



NORSK TITANIUM

Norsk Titanium AS
Half year report

August 30, 2021

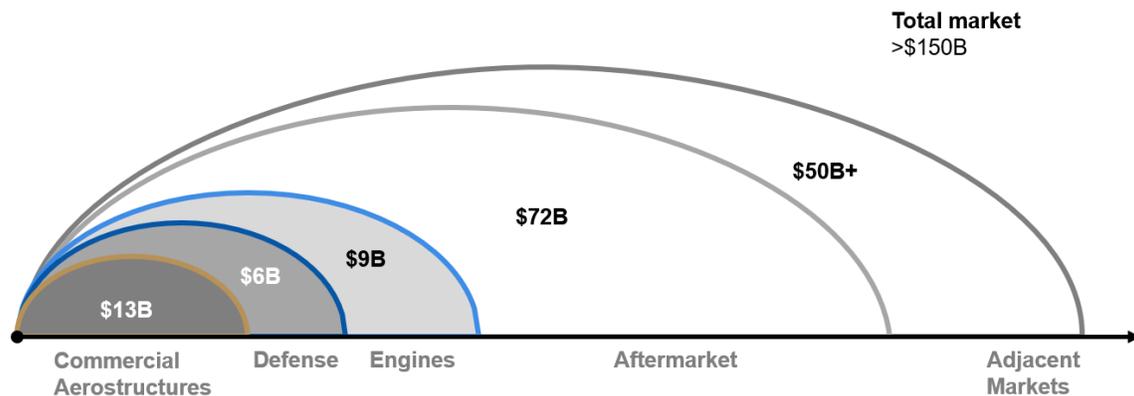
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The digital future of metal

Norsk Titanium is a global leader in metal 3D printing, with its proprietary Rapid Plasma Deposition (RPD™) technology turning titanium wire into complex components for structural and safety-critical applications. The company has 25 active customer engagements and partnerships within commercial aerospace, defense, and industrial manufacturing, and sees a potential for significant expansion into the USD 150bn titanium metal manufacturing market. Compared to traditional manufacturing methods, the RPD™ technology delivers parts which use 25-75% less material, requires 50-75% less machining, and is 5-20 times faster to produce. This enables Norsk Titanium to offer a combination of major cost savings, reduced lead-times and supply chain costs, and reduction of their environmental footprint.

Metal manufacturing market for titanium parts



Operational highlights

- Continued perfect quality and on time deliveries to tier one Boeing suppliers
- Testing to extend the number of RPD™ produced parts applicable for Boeing
- Machine qualifications supporting initial parts in production for Airbus mid-2022
- Ongoing testing with prime US DOD contractor
- New contract for full material qualification with US DOD prime contractor
- Demonstration and qualification order from semiconductor manufacturer Hittech

Financial highlights

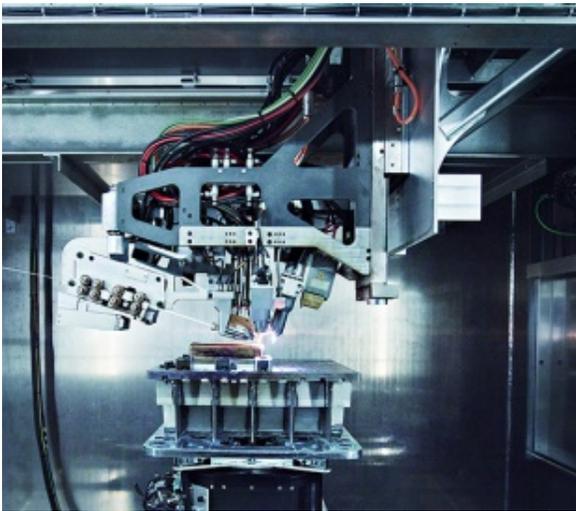
- Listed on Euronext Growth after successful USD 38 million capital raise¹
- Completed debt-for-equity swap for all outstanding shareholder loans (USD 97.6 million) and raised further USD 6.8 million through a repair issue
- Received 30% of a NOK 35 million grant from Innovation Norway
- Revenue of USD 0.3 million from delivery of 366 serially produced parts and USD 0.3 million from customer funded development programs
- Ending cash balance of USD 35.1 million on June 30

¹ USD 5 million reserved for the Greenshoe Option

Message from the CEO

Setting the standard for 3D metal printing

Norsk Titanium has become a global leader in metal 3D printing, from humble beginnings in the Norwegian countryside in 2007. The proprietary and protected 3D printing technology platform Rapid Plasma Deposition (RPD™) is built on a digital backbone which enables a highly scalable business model. Our technology can add significant value to the titanium market through lower materials consumption, shorter lead-times, and reduced supply chain cost, all while significantly reducing the environmental footprint.



Our commercial efforts are initially focusing on a select group of industries for which the adoption of 3D printed titanium parts will add substantial value compared to existing materials and production methods. These industries include commercial aerospace structures and engines, defense, and large industries such as consumer electronics, oil & gas, and renewable energy equipment.

Commercial aerospace represents both a large market opportunity and the ultimate proof-of-concept of our RPD™ technology. The very strict quality requirements and long qualification programs in this industry serve as natural barriers to entry into this market. Our commercial agreements with industry leading players like Boeing, Airbus, Spirit, and other tier-one suppliers represent both significant revenue opportunities over time and an assurance of the quality of our technology.

This experience opens the door to other markets with large long-term potential for value creation. We took our first steps into the defense market in 2020, and have this year received the first industrial market qualification purchase order for RPD™-produced parts with a semiconductor equipment manufacturer.

Our efforts to finalize ongoing customer qualification programs are high on our agenda, as we work to position ourselves as the preferred supplier of serially produced parts for aerospace and other selected markets.

Over the years, we have developed a broad network of industry and development partners, including the European Space Agency (ESA), the State of New York, our world-class customers, and our dedicated shareholders. In May 2021, we successfully raised USD 38 million in a private placement and listed our shares on the Euronext Growth exchange in Oslo. This further broadens our investor network and secured the capital to scale-up and industrialize our leading technology and further expand our commercial efforts.

We see a huge market potential in 3D metal printing and are in pole position to take our share of the market value creation with leading, proprietary technology covered by a broad patent portfolio.

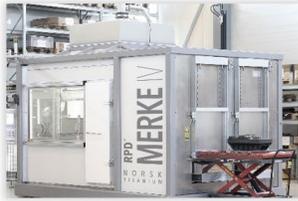
“We see a growing use of titanium across industries, and we are in position to rapidly scale along increased demand for consistent forged quality material”

– CEO Michael Canario

Board of directors' report

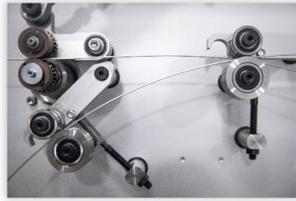
Technology and operational review

Norsk Titanium is capable of industrial scale production operations to deliver structural 3D printing solutions to multiple markets. Norsk Titanium has established a leading position within the additive sector, through a world class manufacturing facility in Plattsburgh with a total installed annual capacity of 620 MT utilizing 31 RPD™ machines. When operating at capacity the manufacturing facility in Plattsburgh is expected to generate revenues more than USD 300 million per year. The technology development center in Norway has three additional RPD™ machines with an annual capacity of 60 MT utilized for a mix of development and production efforts.



RPD™ Machine

Fast, high deposition rate machine with machine-to-machine qualification, unlike all competing technologies



Superior Metallurgy

Consistent microstructure across layers and part features and different materials (Ti, Inconel, etc.)



Data Platform

600+ data points logged 1,000x per second enables automation, quality assurance, and distributed production



Lean Manufacturing & Industry 4.0

Data driven machine-to-machine integration scales to produce cheaper parts in custom batches

Typically, Norsk Titanium's RPD™ technology consumes 3-4 kg raw material input for every 1 kg of final parts produced, reducing raw material consumption from a typical 12 kg needed in traditional forgings. The RPD™ technology produces parts with material properties equal to legacy manufacturing methods. Our additive process also has the ability to customize deliveries in a high-rate serial production environment and drastically reduce production costs and lead-times.

To extract the value of the RPD™ technology, our customers have to validate the performance of the RPD™-parts produced for their intended applications.

The extent of qualification varies by market and application. Norsk Titanium works with manufacturers to develop specifications across

various markets. Commercial Aerospace is the first market where we have achieved serial production.

As a fully qualified supplier to the world leading manufacturers within commercial aerospace structures, Norsk Titanium has multiple contracts with ongoing parts deliveries. In 2020 the company moved into the defense industry and is currently qualifying for multiple US Department of Defense (DOD) prime contractors.

Foundational Principles:

Repeatable, Scalable and Robust RPD™ Process Measured Through a Robust Data Management Platform

Norsk Titanium is at the forefront of industrializing a high quality, large scale additive manufacturing process that will enable its customers to become flexible and nimble, save production and inventory costs, and reduce the time it takes to bring a product to market. The industrial process foundation is a robust data management platform which is utilized to continuously improve its process and automate production processes. The RPD™ technology and platform is protected by a total of 127 patents, of which 22 new in the first half of 2021 and further 56 patent applications pending. In late 2020, Innovation Norway awarded Norsk Titanium a NOK 35 million grant to complete specific projects that leverages the data platform to continue to reduce the time from design to print. 30 per cent of the grant was received in the first half of 2021.

Operational Principles:

Excellence Through an Organization That Improves Velocity Of Business Processes For Customers

Norsk Titanium's top operational priorities are perfect quality and 100% on time delivery and is currently delivering seven part numbers to the Boeing 787 program through three major Tier 1 Boeing suppliers. Norsk Titanium's AS9100D approved quality system has ensured 100% quality for all production deliveries. During the first half of 2021, a total of 366 parts were delivered, achieving 100% on-time delivery.

Market Penetration Vision:

Competitive Parts Production in Commercial Aerospace and Diversified Structural Titanium Market

Norsk Titanium continues to work with Boeing to extend the testing envelope in the Boeing

specification to increase the number of addressable structural titanium parts Norsk Titanium can produce for Boeing aircraft. Boeing is currently testing development material, with the next planned release of the Boeing specification in 4Q21. It is anticipated that additional testing will continue through 2022 and 2023 to permit application of RPD™ in larger, more structurally loaded parts.

Initial material evaluation with Airbus is completed and Norsk Titanium is currently executing a machine qualification effort to support initial production of commercial parts in mid-2022.

Expanded Go-to-Market Strategy:

RPD™ Adaptability In New Markets Through Diversified Superalloys and Strategic Markets

Qualifications for US Department of Defense (DOD):

Initiated last year, Norsk Titanium is executing a qualification and demonstration program for critical aircraft components with a prime US DOD contractor. During the first half of 2021 the company secured an additional contract with another DOD prime contractor for a full material qualification and specification development program for the application of RPD™ technology across all of their platforms. This multi-year effort is fully funded and will include delivery of test articles representing 10 different lots of raw materials manufactured on multiple RPD™ machines.

Qualifications for Other Markets:

Initial efforts to adapt our RPD™ technology to markets outside of aerospace have received strong positive feedback. The first demonstration and qualification order for an industrial component was received in the first quarter of this year. The funded development effort with Hittech to produce a structural element of a semiconductor manufacturing machine represents Norsk Titanium's first step towards serial production in the industrial sector. The RPD™ form will be nearly 100 kg, and if successfully qualified it will be transitioned to production in late 2022.

Financial review

Norsk Titanium is in the early stages of commercialization with a keen focus on product qualification and development programs with customers. Revenue from serial production amounted to USD 0.3 million in the first half of 2021, in addition Norsk Titanium recognized USD 2.6 million from grants and the forgiveness of the loan under the US CARES Payroll Protection Program as other income. Currently customer funding for qualification and development efforts is offset against costs and not reflected in revenue. The operating loss (EBIT) amounted to USD 9.7 million in the first half 2021, with a loss before tax of USD 8.6 million. The company strengthened its funding and liquidity position through capital increases in the first half 2021 and reports an asset-to-equity ratio of 83% and a cash position of USD 35.1 million per June 30.

Income Statement

During the first half of 2021, Norsk Titanium overall delivered 366 parts under serial production contracts. Revenue from serial production deliveries amounted to USD 0.3 million, whereas revenue of USD 0.3 million from funded development efforts in defense were offset against costs.

Other income amounted to USD 2.6 million, which mainly reflects grants and US CARES Payroll Protection Program.

Operating expenses amounted to USD 11.0 million, generating an EBITDA-loss of USD 8.2 million. Employee benefit costs amounted to USD 6.7 million and raw material and other consumables costs to USD 1.4 million. Other operating expenses amounted to USD 3.0 million.

Depreciation and amortization amounted to USD 1.4 million for the first half 2021 on all non-current assets. The operating loss (EBIT) was hence a negative USD 9.7 million for the first half of 2021.

Net financial income was USD 1.0 million in first half 2021, compared to a loss of USD 8.2 million in the same period last year, reflecting increased foreign exchange gains and a reduction in interest expenses. Loss before taxes hence amounted to USD 8.6 million, compared to a loss of USD 22.5 million in the same period last year, whereas the group net loss decreased to USD 8.6 million from a loss of USD 22.6 million in the first half 2020.

The financial results reflect that Norsk Titanium is in the initial growth stages with the industrialization and

commercialization of its disruptive 3D metal printing technology.

Cash Flow

Net cash used in operating activities was USD 9.5 million in the first half of 2021, compared to USD 12.6 million in the same period in 2020.

Cost reduction measures put into effect in the second quarter of 2020 was realized in the first half of 2021, reducing the monthly cash burn rate (see definition in note on Alternative Performance Measures) to approximately USD 1.7 million.

Cash used in investing activities was USD 0.3 million, compared to an inflow of USD 1.1 million in the same period last year, mainly reflecting currency exchange effect related to property, plant, and equipment (PPE) and intangible assets.

Cash flow from financing activities amounted to USD 42.7 million, mainly reflecting the net proceeds from the private placement of new shares in May 2021 and repayment of debt. In the same period in 2020, cash flow from financing activities were USD 11.5 million.

Balance sheet

Total assets at June 30 2021 were USD 54.4 million, compared to USD 22.9 million at the end of 2020. USD 12.9 million of this was non-current assets (USD 14.3 million), of which intangible assets accounted for USD 7.7 million, PPE for USD 4.5 million and right-of-use of assets for USD 0.7 million.

Current assets amounted to USD 41.5 million (USD 8.7 million), of which inventories accounted for USD 4.8 million, trade receivables for USD 0.4 million and

other current assets for USD 1.2 million. Cash and cash equivalents amounted to USD 35.1 million, compared to USD 2.2 million at the end of 2020.

Total equity amounted to USD 45.3 million at June 30 2021, compared to negative USD 80.5 million per the end of 2020. The increase from year-end 2020 primarily reflects USD 88.3 million conversion of shareholder loan facility, a USD 6.8 million subsequent repair issue, USD 9.3 million conversion of the 2021 convertible loan facility and USD 34.6 million in proceeds from the private placement in May 2021.

Total liabilities amounted to USD 9.1 million, compared to USD 103.5 million at the end of 2020. USD 1.4 of this was non-current liabilities (USD 1.5 million), and USD 7.7 million current liabilities (USD 101.9 million). The decline in current liabilities reflect the conversion of the shareholder loan facility and the convertible loan into equity during the first half of 2021. Please see note 6 for more details.

Risks and forward-looking statements

Although in commercial production, Norsk Titanium plans to further industrialize its technology which entails risks related to continued technology development, customer qualification programs, and commercial efforts in both existing and new business segments. With regards to company specific financial risks, the company sees no material changes to the assessments described in the Annual Report for 2020.

The aviation and aerospace industry suffered severely from COVID-19 imposed travel restrictions in 2020 and into 2021, generating a substantial decline in demand for air transportation services. Commercial aerospace manufacturers are an important part of Norsk Titanium's customer base and growth strategy, and the impact of COVID-19 hence had an adverse impact on the demand for the company's products. While commercial air traffic is beginning to rebound, there is a risk that the pandemic may affect travel patterns also going forward, which may impact the company's customers and suppliers and its planned operations and projects.

Company specific financial risks including liquidity risk, credit risk, interest rate risk and foreign exchange risk. Given the cash position of USD 35.1 million per June 30, the Board of Directors does not see any liquidity risk for the second half of 2021. The current

financing structure with equity and fixed-rate loans also limits the interest rate risk. The company's main operations are linked to the reporting currency USD, with the main exposure related to translation of limited revenue and expenses in other currencies. Credit risk are negligible, and the group had no losses in receivables in the first half of 2021.

This report contains forward-looking statements. Forward-looking statements reflect current views about future events and are, by their nature, subject to significant risk and uncertainties because they relate to events and depend on circumstances that will occur in the future. Although Norsk Titanium believes that these assumptions were reasonable when made, the company cannot assure that the future results, level of activity or performances will meet these expectations.

Outlook

Norsk Titanium's disruptive 3D metal printing solution is rapidly scaling with aerospace and defense customers. This is expected to create a long-term pipeline of visible revenue as the company will manufacture parts for platforms with 10+ year production runs. At the same time, the company sees significant potential in expanding into new sectors over time.

As aerospace sector revenue is set to increase after the substantial negative impact of the COVID-pandemic in 2020, long-term demand for new commercial aircrafts will grow subject to interacting technical and economic objectives.

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

Within the defense industry, the company is in qualification processes with multiple potential customers for program with significant production potential from 2022.

Ongoing development programs and one new qualification program with prime contractors of the US Department of Defense could open doors to several new opportunities in the industry.

The company sees significant volume potential within industrial applications, and in the first half 2021 secured a qualification contract for potential deliveries to a semiconductor equipment manufacturer. Norsk Titanium's digitally enabled technology allows expansion of business model to support industrial product volumes and local manufacturing desires.

Norsk Titanium continues to develop core competencies in the commercial aerospace sector while also expanding its product offering to the industrial and defense sectors.



Plattsburgh

New York, USA

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

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



Eggemoen

Ringerike, Norway

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

- Area: 37,000 sq. ft
- Capacity: 60 MT / year
- 3 RPD™ machines + metallurgy lab
- 52 employees



Declaration from board of directors and CEO

We hereby confirm that, to the best of our knowledge, that the interim financial statements for the period from January 1 to June 30 2021 have been prepared in accordance to IFRS, and that the information in the financial statements gives a true and fair view of the group's assets, liabilities, financial position and profit or loss taken as a whole.

We also confirm that, to the best of our knowledge, the interim report for the first half gives a true and fair view of important events in the accounting period and their influence on the interim report for the first half of 2021, as well as the principal risks and uncertainties facing the business in the next accounting period.

Johan Andersen Jr.
Chairman

Jeremy Barnes
Board Member

Shan A. Ashary
Board Member

Mimi D. Berdal
Board Member

Michael Canario
CEO

Bart van Aalst
Board Member

Steve D. Geskos
Board Member

Eggemoen, August 30, 2021

Half year consolidated
financial statements (IFRS)

Consolidated statement of comprehensive income

Norsk Titanium Group

| unaudited, in USD thousand | Notes | First half 2021 | First half 2020 | Full year 2020* |
|---|-------|--------------------|--------------------|--------------------|
| Revenue | 2 | 255 | 128 | 357 |
| Other income | 3 | 2,570 | 40 | 619 |
| Total revenues and other income | | 2,825 | 168 | 977 |
| Raw materials and consumable used | | (1,360) | (1,961) | (3,891) |
| Employee benefits expense | | (6,665) | (4,513) | (13,741) |
| Other operating expenses | | (3,019) | (6,642) | (10,645) |
| Depreciation and amortisation | | (1,438) | (1,418) | (2,968) |
| Operating profit | | (9,657) | (14,366) | (30,269) |
| Financial income | 4 | 2,761 | 22,848 | 17,458 |
| Financial expenses | 4 | (1,743) | (31,025) | (30,024) |
| Profit or loss before tax | | (8,638) | (22,543) | (42,835) |
| Income tax expense | | (11) | (42) | (62) |
| Profit or loss for the year | | (8,649) | (22,585) | (42,896) |
| Profit/loss attributable to owners of the parent | | (8,649) | (22,585) | (42,896) |
| Basic earnings per share (in USD) | | (0.07) | (0.45) | (0.86) |
| Diluted earnings per share (in USD) | | (0.06) | (0.45) | (0.86) |
| Weighted average number of ordinary shares (thousand) | | 132,043 | 49,821 | 49,821 |
| Weighted average number of ordinary shares diluted (thousand) | | 150,678 | 49,941 | 49,941 |
| Other comprehensive income | | | | |
| <i>Items that subsequently may be reclassified to profit or loss:</i> | | | | |
| Exchange differences on translation of foreign operations | | (2,515) | (1,388) | (953) |
| Other comprehensive income for the period | | (2,515) | (1,388) | (953) |
| Total comprehensive income for the period | | (11,164) | (23,973) | (43,849) |

* Audited

Consolidated statement of financial position

Norsk Titanium Group

| unaudited, in USD thousand | Notes | At 30 June 2021 | At 31 December 2020* | At 30 June 2020 |
|--------------------------------------|-------|--------------------|-------------------------|--------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Right of use of assets | | 731 | 1,202 | 1,157 |
| Property, plant and equipment | | 4,543 | 4,859 | 4,842 |
| Intangible assets | | 7,654 | 8,202 | 7,744 |
| Total non-current assets | | 12,929 | 14,264 | 13,742 |
| Current assets | | | | |
| Inventories | | 4,788 | 4,724 | 5,500 |
| Trade receivables | 5A | 350 | 787 | 11 |
| Other current assets | 5A | 1,164 | 961 | 1,059 |
| Cash and cash equivalents | 5A | 35,150 | 2,196 | 1,969 |
| Total current assets | | 41,452 | 8,669 | 8,539 |
| TOTAL ASSETS | | 54,381 | 22,933 | 22,281 |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Share capital | 6 | 2,005 | 464 | 464 |
| Share premium | 6 | 48,627 | 0 | 92,726 |
| Treasury shares | 6 | 0 | (10) | (10) |
| Other capital reserves | | (997) | 0 | 3,283 |
| Other equity | | (4,357) | (80,975) | (157,062) |
| Total equity | | 45,278 | (80,521) | (60,599) |
| Non-current liabilities | | | | |
| Non-current lease liabilities | 5B | 364 | 513 | 0 |
| Long term liabilities | 5B | 992 | 1,022 | 1,115 |
| Loan measured at fair value | 5B | 0 | 0 | 65,887 |
| Total non-current liabilities | | 1,356 | 1,535 | 67,002 |
| Current liabilities | | | | |
| Trade and other payables | 5B | 2,054 | 1,608 | 2,186 |
| Current interest bearing debt | 5B | 31 | 21,195 | 1,345 |
| Current loan measured at fair value | 5B | 0 | 69,106 | 0 |
| Deferred revenue | 5B | 4,072 | 3,927 | 6,510 |
| Current lease liabilities | | 501 | 843 | 0 |
| Other current liabilities | 5B | 1,091 | 5,192 | 5,794 |
| Tax payable | | (2) | 47 | 44 |
| Total current liabilities | | 7,746 | 101,918 | 15,878 |
| Total liabilities | | 9,102 | 103,453 | 82,880 |
| TOTAL EQUITY AND LIABILITIES | | 54,381 | 22,933 | 22,281 |

* Audited

Consolidated statement of changes in equity

Norsk Titanium Group

| unaudited, in USD thousand | Attributable to the equity holders of the parent | | | | Other equity | | Total equity |
|-------------------------------------|--|---------------|-----------------|------------------------|-------------------------------|-------------------|-----------------|
| | Share capital | Share premium | Treasury shares | Other capital reserves | Cumulative translation effect | Retained earnings | |
| Balance at 31 December 2019* | 464 | 92,726 | (10) | 2,857 | (1,038) | (132,051) | (37,052) |
| Profit (loss) | | | | | | (22,585) | (22,585) |
| Other comprehensive income | | | | | (1,388) | | (1,388) |
| Issue of share capital | | | | | | | 0 |
| Purchase of treasury shares | | | | | | | 0 |
| Sales of treasury shares | | | | | | | 0 |
| Shared-based payment | | | | 426 | | | 426 |
| Transfer to other capital reserves | | | | | | | 0 |
| Transfer to share premium | | | | | | | 0 |
| Balance at 30 June 2020 | 464 | 92,726 | (10) | 3,283 | (2,426) | (154,636) | (60,599) |
| Balance at 31 December 2020* | 464 | 0 | (10) | 0 | (1,991) | (78,984) | (80,521) |
| Profit (loss) | | | | | | (8,649) | (8,649) |
| Other comprehensive income | | | | | (2,515) | | (2,515) |
| Issue of share capital** | 1,541 | 136,528 | | (2,077) | | | 135,991 |
| Purchase of treasury shares | | | (0) | (2) | | | (2) |
| Sales of treasury shares | | | 10 | 773 | | | 783 |
| Shared-based payment | | | | 190 | | | 190 |
| Transfer to other capital reserves | | | | 119 | | (119) | 0 |
| Transfer to share premium | | (87,901) | | | 2,818 | 85,083 | 0 |
| Balance at 30 June 2021 | 2,005 | 48,627 | 0 | (997) | (1,688) | (2,669) | 45,278 |

* Audited

** Reference to note 6 Equity for more information on share capital and share premium

Consolidated statement of cash flows

Norsk Titanium Group

| unaudited, in USD thousand | Notes | First half 2021 | First half 2020 | Full year 2020* |
|---|-------|--------------------|--------------------|--------------------|
| Cash flows from operating activities | | | | |
| Profit before tax | | (8,638) | (22,543) | (42,835) |
| <i>Adjustments to reconcile profit before tax to net cash flow:</i> | | | | |
| Depreciation and amortisation | | 1,438 | 1,418 | 2,968 |
| Net financial income/expense included in financing activities | 4 | 1,320 | 8,626 | 14,569 |
| Net foreign exchange differences | 4 | (2,338) | (449) | (2,003) |
| Tax payable | | (46) | (89) | (182) |
| <i>Working capital adjustment:</i> | | | | |
| Changes in inventories and right of use assets | | 408 | (738) | (8) |
| Changes in trade and other receivables | 5A | 437 | 896 | 120 |
| Changes in other current assets | 5A | (203) | 518 | 615 |
| Changes in trade and other payables | 5B | 445 | (204) | (782) |
| Changes in other accruals | | (2,328) | (46) | 212 |
| Net cash flows from operating activities | | (9,505) | (12,612) | (27,325) |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | | (252) | 279 | (372) |
| Investment in intangible assets | | (82) | 808 | (358) |
| Interest received | 4 | 61 | 6 | 7 |
| Net cash flow from investing activities | | (272) | 1,093 | (724) |
| Cash flow from financing activities | | | | |
| Proceeds from issuance of shared capital | | 38,374 | 0 | 0 |
| Purchase of treasury shares | | (2) | 0 | (22) |
| Sale of treasury shares | | 783 | 0 | 0 |
| Payment of principle portion of lease liabilities | | (525) | (438) | (853) |
| Increase of debt | | 6,000 | 11,967 | 29,192 |
| Repayment of debt | | (1,813) | 0 | (80) |
| Interests paid | 4 | (69) | 0 | (198) |
| Net cash flow from financing activities | | 42,747 | 11,528 | 28,039 |
| Net change in cash and cash equivalents | | 32,970 | 9 | (10) |
| Effect of change in exchange rate | | (16) | (185) | 62 |
| Cash and cash equivalents, beginning of period | | 2,196 | 2,145 | 2,145 |
| Cash and cash equivalents, end of period | | 35,150 | 1,969 | 2,196 |

* Audited

Notes to the consolidated financial statements for the first half year 2021

Note 1 General information and basis for preparation

The consolidated financial statements of Norsk Titanium AS and its subsidiaries (collectively, "the Group" or "Norsk Titanium") for the half year period ended June 30 2021 were authorized for issue in accordance with a resolution of the directors on August 30 2021. Norsk Titanium AS (the Company) is a Norwegian public limited liability Company listed on the Euronext Growth Oslo Stock Exchange. The registered office is located at Karenslyst Allé 9C, Oslo in Norway.

The consolidated financial statements of Norsk Titanium AS 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 Accounting Standard 34 Interim Financial Reporting as issued by the International Financial Standards Board (IASB) and as adopted by the European Union (EU).

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31 2020.

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

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

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

Note 2 Revenue

| in USD thousand | First half 2021 | First half 2020 | Full year 2020 |
|--------------------------------------|--------------------|--------------------|-------------------|
| Revenues | | | |
| Sale of titanium components | 255 | 128 | 357 |
| Total revenues | 255 | 128 | 357 |
| Geographic information | | | |
| Revenues from customers | | | |
| USA | 255 | 128 | 357 |
| Total revenues | 255 | 128 | 357 |
| Timing of revenue recognition | | | |
| Goods transferred at a point in time | 255 | 128 | 357 |
| Total revenues | 255 | 128 | 357 |

Note 3 Other income

| in USD thousand | First half 2021 | First half 2020 | Full year 2020 |
|--|--------------------|--------------------|-------------------|
| Other income | | | |
| Gain on disposal of property, plant and equipment - RPD machines | 0 | 0 | 299 |
| Net gain from RPD machine grant | 69 | 40 | 84 |
| Grants from European Space Agency (ESA) | 0 | 0 | 237 |
| US CARES Payroll Protection Program | 1,246 | 0 | 0 |
| Grant from Innovation Norway* | 1,255 | 0 | 0 |
| Total other income | 2,570 | 40 | 619 |

* 30% of NOK 35 million grant received from Innovation Norway recognized as Other income. Total grant is pending the capital requirement in the project.

Note 4 Financial items

| in USD thousand | First half 2021 | First half 2020 | Full year 2020 |
|--|--------------------|--------------------|-------------------|
| Financial income and expenses | | | |
| Gains/(losses) on net foreign exchange | 2,338 | 449 | 2,003 |
| Interest income and other financial income | 61 | 7,637 | 7,638 |
| Interest and other financial expenses | (1,381) | (16,263) | (22,207) |
| Net financial items | 1,018 | (8,177) | (12,566) |

Note 5 Financial instruments

| At 30 June 2021 in USD thousand | Financial assets at amortised cost | Financial liabilities | Financial liabilities at fair value through profit and loss | Total |
|--|---|------------------------------|--|---------------|
| 5A Assets | | | | |
| Trade receivables | 350 | | | 350 |
| Other receivables | 1,164 | | | 1,164 |
| Cash and cash equivalents | 35,150 | | | 35,150 |
| Total financial assets | 36,664 | 0 | 0 | 36,664 |
| 5B Liabilities | | | | |
| Trade and other payables | | 2,054 | | 2,054 |
| Deferred revenue | | 4,072 | | 4,072 |
| Long term liabilities | | 1,356 | | 1,356 |
| Other current liabilities | | 1,091 | | 1,091 |
| Interest bearing debt - Short term | | 31 | 0 | 31 |
| Total financial liabilities | | 8,603 | 0 | 8,603 |

| At 31 December 2020 in USD thousand | Financial assets at amortised cost | Financial liabilities | Financial liabilities at fair value through profit and loss | Total |
|--|---|------------------------------|--|----------------|
| 5A Assets | | | | |
| Trade receivables | 787 | | | 787 |
| Other receivables | 961 | | | 961 |
| Cash and cash equivalents | 2,196 | | | 2,196 |
| Total financial assets | 3,944 | 0 | 0 | 3,944 |
| 5B Liabilities | | | | |
| Trade and other payables | | 1,608 | | 1,608 |
| Deferred revenue | | 3,927 | | 3,927 |
| Long term liabilities | | 1,535 | | 1,535 |
| Other current liabilities | | 5,192 | | 5,192 |
| Interest bearing debt - Short term | | 21,195 | 69,106 | 90,301 |
| Total financial liabilities | | 33,458 | 69,106 | 102,564 |

Note 6 Equity

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

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

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

Share capital in Norsk Titanium AS

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

Treasury shares

Number of treasury shares decreased from 10,541 shares at January 1 2021 to 4 treasury shares at June 30 2021. NTi has purchased 4 treasury shares and sold 10,541 treasury shares during first half 2021.

Note 7 Subsequent events

There have been no significant events subsequent to the reporting date.

Alternative performance measures

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

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

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

Norsk Titanium's financial APMs

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

Development revenue: is defined as customer funded development programs offset to the expense Raw materials and consumables used

Asset-to-equity ratio: is defined as total equity divided by total assets.

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

