 2020, amounting to 0.0% of total shared capital.

NTi has not sold any treasury shares during 2020.

The table below provides an overview of purchase and sale of treasury shares:

	Number of shares	Transaction value (USD thousand)
Number of treasury shares as of 1 January 2020	10 498	
Purchase 16 July 2020	43	22
Total purchases treasury shares 2020	**43**	**22**
Number of treasury shares as of 31 December 2020	**10 541**	

	Number of shares	Transaction value (USD thousand)
Number of treasury shares as of 1 January 2019	11 281	
Purchase 15 January 2019	12	6
Purchase 30 January 2019	5	3
Total purchases treasury shares 2019	**17**	**9**
Sale 20 August 2019	(800)	(114)
Total sales treasury shares 2019	**(800)**	**(114)**
Number of treasury shares as of 31 December 2019	**10 498**	

Ownership structure:

Main shareholders in Norsk Titanium AS as of 31 December 2020	Total shares	Ownership	Share-holding/ Voting
Norsk Titanium Cayman Ltd.	215 931	43.3 %	43.3 %
NTi Holding AS	92 687	18.6 %	18.6 %
Triangle Holdings L.P.	43 495	8.7 %	8.7 %
MB Precision Investment Holdings LLC	19 446	3.9 %	3.9 %
Disruptive Innovation Fund L.P.	16 667	3.3 %	3.3 %
Orchard International Inc.	13 011	2.6 %	2.6 %
RTI Europe Ltd.	12 691	2.5 %	2.5 %
Norsk Titanium AS (treasury shares)	10 541	2.1 %	2.1 %
Applied Ventures	8 699	1.7 %	1.7 %
MP Pensjon PK	7 911	1.6 %	1.6 %
Other shareholders	57 133	11.5 %	11.5 %
Total	**498 212**	**100%**	**100%**

Reconciliation of equity is shown in the statement of changes in equity.

At the end of the financial year, members of the Board and executive employees held shares in the parent company, representing the following ownership:

Ownership interests held by Board members and Group Management:	Ownership as of 31 December 2020
Board of Directors:	
John Andersen - Chairman of the board*	0.00%
Bart Cornelus Gerardus van Aalst - member of the board	1.16%
Shan A. Ashary - member of the board	0.44%
Total	**1.59%**

Ownership interests held by Board members and Group Management:	Ownership as of 31 December 2019
Board of Directors:	
John Andersen - Chairman of the board*	0.00%
Bart Cornelus Gerardus van Aalst - member of the board	1.16%
Timothy Mark Routley Lintott - member of the board	0.52%
Total	**1.67%**

* Closely related parties control 18.6% of the shares through NTi Holding AS.

4.8 Share option plan

NTi has a share option programme for employees in the company divided into 13 programmes. As of 31 December 2020, 146 employees were included in the option programme and 3 non-employees were included in the option programme. On average the option vests after approximately 3.6 years. 35,834 of the options have vested of which 1,200 (the 2011-2013 program) do not have an expiration date. 34 980 vested options are part of LTI programs that vest over a 4 or 5 year schedule and have a 10 year expiration term. Lastly, 4,117 vested options in the 2014-2015 program have expiration date that has been extended to June 2021.

In the event of termination of employment the company has the right, but not an obligation, to repurchase all shares purchased by the employees.

The fair value of the options is set on the traded price at grant date and expensed over the vesting period. There was no new option program granted in 2020. USD 374 thousand have been expensed as payroll (2019 USD 1,841 thousand) and USD 499 thousand have been reversed from previously expensed as social security tax (2019 USD 29 thousand), net impact of USD - 75,1 thousand (2019 USD 1,812 thousand).

Overview of outstanding options:

	Weighted average exercise price USD	Number of share options
Outstanding options as of 1 January 2020	445	50 008
Options granted	0	0
Options forfeited	511	5 876
Options exercised	0	0
Options expired	0	0
Outstanding options as of 31 December 2020	**436**	**44 132**
Exercisable at 31 December	412	35 834

	Weighted average exercise price USD	Number of share options
Outstanding options as of 1 January 2019	378	44 741
Options granted	600	6 495
Options forfeited	593	428
Options exercised	146	800
Options expired	0	0
Outstanding options as of 31 December 2019	**0**	**50 008**
Exercisable at 31 December	405	33 149

There was no new option program in 2020 and no options were granted.

Assumptions used to determine fair value of the 13 prior years option programs currently active as of 31 December 2020:

Option programs	Expected life of options	Exercise price	Number of share
2011-2013 Program	2.0	49	1 200
2014-2015 Program	0.5	157	4 117
2015-LTI Program	2.0	400	16 580
2016-LTI Program	3.0	500	4 900
2017 LTI US/UK Program	4.0	480	1 045
2017 STI NO2020 Program	3.0	555	523
2017-STI NO2021 Program	4.0	503	569
2018 LTI Program	3.6	550	10 880
2018 STI NO 2021 Program	2.0	546	846
2018 STI US 2021 Program	2.0	494	196
2019 STI NO 2022 Program	2.0	580	998
2019 STI US 2022 Program	2.0	523	508
2019 LTI Program	4.0	600	1 770
Weighted average at 31.12.2020	**2.53**	**457**	**44 132**

Pricing model:
The fair value of the options has been calculated using the Black-Scholes-Merton option-pricing model for european options.

Share price on the grant date:
The share price is set to 77.3% of the valuation price on the grant date. The share price was reduced by a liquidity discount of 22.7%.

The strike price per option:
The strike price is the share price on the grant date.

Volatility:
The expected volatility is set to 50 % based on a peer group analysis at the grant date.

The term of the option:
The expected life of the share options are based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. It is assumed that 100 % of the employees will exercise the options.

Dividend:
The estimated dividend per share is NOK 0 per annum.

Risk-free interest rate:
The risk-free interest rate is set equal to the interest rate on government bonds during the term of the option 2-2.5%.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2020 was 2.53 years.

Share options held by Board members and Senior Management:	Number of share options	% of total
Board of Directors	10 500	24%
Senior Management including Board of Directors	14 807	34%

4.9 Loan from shareholders

During 2018, NTi entered into a USD 30 million loan agreement with selected shareholders. As part of the loan agreement, the Lenders have been granted warrants to puchase 60,000 shares. The loan may be extended from USD 30 million, up to a principal amount of USD 42.5 million. A subscription right of an addional 25,000 warrants will be granted related to the potential extension of the loan to USD 42.5 million. As of 31.12.2018 the loan was extended with a second tranche of USD 2.9 million and 5 309 subsribtion rights. The strike price of the options granted is equal to the market value of shares on the grant date. The duration of the loan can be extended from 36 months up to 54 months (i.e. 18 months extension) at NTi's discretion. The loan carries an interest at a fixed 14 % per annum in arrears, compounded quarterly. At the Maturity Date, the interest will be repaid in shares (payment-in-kind), subject to necessary corporate approvals, and otherwise in cash. In case of payment in shares, the share price shall be the lower of USD 600 per share and the share price of the last substantial equity issuance (i.e. a share issue of USD 50,000,000 or more).

During 2019, NTi extended the loan from 2018 from USD 32.9 million loan up to the principal amount of USD 42.5 million with selected shareholders. As part of the loan agreement, the Lenders have been granted warrants to puchase 13,422 shares. The strike price of the options granted is equal to the market value of shares on the grant date. The duration of the loan can be extended from 36 months up to 54 months (i.e. 18 months extension) at NTi's discretion. The loan carries an interest at a fixed 14 % per annum in arrears, compounded quarterly. The accrued interest shall be settled by converting to new shares in NTi.

NTi entered into a second subordinated loan agreement of USD 5 million in December 2019 with selected shareholders. As a part of the USD 5 million loan agreement, the Lenders have been granted warrants to purchase 10,000 shares. The subordinated loan agreement was extended from USD 5 million to USD 11 million in 2020. The lenders have been granted warrants to purchase 18,999 shares under the subordinated loan agreements. The strike price of the warrants granted was equal to the market value of shares as of September 2018. The expiration date of the loan is equal to the loan agreement from September 2018. The loan carries an interest at a fixed 15 % per annum in arrears, compounded quarterly. The accrued interest shall be settled by converting to new shares in NTi.

A third secured loan agreement of USD 9.0 million was signed in June 2020, which was extended from USD 9.0 million to USD 20 million during 2020. The expiration date of the loan is equal to the loan agreement from September 2018. The loan carries an interest at a fixed 15 % per annum in arrears, compounded quarterly. The third secured loan agreement is measured at amortised cost.

The loan from September 2018 and the subordinated loan agreements contain several embedded derivatives. These components could be separated and accounted for separately. However, NTi has chosen the option in IFRS 9.4.3.5 not to separate the embedded derivatives, but instead account for the whole contract at fair value through profit and loss. Fair value of the warrants are calculated using a Black-Scholes-Merton option-pricing model (see input to pricing model below). The remaining part of the loan agreement is at initial recognition measured as the difference between the cash proceeds from the loan agreement fair value and the calculated value of the warrants.

Pricing model warrants:
The fair value of the warrants has been calculated using the Black-Scholes-Merton option-pricing model for European options.

Share price:
The share price is set to the fair value as of 31 December 2020.

The strike price per warrant:
The applied strike price USD 600 per share.

Volatility:
The expected volatility is set to 40% based on a peer group analysis as of 31 December 2020.

The term of the warrants:
The expected life of the warrants are based on historical data and current expectations and is not necessarily indicative of the exercise patterns that may occur. It is assumed that 100 % of the holders of the warrants will exercise the right to subscribe for shares.

Risk-free interest rate:
The risk-free interest rate is set equal to the interest rate on government bonds during the term of the option approximately 2.0%.

Dividend:
The estimated dividend per share is NOK 0 per annum.

The weighted average fair value of warrants granted as part of the shareholder loans was USD 0.03 as of 31.12.2020.

4.10 Fair Value

Determination of fair value
The fair value of quoted financial assets classified as financial assets at fair value through profit or loss, or OCI is determined by reference to published price quotations in an active market. For unquoted financial assets the fair value has been estimated using a valuation technique based on assumptions that are not supported by observable market prices.

The following of the Group's financial instruments are not measured at fair value: cash and cash equivalents, accounts receivables, other current receivables and payables and bank loans.

The fair value of financial assets and liabilities recognised at their carrying amount is calculated as the present value of estimated cash flows discounted by the interest rate that applies to corresponding liabilities and assets at the end of the reporting period. This applies to:

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For recurring measurements, transfers between the levels in the fair value hierarchy are evaluated when reassessing the categories of the financial instruments at the end of the period.

			Fair value measurement using		
31.12.2020	**Note**	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Liabilities measured at fair value:					
Derivative financial liabilities - Warrants	4.2	0	0	0	0
Debt instruments - Loan from shareholders	4.2	69 106	0	0	69 106
Total financial liabilities		**69 106**	**0**	**0**	**69 106**

			Fair value measurement using		
31.12.2019	**Note**	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Liabilities measured at fair value:					
Derivative financial liabilities - Warrants	4.2	6 665	0	0	6 665
Debt instruments - Loan from shareholders	4.2	40 614	0	0	40 614
Total financial liabilities		**47 279**	**0**	**0**	**47 279**

Balance sheet as of 31.12.2020

During the reporting period there were no changes in the fair value measurement which caused transfers between level 1 and level 2, and no transfers to or from level 3. No changes in the fair value have been recognised in statement of comprehensive income.

Valuation technique

The valuation of financial instruments is done by the Groups finance department in cooperation with external advisor's. The valuation techniques used are individually adapted to each financial instrument and should take advantage of as much as possible of the available information in the market.

The valuation technique for financial instruments in level 3 are as follows:

Loan from shareholders (level 3)

Warrants and the residual value is based on level 3 valuation.
For more information related to the loan from shareholders, see note 4.2, 4.9 and 7.5.

5.1 Taxes

Amounts in USD thousand	2020	2019
Current income tax expense:		
Tax payable	47	48
Change deferred tax/deferred tax assets	-	-92
Adjustments in respect of current income tax of previous year	15	52
Total income tax expense	**62**	**7**

Tax payable	**2020**	**2019**
Profit before taxes	**(42 835)**	**(36 580)**
Permanent differences*	(465)	(1 566)
Change in temporary differences	0	499
Change in not recognized deferred tax assets	43 514	37 679
Tax basis	**215**	**33**
Current taxes according to statutory tax rate 22% (22% 2019)	47	7

Deferred tax liabilities (assets):	**2020**	**2019**
Property, plant and equipment	(1 359)	(1 447)
Other current assets	(2 000)	(273)
Losses carried forward (including tax credit)	(187 081)	(146 243)
Basis for deferred tax liabilities (assets):	**(190 440)**	**(147 962)**

Calculated deferred tax recognised in balance sheet	0	0
Calculated deferred tax assets	(44 085)	(34 561)
- Deferred tax assets not recognised	44 085	34 561
Deferred tax assets recognised in balance sheet	0	0
Net Deferred tax	**0**	**0**

The Group's operations are subject to income tax in various foreign jurisdictions. The statutory income tax rates vary from 19% to 22%, which results in a difference between the statutory income tax rate in Norway and the average tax rate applicable to the group. A reconciliation of the differences between the theoretical tax expense under the rate applicable in Norway and the actual tax expense is as follows:

Reconciliation of income tax expense	**2020**	**2019**
Profit before taxes	(42 835)	(36 580)
Tax expense (Norway tax rate)	(9 424)	(8 048)
Permanent differences*	(102)	(344)
Effects of foreign tax rates	199	207
Effects of changes in tax rate**	0	0
Effect of deferred tax asset not recognised	9 524	8 637
Adjustments in respect of current income tax of previous years	15	52
Other changes	(150)	(497)
Recognised income tax expense	**62**	**7**

* Permanent differences is related to share-based payments, costs related to capital increase, grants and non-deductible costs.

The Group has USD 187,081 thousand (2019: USD 146,243 thousand) of tax losses carried forward. These losses relate to a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by USD 43,346 thousand.

6.1 Interests in other Entities

The Group's interests in subsidiaries are presented below:

Amounts in USD thousand

Consolidated entities	Office	CUR	Date of acquisition	Shareholding	Group's voting ownership share
Shares in Norsk Titanium Equipment AS	Norway	NOK	2015/11/09	100%	100%
Shares in NTi MH AS	Norway	NOK	2015/07/10	100%	100%
Shares in Norsk Titanium US Inc.	US	USD	2015/07/07	100%	100%
Shares in Norsk Titanium Services Ltd.	UK	GBP	2016/12/01	100%	100%
Shares in NTi Equipment Leasing (US) One LLC	US	USD	2018/10/09	100%	100%

Norsk Titanium Equipment AS was established in 2015 and is the group's equipment sale company. NTi MH AS was established in 2015 and is the group's holding company for manufacturing subsidiaries. Norsk Titanium US Inc. was established in 2015 and is the group's company for US manufacturing. Norsk Titanium Services Ltd. was established in 2016. The company provides services to the group. NTi Equipment Leasing (US) One LLC is the Group's equipment leasing company. Norsk Titanium US Inc. and Norsk Titanium UK Services Ltd. have been financed with loans from Norsk Titanium AS.

All subsidiaries are included in the consolidated statement of financial position.

To comply with the audit exemption for UK subsidiary companies under section 479A of the Companies Act, the Parent company Norsk Titanium AS guarantees all outstanding liabilities of Norsk Titanium Services Ltd. for the year ended 31 December 2020.

7.1 Provisions and other liabilities

Amounts in USD thousand

Other current liabilities	31.12.2020	31.12.2019
Accrued bonus	1 918	2 159
Unpaid holiday pay	411	647
Other accrued costs*	2 863	924
Total other current liabilities	**5 192**	**3 731**

* Include provision of USD 2 million towards Spirit AeroSystems Inc. related to an IP Settlement Agreement entered into on 28 January 2021. The amount was set-off against a subscription on the convertible loan resolved by the EGM 29 January 2021. Reference to note 7.5.

7.2 Commitments and contingencies

Amounts in USD thousand

Other contractual obligations* (non-cancellable)	2020	Matures within 1 year	Matures 2-5 years	Matures more than 5 years	Total
Contractual purchase obligations**	1 640	1 580	0	0	**3 220**
Total non-cancellable contractual obligations	**1 640**	**1 580**	0	0	**3 220**

*For non cancelable leases, reference is made to note 7.3.

** Commitments are related to purchase agreement for necessary input to complete the two remaining RPD machines under the FSMC agreement. Norsk Titanium has committed itself to hiring a total of 383 employees in Norsk Titanium and Norsk Titanium's Supply Chain partners during the 10 years period, with a minimum 231 direct employees in Norsk Titanium. Reference to note 1.2.

Assets pledged as security and guarantee liabilities
For assets pledged as security and guarantee liabilities, reference is made to note 4.2.

Contingent assets and liabilities
The Group has no contingent assets that meet the criteria for disclosure.

Norsk Titanium has been in litigation with Clark Street Associates (CSA) since January 2018. The claim was in relation to a consulting agreement entered between the parties in 2014, pursuant to which CSA was to provide consulting services to Norsk Titanium. CSA was seeking damages of up to USD 12.05 million.

The claim did not settle and the parties proceeded to a trial which took place in late 2019. A judgement was expected in 2020. Due to the facts and circumstances, the wide range of possible outcomes both in terms of timing such an obligation would become payable, and how much if any, such an obligation would amount to, it was deemed impossible to produce a reliable estimate, and no contingent liability was recorded in the financial statement as of 31 December 2019.

In 2020 Norsk Titanium reached to an agreement and settled all claims and litigation with CSA, reference to note 2.6.

7.3 Leases

Amounts in USD thousand

Right-of-use assets	Buildings	Machinery and equipment	Other equipment	Total
Acquisition cost 1 January 2020	**2 160**	**172**	**50**	**2 382**
Addition of right-of-use assets		459		**459**
Disposals		0		**0**
Transfers and reclassifications				**0**
Adjustments	2	6	0	**8**
Currency exchange differences	(8)	(2)	(0)	**(10)**
Acquisition cost 31 December 2020	**2 155**	**635**	**50**	**2 840**
Accumulated depreciation and impairment 1 January 2019	704	67	10	**781**
Depreciation	685	159	12	**857**
Impairment losses in the period				**0**
Disposals				**0**
Transfers and reclassifications				**0**
Currency exchange differences				**0**
Accumulated depreciation and impairment 31 December 2020	**1 389**	**226**	**23**	**1 638**
Carrying amount right-of-use assets 31 December 2020	**766**	**409**	**27**	**1 202**
Lower of remaining lease term or economic life	1-10 years	1-4 years	1-3 years	
Depreciation method	Linear	Linear	Linear	

Lease liabilities

Undiscounted lease liabilities and maturity of cash outflows	Total	2020	2019
Less than 1 year		(890)	(899)
1-2 years		(401)	(732)
2-3 years		(125)	(260)
3-4 years		(122)	(3)
4-5 years		0	0
More than 5 years		0	0
Total undiscounted lease liabilities at 31 December 2020		**(1 539)**	**(1 894)**

Summary of the lease liabilities	Total	2020	2019
At initial application 01.01.2020		1 706	2 346
New lease liabilities recognised in the year		459	23
Adjustments		8	22
Cash payments for the principal portion of the lease liability		(853)	(671)
Cash payments for the interest portion of the lease liability		(200)	(236)
Interest expense on lease liabilities		200	236
Currency exchange differences		36	(13)
Total lease liabilities at 31 December 2020		**1 356**	**1 707**
Current lease liabilities		**843**	**863**
Non-current lease liabilities		**513**	**843**
Total cash outflows for leases		**1 043**	**884**

Summary of other lease expenses recognised in profit or loss	Total	2020	2019
Variable lease payments expensed in the period		0	0
Operating expenses in the period related to short-term leases (including short-term low value assets)		84	210
Operating expenses in the period related to low value assets (excluding short-term leases included above)		7	3
Total lease expenses included in other operating expenses		**91**	**213**

7.4 Related party transactions

Related parties are Group companies, major shareholders, board and senior management in the parent company and the group subsidiaries. Note 6.1 provides information about the Group's structure, including details of the subsidiaries and the holding company. Management and board remuneration is disclosed in note 2.5.

All transactions within the Group or with other related parties are based on the principle of arm's length.

The following table provides the total amount of transactions that have been entered into with related parties (outside the Group) for the relevant financial year. The amounts owed to related parties per 31 December:

Amounts in USD thousand

Related party transactions	Relationship	2020	2019
Triangle Holdings L.P.	Shareholder	15 000	15 000
Norsk Titanium Cayman Ltd.	Shareholder	29 800	13 504
NTi Holding AS	Shareholder	24 800	13 100

The amounts owed to related parties reflect nominal value of shareholder loans by 31 December. Note 4.9 provides information

7.5 Events after the reporting period

On 29 January 2021 an Extraordinary General Meeting (EGM) was held in Norsk Titanium AS. The EGM resolved conversion of existing debt under the shareholder loan agreements to preference shares and ordinary shares.

The majority of the lenders of the secured senior debt under the Facility Agreement of 28 September 2018 have converted their loans of USD 84.9 million into preference shares (principal amount) and ordinary shares (interest). The lenders of the junior debt under the Facility Agreements of 2019 and 2020 have converted their loans into ordinary shares. The share capital was increased by NOK 4,262,576 by issue of 532,822 new preference shares, each with a par value of NOK 8. The share capital was increased by NOK 4,875,048 by issue of 609,381 new ordinary shares, each with a par value of NOK 8. The subscription price per share is USD 74.32.

Reference to note 4.7 describing the Group's capital managment to maintain a healthy cash flow to finance ongoing commercial ramp-up phase; on 29 January 2021 the Company raised a convertible loan up to a maximum of USD 37 million, of which USD 9 million has been drawn as of 15 March 2021. The convertible loan shall accrue interest at a nominal rate of 10% p.a.. The company has the right to convert the loan into equity. Unless converted, the loan including accrued interest shall be repaid by 31 December 2022.

On 10 February 2021 an EGM was held in Norsk Titanium AS. Steve D. Geskos was elected as a new board member.

On 4 March 2021 the Board in Norsk Titanium AS resolved that John Andersen Jr. was elected as a the Chairman of the Board. Mr. Andersen also served as the Chairman of the Board from December 2014 to September 2020.

8.1 Changes in IFRS standards and interpretations

Changes in account principles and disclosure requirements

New and amended accounting standards and interpretations issued by the IASB may affect the Group's future financial reporting. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

The Consolidated Financial Statements for 2020 are based on the accounting standards applicable for annual periods beginning 1 January 2020. The following amended accounting standards and interpretations were first applied in 2020:

Amendments to IAS 1 and IAS 8 - Definition of Material

The definition of material, an important accounting concept in IFRS Standards, helps companies decide whether information should be included in their financial statements. The updated definition amends IAS 1 and IAS 8.

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

The changes are effective for annual periods beginning on or after 1 January 2020

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS *16 Leases*.

The amendments exempt lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions as a direct result of the Covid-19 pandemic. The practical expedient allows lessees to account for such rent concessions as of these were not lease modifications. The amendment does not affect lessors.

The amendment applies to annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendment had no impact on the consolidated financial statements of the Group.

The following new standards and amendments is considered to not have a material impact on the Group’s financial statements.

- Amendments to IFRS 3 Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7 due to the IBOR reform
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 - Reference to the Conceptual Framework
- Amendments to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract
- IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities

8.2 Significant accounting policies

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue from sale of goods

The Group recognizes revenue from the sale of goods at the point in time when control of the goods is transferred to the customer. Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits from the asset, and the ability to prevent others from directing the use of and receiving the benefits from the asset. Revenue is generally recognised on delivery of the goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components and consideration payable to the customer (if any).

Sale of PPE

Revenue from sale of property, plant and equipment items is presented net of the carrying amount at the time of sale.

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as AFS, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss.

Dividends

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

VAT

Expenses and assets are recognized net of the amount of sales tax, except: When vat incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable. When receivables and payables are stated with the amount of vat included. The net amount of vat recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Research and development

Research costs are expensed as incurred. Development expenditures on an individual project, which represents new applications/technology, are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- Its ability to use or sell the intangible asset
- The availability of adequate, technical, financial and other resources to complete the development and to use or sell the intangible asset
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually. Estimating recoverable amounts of assets must in part be based on management’s evaluations, including determining appropriate cash-generating units, determining discounting rates, estimates of future performance, revenue generating capacity of the assets and assumptions of the future market conditions. The operations are to a large extent affected by economic conditions which result in considerable fluctuations in the Group's fair value. As the market is still immature, these values can vary in time.

Patents and licenses

The Group made upfront payments to purchase patents and licenses. Amounts paid for patents and licenses are capitalised and amortised in a straight line over the expected useful life.

Property, plant and equipment

Construction in progress, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Machinery and equipment 5-20 years
- Furniture and vehicles 5 years
- Buildings and IT 5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases

Identifying a lease

At the inception of a contract, the Group assesses whether the contract is, or contains, a lese. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

For contracts that constitute, or contain a lease, the Group separates lease components if it benefits from the use of each underlying asset either on its own or together with other resources that are readily available, and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract. The Group then accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

Recognition of leases and exemptions

At the lease commencement date, the Group recognizes a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the exemptions for short-term leases (defined as 12 months or less) and low value assets. For these leases, the Group recognizes the lease payments as other operating expenses in the statement of profit or loss when they incur.

Lease liabilities

The lease liability is recognised at the commencement date of the lease. The Group measures the lease liability at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option either to extend or to terminate the lease when the Group is reasonably certain to exercise this option.

- The lease payments included in the measurement comprise of:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amount expected to be payable by the Group under residual value guarantees
- The exercise price of a purchase option, if the Group is reasonably certain to exercise that option

- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

The Group does not include variable lease payments in the lease liability. Instead, the Group recognizes these variable lease expenses in profit or loss. The Group presents its lease liabilities as separate line items in the statement of financial position.

Right-of-use assets

The Group measures the right-of use asset at cost, less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of the right-of-use asset comprise:

- The amount of the initial measurement of the lease liability recognised
- Any lease payments made at or before the commencement date, less any incentives received
- Any initial direct costs incurred by the Group. An estimate of the costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group applies the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset, except that the right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset.

The Group applies IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset. When the Group receives grants of non-monetary assets, the asset and the grant are recorded at fair value and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

Inventories

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

Raw materials: purchase cost on a first-in/first-out basis. Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Trade Receivables

Trade receivables are recognized at their transaction value.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Statement of cash flows

The company presents the statement of cash flow using the indirect method. Cash inflows and cash outflows are shown separately for investing and financing activities, while operating activities include both cash and non-cash items. Value added tax and other similar taxes are regarded as collection of tax on behalf of authorities and are reported net.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the share premium. Share options exercised during the reporting period are satisfied with treasury shares.

Pensions and other post-employment benefits

The Group operates a defined contribution pension plan in Norway, which requires contributions to be made to a separately administered fund. Contributions have been made to the pension plan for full-time. The pension premiums are charged to expenses as they are incurred.

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments.

This program is measured at fair value at the date of the grant. The fair value at the grant date is expensed over the vesting period, based on the Company's estimate of the shares that will eventually vest, adjusted for the effect of non-market based vesting conditions.

The fair value share-based program is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioral considerations.

Social security tax on options is recorded as a liability and is recognised over the estimated vesting period.

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Financial instruments

Financial assets

Financial assets within the scope of IFRS 9 are classified in the following categories:

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification is dependent on the type of instrument and the purpose for which the investments were acquired or originated. In order for a financial asset to be classified and measured at amortised cost or at fair value through OCI with recycling, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at amortized cost: Trade receivables and other current receivables

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are regarded as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also regarded as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Financial liabilities are classified, as measured at amortised cost exept for financial liabilities at fair value through profit and loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the consolidated statement of income, as well as any gain or loss on derecognition.

Derivatives are financial liabilities when the fair value is negative, accounted for similarly as derivatives as assets.

Financial liabilities are measured at fair value through profit or loss when they meet the definition of held for trading, or when they are designated as such on initial recognition. Derivatives are always recognised at fair value through profit or loss. In addition, hybrid instruments (embedded derivative in a non-derivative host contract), are recognised at fair value through profit or loss when the Group choose not to separate the embedded derivative and account for the contract as a whole. All other financial liabilities are generally classified as subsequently measured at amortised cost using the effective interest method.

De-recognition of financial instruments

A financial asset is derecognized when the rights to receive cash flows from the asset have expired; or the Company has transferred its rights to receive cash flows from the asset and either (i) the Company has transferred substantially all the risks and rewards relating to the instrument, or (ii) the Company has neither transferred nor retained substantially all the risks and rewards relating to the instrument, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, this is treated as derecognition of the original liability and recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Cash flows

The consolidated statements of cash flows are prepared using the indirect method. Cash flows in foreign currencies have been translated into NOK using the exchange rate at the cash flow date.

Parent company statement of profit and loss

For the years ended 31 December

NOK 1000	Notes	2020	2019
Revenue	2,19	25 641	4 046
Other income	3	2 140	0
Total revenues and other income		**27 781**	**4 046**
Raw materials and consumable used		(24 946)	(25 343)
Employee benefits expense	5	(55 739)	(62 965)
Other operating expenses	6	(94 407)	(60 802)
Depreciation and amortisation	9,1	(15 740)	(18 361)
Impairment of tangible assets	10	0	(6 494)
Operating profit		**(163 050)**	**(169 919)**
Financial income	13	131 923	75 873
Financial expenses	13	(128 252)	(73 347)
Profit or loss before tax		**(159 378)**	**(167 393)**
Income tax expense	16	(905)	(2 218)
Profit or loss for the year		**(160 283)**	**(169 611)**
Transfers and allocations			
Allocation to / (from) other equity	14	(160 283)	(169 611)
Total transfers and allocations		**(160 283)**	**(169 611)**

Parent company statement of financial position

For the years ended 31 December

NOK 1000	Notes	2020	2019
ASSETS			
Non-current assets			
Deferred tax asset	16	0	905
Property, plant and equipment	9	32 682	37 125
Intangible assets	10	69 987	81 083
Investments in subsidiaries	17	38 550	35 873
Long term loan to subsidiary	19	680 820	525 847
Total non-current assets		**822 039**	**680 833**
Current assets			
Inventories	4	8 949	8 408
Trade receivables	7,19	0	1 646
Other current assets	7,19	14 271	19 319
Cash and cash equivalents	12	13 787	14 545
Total current assets		**37 008**	**43 918**
TOTAL ASSETS		**859 046**	**724 752**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	3 986	3 986
Share premium	14	29 441	788 039
Treasury shares	14	(84)	(84)
Other capital reserves	14	0	(25 423)
Other equity	14	0	(576 152)
Total equity		**33 342**	**190 367**
Non-current liabilities			
Interest bearing debt	11	0	448 225
Intercompany debt	19	11 086	33 329
Total non-current liabilities		**11 086**	**481 553**
Current liabilities			
Trade and other payables	8,19	8 267	14 906
Interest bearing debt - Short term	11	756 680	110
Other current liabilities	18, 20	49 671	37 816
Total current liabilities		**814 618**	**52 832**
Total liabilities		**825 704**	**534 385**
TOTAL EQUITY AND LIABILITIES		**859 046**	**724 752**

Eggemoen, March 15, 2021

John Andersen Jr.
Chairman of the Board

Michael James Canario
Member of the Board

Bart Cornelus Gerardus Van Aalst
Member of the Board

Shan-E-Abbas Ashary
Member of the Board

Jeremy Barnes
Member of the Board

Steve D. Geskos
Member of the Board

Parent company statement of cash flows

For the years ended 31 December

Cash flows from operating activities	Notes	2020	2019
Profit before tax		**(159 378)**	**(167 393)**
Depreciation and amortisation	9,10	15 740	18 361
Impairment of tangible assets	10	0	6 494
Net financial income/expense included in financing activities	13	(3 671)	(2 526)
Elements without cash effect	19	63 323	14 837
Working capital adjustment:			
Changes in inventories	4	(540)	3 794
Changes in trade and other receivables	7	1 646	558
Changes in other current assets	7	5 048	11 554
Changes in trade and other payables	8	(6 639)	(14 385)
Changes in other current liabilities	18	11 854	(12 101)
Net cash flows from operating activities		**(72 618)**	**(140 807)**
Cash flows from investing activities			
Net purchase of property, plant and equipment	9	(201)	(1 086)
Investment in intangible assets	10	0	(1 371)
Interest recieved	13	56	697
Investment in loans to subsidiaries	19	(185 997)	(66 413)
Net cash flow from investing activities		**(186 142)**	**(68 173)**
Cash flow from financing activities			
Proceeds from issuance of share capital	14	0	0
Purchase of treasury shares	14	(176)	0
Sale of treasury shares	14	0	1 029
Proceeds/repayment of debt	11	258 178	102 441
Net interests paid	13	0	(61)
Net cash flow from financing activities		**258 002**	**103 409**
Net change in cash and cash equivalents		(757)	(105 571)
Cash and cash equivalents, beginning of period		14 545	120 116
Cash and cash equivalents, end of period		**13 788**	**14 545**

Notes to the Parent company financial statements

1. General information and accounting policies

The separate financial statements for Norsk Titanium AS has been prepared in accordance with the Norwegian Accounting Act of 1988 and generally accepted accounting principles in Norway.

Use of estimates

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities in accordance with generally accepted accounting principles in Norway

Foreign currency translation

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognised in the income statement as they occur during the accounting period.

Revenue recognition

Revenues from the sale of goods are recognised in the income statement once delivery has taken place and most of the risk and return has been transferred.

Revenues from the sale of services and long-term manufacturing projects are recognised in the income statement according to the project's level of completion provided the outcome of the transaction can be estimated reliably. Progress is measured as the number of hours spent compared to the total number of hours estimated. When the outcome of the transaction cannot be estimated reliably, only revenues equal to the project costs that have been incurred will be recognised as revenue. The total estimated loss on a contract will be recognised in the income statement during the period when it is identified that a project will generate a loss.

Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 22 percent of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized. Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

Balance sheet classification

Current assets and short term liabilities consist of receivables and payables due within one year, and items related to the inventory cycle. Other balance sheet items are classified as fixed assets / long term liabilities.
Current assets are valued at the lower of cost and fair value. Short term liabilities are recognized at nominal value.
Fixed assets are valued at cost, less depreciation and impairment losses. Long term liabilities are recognized at nominal value.

Research and development

Development costs are capitalized providing that a future economic benefit associated with development of the intangible asset can be established and costs can be measured reliably. Otherwise, the costs are expensed as incurred. Capitalized development costs is amortized linearly over its useful life. Research costs are expensed as incurred.

Property, plant and equipment

Property, plant and equipment is capitalized and depreciated linearly over the estimated useful life. Significant fixed assets which consist of substantial components with dissimilar economic life have been unbundled; depreciation of each component is based on the economic life of the component. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property plant and equipment are added to the acquisition cost and depreciated with the related asset. If carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realisable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are discounted are used.

1. General information and accounting policies (Continued)

Subsidiaries and investment in associates
Subsidiaries and investments in associates are valued at cost in the company accounts. The investment is valued as cost of the shares in the subsidiary, less any impairment losses An impairment loss is recognised if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a lather period.
Dividends, group contributions and other distributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the provider. If dividends / group contribution exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

Inventories
Inventories are recognised at the lowest of cost and net selling price. The net selling price is the estimated selling price in the case of ordinary operations minus the estimated completion, marketing and distribution costs. The cost is arrived at using the FIFO method and includes the costs incurred in acquiring the goods and the costs of bringing the goods to their current state and location.

Trade and other receivables
Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables. For the remaining receivables, a general provision is estimated based on expected loss.

Short term investments
Short term investments (stocks and shares seen as current assets) are valued at the lower of acquisition cost and fair value at the balance sheet date. Dividends and other distributions are recognized as other financial income.

Cash flow statement
The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term, highly liquid investments with maturities of three months or less.

Share based payment
Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the assumptions and models used for estimating the fair value are disclosed in note 4.8 in the consolidated financial statements.

Treasury shares
Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the share premium. Share options exercised during the reporting period are satisfied with treasury shares.

Pensions and other post-employment benefits
The Company has a defined contribution pension plan in Norway, which requires contributions to be made to a separately administered fund. Contributions have been made to the pension plan for full-time. The pension premiums are charged to expenses as they are incurred.

Government grants
Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset. When the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2. Revenues

Amounts in NOK thousand

Revenues	2020	2019
Sale of goods and services	25 641	4 046
Total revenues	**25 641**	**4 046**

Geographic information	2020	2019
Norway	16 695	3 838
Europe	0	0
USA	8 945	208
Total revenues	**25 641**	**4 046**

3. Government grants

Amounts in NOK thousand

Other income	2020	2019
Grants from European Space Agency (ESA)	2 140	0
Total other income	**2 140**	**0**

The Company recognized NOK 2 140 thousand in grant income from The European Space Agency (ESA) related to the direct metal deposition technology project in 2020.

4. Inventories

Amounts in NOK thousand

Inventories	31.12.2020	31.12.2019
Raw materials	6 670	6 065
Work in progress	2 279	2 344
Total inventories	**8 949**	**8 408**

Work in progress consist of manufacturing of production machines, for own or external use, in addition to titanium components in progress. Inventories consists of wire, argon and substrate for production of titanium components as well as spare parts for production machines.

5. Employee benefit expenses

Amounts in NOK thousand

Employee benefit expenses	**2020**	**2019**
Salaries and holiday pay	47 033	44 762
Social security tax	3 710	8 083
Pension costs defined contribution plans	3 856	4 533
Cost of share-based payment	759	4 340
Other personnel costs	380	1 248
Total payroll and related costs	**55 739**	**62 965**
Full Time equivalent Employees as of 31.12	53	80

Pensions

The Norwegian companies in the Group are obligated to keep an occupational pension scheme pursuant to the Norwegian Mandatory Occupational Pensions Act. The Group's pension scheme satisfies these requirements.

Contributions are paid to pension insurance plans and charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, there are no further payment obligations.

Remuneration to Board members in 2020	
Board of Directors	**0**

At the end of the financial year, members of the Board and executive employees held shares in the parent company, Norsk Titanium AS. Reference is made to note 4.7 in the consolidated financial statements for disclosures on shareholdings.

6. Other operating expenses

Amounts in NOK thousand

Other operating expenses	2020	2019
Professional services	16 231	29 934
Travel expenses	797	1 694
Rental and leasing expenses	4 132	2 826
Other operating expenses	73 246	26 347
Total other operating expenses	**94 407**	**60 802**

Reference is made to note 2.6 in the consolidated financial statements for disclosures on other operating expenses.

Auditor related fees	2020	2019
Statutory audit	1 305	1492
Other assurance services	188	118
Tax consultant services	47	62
Total remuneration to the auditor	**1 540**	**1 671**

Audit fee:
The amounts above are excluding VAT.

7. Trade receivables and other current assets

Amounts in NOK thousand

Trade receivables	2020	2019
Receivable to external parties	0	1 646
Total trade receivables	**0**	**1 646**

No provision for bad debt has been recognised in 2020 or 2019.

Other current assets	2020	2019
Earned not invoiced revenue	0	0
Pre-payments	905	936
Charges to subsidiaries, not invoiced	0	0
Deposits	966	966
VAT	916	2 153
Other receivables	11 484	15 265
Group contribution	0	0
Total other receivables	**14 271**	**19 319**

8. Trade and other payables

Amounts in NOK thousand

Trade and other payables	2020	2019
Accounts payable	4 339	10 508
Withholding payroll taxes and social security	3 928	4 397
Total trade and other payables	**8 267**	**14 906**

9. Property, plant and equipment

Amounts in NOK thousand	Machinery and equipment	Furniture and vehicles	Buildings, IT	Total
Acquisition cost 31.12.2019	**76 216**	**3 284**	**9 241**	**88 741**
Additions	201	0	0	201
Acquisition cost 31.12.2020	**76 417**	**3 284**	**9 241**	**88 942**
Accumulated depreciation and impairment 1.1.2020	**46 211**	**2 218**	**3 187**	51 616
Depreciation for the year	3 662	764	218	4 644
Impairment for the year	0	0	0	0
Accumulated depreciation and impairment 31.12.2020	**49 873**	**2 982**	**3 404**	**56 260**
Carrying amount 1.1.2020	**30 005**	**1 066**	**6 054**	**37 125**
Carrying amount 31.12.2020	**26 544**	**302**	**5 836**	**32 682**
Economic life	5-20 years	5 years	5 years	
Depreciation plan	linear	linear	linear	

No indicators for impairment of property, plant and equipment were identified in 2020.

An impairment loss of NOK 6 494 thousand was recognised as Impairment of machinery and equipment in the statement of profit and loss in 2019. Additionally, property, plant and equipment in the statement of financial position has been written down by the same amount.

The impairment loss was related to a previous generation of the RPD™ machine. The third-generation machine (P01) has been in use for experiments, prototyping and technology development. The functionality will be replaced by a new G4 Large RPD™ machine, which is under development.

10. Intangible assets

Amounts in NOK thousand

Intangible assets	Develop- ment costs	intangible assets	Total
Acquisition cost 1.1.2020	**103 431**	**13 686**	**117 117**
Additions	0	0	0
Acquisition cost 31.12.2020	**103 431**	**13 686**	**117 117**
Accumulated amortisation and impairment 1.1.2020	**31 467**	**4 567**	**35 940**
Amortisation for the year	10 448	648	11 096
Impairment for the year	0	0	0
Accumulated amortisation and impairment 31.12.2020	**41 915**	**5 215**	**47 129**
Carrying amount 1.1.2020	**71 964**	**9 119**	**81 177**
Carrying amount 31.12.2020	**61 517**	**8 471**	**69 987**
Economic life	10 years	3-10 years	
Amortisation plan	Straight-line	Straight-line	

Impairment of intangible assets
No impairment loss is recognised as impairment of intangible assets in the financial statements in 2020 and 2019.

Other intangible assets
Other intangible assets consist of software and acquired patents.

Reference to note 3.2 in the consolidated financial statements for further information on research and development.

11. Interest bearing debt

Amounts in NOK thousand

Interest bearing loans and borrowings	**2020**	**2019**
Non-current Interest bearing debt	0	448 225
Current portion of interest bearing debt	756 680	110
Total Interest bearing loans and borrowings	**756 680**	**291 985**

Interest bearing debt consists of shareholder loans. Reference to note 4.2 in the consolidated financial statements for additional disclosures related to the loan.

12. Cash and cash equivalents

Amounts in NOK thousand

Cash and cash equivalents	**2020**	**2019**
Bank deposits, unrestricted	11 507	12 229
Bank deposits, restricted*	2 281	2 316
Total cash and cash equivalents	**13 787**	**14 545**

* Restricted bank deposits relates to cash for withholding taxes which may not be used for other purposes.

13. Financial income and expenses

Amounts in NOK thousand

Financial income and expenses	**2020**	**2019**
Financial income		
Interest income	67 117	53 180
Foreign exchange gains	64 806	18 580
Group contribution	0	4 114
Total financial income	**131 923**	**75 873**
Financial expenses		
Interest expenses	(91 699)	(49 140)
Foreign exchange losses	(33 812)	(21 816)
Other financial expenses	(2 742)	(2 391)
Financial expenses	**(128 252)**	**(73 347)**

14. Equity and shareholders

Amounts in NOK thousand	Share capital	Share premium	Treasury shares	Other paid in capital	Other equity	Total equity
Balance as of 31.12.2019	**3 986**	**788 039**	**(84)**	**16 050**	**(617 625)**	**190 367**
Profit (loss) for the year					(160 283)	(160 283)
Issue of share capital						0
Purchase of treasury shares			(0.3)		(176)	(176)
Sales of treasury shares						0
Shared-based payment					3 436	3 436
Transfer to other paid in capital				-16 050	16 050	0
Transfer to share premium		-758 598			758 598	0
Balance as of 31.12.2020	**3 986**	**29 441**	**(84)**	**0**	**0**	**33 342**

The Company decided to offset accumulated losses against other paid in capital and share premium in 2020.

For further information regarding share capital, shareholders, treasury shares and shares owned by the board and executive employees, see note 4.7 in the consolidated financial statements.

15. Share option plan

Reference to note 4.8 in the consolidated financial statements for information related to the Company's option program vesting and number of vested options, total outstanding options, number of options granted, forfeited and exercised in the year, weighted average strike price and assumptions used to compute fair value of the options granted.

The fair value of the options is set on the traded price at grant date and expensed over the vesting period. NOK 759 thousand and NOK - 2 360 thousand have been expensed as payroll and social security tax respectively.

No options was granted or exercised during 2020.

Reference to note 4.8 for disclosures on share options held by management and the board of directors in the Company.

16. Taxes

Amounts in NOK thousand	2020	2019
Current income tax expense:		
Tax payable	-	-
Change deferred tax/deferred tax assets	905	2 218
Total income tax expense	**905**	**2 218**

Tax payable	**2020**	**2019**
Profit before taxes	**(159 378)**	**(167 393)**
Permanent differences*	(1 416)	(1 151)
Change in temporary differences	13 560	903
Adjustments in respect of current income tax of previous years	0	-
Tax basis	**(147 234)**	**(167 641)**
Current taxes according to statutory tax rate 22% (22% in 2019)	(32 392)	(38 558)

Deferred tax liabilities (assets)	**2020**	**2019**
Property, plant and equipment	(11 595)	(12 701)
Other differences	(17 065)	(2 400)
Losses carried forward (including tax credit)	(856 228)	(708 994)
Basis for deferred tax liabilities (assets)	**(884 888)**	**(724 094)**
Calculated deferred tax assets	(194 675)	(159 301)
Deferred tax assets not recognised	(194 675)	(158 396)
Deferred tax recognised in balance sheet	**0**	**(905)**

Deferred tax assets of NOK 194,629 thousands related to losses carried forward are not recorded in the balance sheet as it is more likely than not that the tax assets will be utilized. The unrecognised tax asset may offset future taxable income.

Reconciliation of income tax expense	**2020**	**2019**
Profit before taxes	**(159 378)**	**(167 393)**
Tax expense 22%	(35 063)	(36 826)
Permanent differences*	(311)	(253)
Effects of changes in tax rate	0	0
Effect of deferred tax asset not recognised	36 280	39 298
Other changes**	0	0
Recognised income tax expense	**905**	**2 218**

* Permanent differences is related to "employee options and non-deductible costs".
** Other changes is related to adjustments in respect of current income tax of previous years.

17. Investments in subsidiaries

Amounts in NOK thousand

Investments in subsidiaries	Office	Date of acquisition	Shareholding/ voting rights	Equity	Carrying amount 31.12.202
Shares in Norsk Titanium Equipment AS	Norway	2015/11/09	100%	(1 154)	30
Shares in NTi MH AS	Norway	2015/07/10	100%	0.2	30
Shares in Norsk Titanium US Inc.	US	2015/07/07	100%	(726 563)	34 177
Shares in Norsk Titanium Services Ltd.	UK	2016/12/01	100%	14 031	4 313
Total Investments in subsidiaries				**(713 686)**	**38 550**

Additional disclosures related to investments in subsidiaries and exemption from audit for subsidiary companies in the UK are presented in note 6.1 in the consolidated financial statements.

18. Other current liabilities

Amounts in NOK thousand

Other current liabilities	2020	2019
Prepaid revenues	20 164	27 860
Accrued bonus	7 180	0
Unpaid holiday pay	3 509	5 683
Other accrued costs	18 818	4 274
Total other current liabilities	**49 671**	**37 816**

19. Related parties transactions and balances

Related parties	Shareholder/Subsidiary	Ownership interest
Norsk Titanium Cayman Ltd	Shareholder	43.3 %
Nti Holding AS	Shareholder	18.6 %
Board of Directors	Shareholder	1.6 %
Norsk Titanium Equipment AS	Subsidiary	100%
Norsk Titanium US Inc.	Subsidiary	100%
Norsk Titanium Services Ltd	Subsidiary	100%
NTi MH AS	Subsidiary	100%

Amounts receivable (payable) to subsidiaries:

Amounts in NOK thousand

Included in the balance sheet 31.12.2020	Norsk Titanium Equipment AS	Norsk Titanium US Inc.	Norsk Titanium Services Ltd	Board of directors	Norsk Titanium Cayman Ltd	31.12.2020	31.12.2019
Long term loan to subsidiary*		669 533				669 533	525 847
Other current assets	11 286					11 286	0
Trade and other payables**						0	(21 032)
Debt to subsidiaries***			(11 086)			(11 086)	(12 296)
Net receivable (payable)	**11 286**	**669 533**	**(11 086)**	**0**	**0**	**669 734**	**492 519**

* Long term loan to subsidiary in 2019 was related to Norsk Titanium US Inc.

** Trade and other payables in 2019 was related to Norsk Titanium Equipment AS and Norsk Titanium Services Ltd.

*** Debt to subsidiaries in 2019 was related to Norsk Titanium Services Ltd.

Income from related parties / (expenses to related parties):

Included in profit and loss 2020	Norsk Titanium Equipment AS	Norsk Titanium US Inc.	Norsk Titanium Services Ltd	Board of directors	2020
Revenue	16 695	8 945			25 641
Raw materials and consumable used					0
Other operating expenses		(2 363)	(7 081)		(9 444)
Financial income		67 061	(1 469)		65 592
Net profit and loss	**16 695**	**73 643**	**(8 551)**	**0**	**81 788**

20. Commitments and contingencies

Amounts in NOK thousand

Minimum lease payments (non-cancellable operating leases)	2020	Matures within 1 year	Matures 2-5 years	Matures more than 5 years	Total
Buildings and argon tank lease	3 900	3 680	2 101	0	**9 681**
Total non-cancellable operating leases	**3 900**	**3 680**	**2 101**	**0**	**9 681**

Assets pledged as security and guarantee liabilities
For assets pledged as security and guarantee liabilities, reference is made to note 4.2 in the consolidated financial statement.

Contingent assets and liabilities
The company has no contingent assets that meet the criteria for disclosure.

The company is involved in ongoing claims negotiations. Reference is made to note 7.2 in the consolidated financial statement regarding ongoing claims processes.

21. Going concern assumption

Reference to note 4.6 in the consolidated financial statements for disclosures on financial risk and capital management for the company.

22. Subsequent events

Reference to note 7.4 in the consolidated financial statements for disclosures on subsequent events for the company.

Building a better
working world

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6A, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Norsk Titanium AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Norsk Titanium AS comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2020, the statement of profit and loss and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2020, the statements of total comprehensive income, cash flows and changes in equity 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 financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. 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 on the other information obtained prior to the date of the auditor's report, 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 management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company 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 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 the 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 law, regulations and generally accepted auditing principles 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, 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 internal control;
- 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'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 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 fair presentation;
- 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 concerning the financial statements, the going concern assumption and proposal for the allocation of the result 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 ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 16 March 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Magnus H. Birkeland
State Authorised Public Accountant (Norway)

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur". De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

MAGNUS HEGERTUN BIRKELAND
Statsautorisert revisor
Serienummer: 9578-5990-4-2796687
IP: 77.16.xxx.xxx
2021-03-16 07:53:14Z

bank ID

Penneo Dokumentnøkkel: T1AQF-UKJBX-KXNKJ-6VSGM-U8H5E-71XQ1

Dokumentet er signert digitalt, med **Penneo.com**. Alle digitale signatur-data i dokumentet er sikret og validert av den datamaskin-utregnede hash-verdien av det opprinnelige dokument. Dokumentet er låst og tids-stemplet med et sertifikat fra en betrodd tredjepart. All kryptografisk bevis er integrert i denne PDF, for fremtidig validering (hvis nødvendig).

Hvordan bekrefter at dette dokumentet er orginalen?
Dokumentet er beskyttet av ett Adobe CDS sertifikat. Når du åpner dokumentet i Adobe Reader, skal du kunne se at dokumentet er sertifisert av **Penneo e-signature service <penneo@penneo.com>**. Dette garanterer at innholdet i dokumentet ikke har blitt endret.

Det er lett å kontrollere de kryptografiske beviser som er lokalisert inne i dokumentet, med Penneo validator - **https://penneo.com/validate**