

2023 FIRST HALF REPORT



NORSK TITANIUM



Innovating the Future of Metal

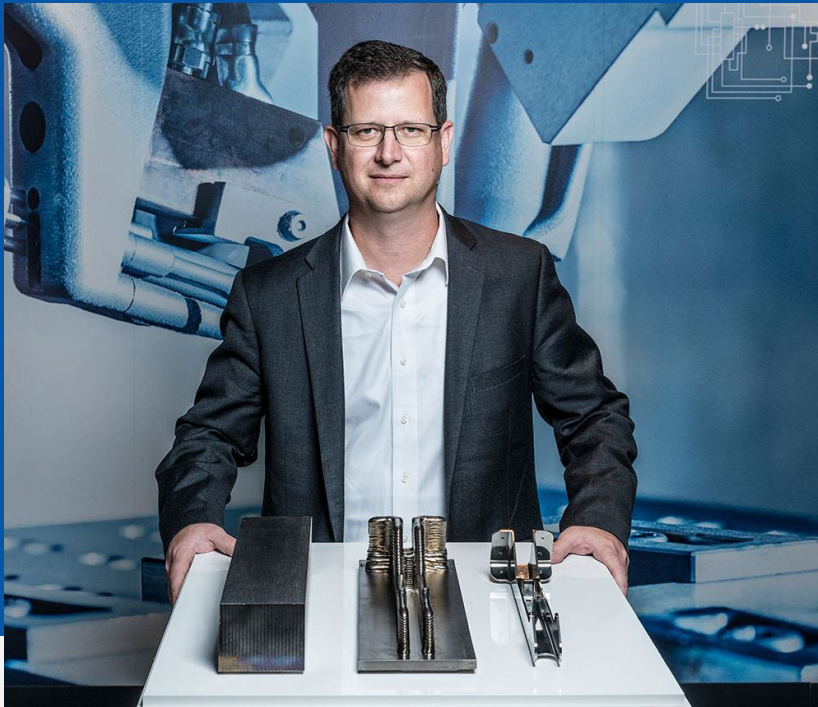
Norsk Titanium and its subsidiaries (referred to herein as “Norsk Titanium”, “the Company”, “we”, “us” or “our”) is a global leader in metal 3D printing that is innovating the future of metal manufacturing by enabling a paradigm shift to a **clean and sustainable manufacturing process** from traditional forgings and castings. With our proprietary **Rapid Plasma Deposition® (RPD®) technology**, Norsk Titanium provides cost-efficient 3D printing of metal alloys with the ability to deliver value-added parts to a large addressable market.

We focus on high end structural applications for which the adoption of 3D printed titanium parts will add substantial value compared to existing materials and production methods. Highly regulated markets such as commercial aerospace and defense allow Norsk Titanium to deliver a strong value proposition and strategically positions us for expansion into other markets. Using our industry recognized material specifications, customers can identify parts adaptable to our RPD® process. We can then deploy our proprietary software development tools to quickly design, qualify, and manufacture parts that will integrate seamlessly into the customer’s existing supply chain.

Thanks, in part, to our partnership with the State of New York, Norsk Titanium has 700 MT of annual print capacity between its facilities in Norway and the US, which supports our business plan through 2026 and beyond. With no need for further investments in machinery, we have directed our resources towards qualifications and testing to ensure our customers can utilize our 3D printed material commercially as a direct replacement for parts currently manufactured using traditional technologies.

*At full utilization the current print capacity is estimated to generate annual revenue of USD 300 million.





CEO, Michael J. Canario

Norsk Titanium maintains a record-high activity level moving into the second half 2023. Customer engagements are nearing our maximum development capacity, and we are seeing an increase in the number of parts identified by our customers for transition to serial production. We believe this increase in development activities will generate a robust revenue backlog that supports our longer-term revenue forecast. Our engagement with the aerospace OEMs remains strong.

Customers using legacy production methods show an increased interest in RPD® with a goal of using our technology to diversify their supply chains ahead of an anticipated up-cycle in our target markets. Our announcement of the strategic collaboration between Norsk Titanium and ATI, Inc., a global producer of high-performance materials and solutions for the aerospace and defense markets, is a testament to Norsk Titanium's leading position as an additive manufacturer for structural components and the viability of RPD® to augment existing casting and forging processes.

Norsk Titanium is introducing four new KPIs to reflect our transition from development to serial production:

	Year end 2022	At 30 June 2023	Description
Parts in serial production	7	8	Parts in serial production for tier-1 suppliers to leading OEMs in target markets
Parts in development for transition into production	9	20	OEM identified parts for transition to production using established material specifications
Annual recurring revenue of parts in pipeline	\$3m	\$24m	Estimated total business opportunity for existing parts in production and forecasted annual demand for parts in development for transition into production at full-rate production
Development Engagements	6	10	Number of development engagements that will expand addressable markets

For the full year 2023, the Company had announced a revenue target of USD 7-15 million. Delays in commercial deliveries to Hittech and final qualification approval from Airbus have pushed anticipated revenues into 2024 reducing expected 2023 revenues below the published range. This delay, however, does not impact the Company's medium and long-term revenue targets of USD 150 million in 2026.

As previously disclosed in connection with a private placement in March 2023, the Company has sufficient capital to fund operations through August 2023. The Company is engaged in discussions with several potential investors over new funding to extend the financial runway. At the same time, the Company is exploring other strategic alternatives. To facilitate continued operations while the Company attempts to conclude these discussions, the Company's two largest shareholders, Norsk Titanium Cayman Limited and Scatec Innovation AS have agreed to provide a bridge loan of USD 2 million that will provide liquidity through the end of September at the current burn rate. More details on the terms of the bridge loan are included in the Financial Review section in this report.

Key highlights from the first half 2023

Norsk Titanium experienced an increase in its activity level with existing and potential customers throughout the first half of 2023, with ongoing efforts set to establish base revenue from serial production parts in all its three current focus markets: Commercial Aerospace, Defense, and Industrial.

We continue to strengthen our relationships with tier-1 suppliers, presenting positive business cases for the transition of parts to RPD®. In addition, the Company has entered into a strategic Collaboration Agreement with ATI, Inc., a global producer of high-performance materials and solutions for the aerospace and defense markets. The companies will jointly assess opportunities to apply RPD® to the applications and markets served by ATI.

Progress on Key Milestones



Commercial Aerospace: Airbus qualification and industrial trials

- Continued strong engagement exploring additional parts for transition to RPD®
- End-to-end qualification ongoing; awaiting Airbus approval



Defense: Qualification with US DoD prime contractors and first production order

- Added to Northrop Grumman's approved special processor listings (ASPL) for production of wire-fed rapid plasma deposition of titanium
- Completed part transition change board with an undisclosed DoD prime contractor; recurring production expected early 2024
- Completed initial development of a large structural component for General Atomics ASI



Industrial: Hittech demonstrator part and first production order

- Commenced production of an initial 30 parts under a contract awarded in late 2022
- Additional production orders anticipated in 2023
- Experienced and resolved production transition issues

Financial Summary

In the first half of 2023, Norsk Titanium generated revenue and other income of USD 1.1 million, 19% higher than in the same period last year. The increase reflects higher income from development programs ([note 2](#)), reflecting the record-high activity level. Average monthly cash burn for the period was USD 1.9 million, an increase of USD 0.3 million compared to the same period last year, mainly due to higher commercial activity and engagements with customers. We ended the period with USD 4.1 million in cash. The Company is engaged in discussions with several potential investors over new funding to extend the financial runway. At the same time, the Company is exploring other strategic alternatives. To facilitate continued operations while the Company attempts to conclude these discussions, the Company's two largest shareholders, Norsk Titanium Cayman Limited and Scatec Innovation AS have agreed to provide a bridge loan of USD 2 million that will provide liquidity through the end of September at the current burn rate. More details on the terms of the bridge loan are included in the Financial Review section in this report.

Key financials* (USD million)	H1'23	H1'22	2022
Revenue and other income	1.1	0.9	3.2
Average monthly cash burn rate**	(1.9)	(1.6)	(1.7)
Ending cash balance	4.1	12.1	7.7

**Unaudited*

***Alternative Performance Measure (APM): Net change in cash and cash equivalents excluding capital raised from debt and/or share increases adjusted for currency exchange rates*



Our customers enjoy increased security of supply as they leverage the benefits of our RPD® technology, which uses less material and less energy while delivering an equivalent part cost efficiently. Although the current market dynamics are a catalyst for increased adoption, we believe the inherent cost benefits and efficiencies of RPD® will continue to resonate with customers in multiple markets

Operational review

Norsk Titanium has the capacity to produce at industrial scale and deliver additively manufactured components to multiple markets under published specifications. In the first half 2023 the Company focused on our development programs for transitioning parts to serial production with leading commercial aerospace, defense, and industrial OEMs.

The Company's top priority is the continued penetration of commercial aerospace while expanding the application of our RPD® technology to industrial and defense applications. At the same time, we continue to innovate and expand our RPD® technology to maintain our position as a technology leader in DED additive manufacturing.

In furtherance of these priorities, the Company has entered into a strategic Collaboration Agreement with ATI, Inc., a global producer of high-performance materials and solutions for the aerospace and defense markets. The companies will jointly assess opportunities to apply RPD® to the applications and markets served by ATI.

We continued delivery of parts under serial production contracts to Boeing's tier-one suppliers and began serial production of parts for Hittech. At the same time, we began developing, printing, and delivering articles for the qualification programs with Airbus and two US DoD prime contractors. The Company targets to transition these programs to serial production in the first quarter 2024.

Foundational Principles

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

- Protected by 177 patents
- 3 patents added in H1'23
- 51 applications pending

During the first half of 2023, the engineering team focused on scaling our industrialization capability to complete qualifications and transition parts to production. As part of on-going qualification efforts, we submitted test results of our Merke IV® machine to Airbus, and produced materials for industrial trials necessary to complete the qualification.

Enabled by RPD Builder™, our proprietary software design tool that facilitates the seamless transition of parts into serial production, the team is busy investigating the next wave parts to transition into production with Airbus and its tier-1 suppliers. These parts are larger and better demonstrate RPD®'s value proposition to our end customers. In parallel, we are working on multiple development projects with other major OEMs in commercial aerospace and defense. In the first half of 2023 a major US DoD supplier engaged with us to adapt RPD® for the production of parts using Inconel 625.

Operational Principles

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

The operations team continued our 100% on-time delivery of serial production parts to tier-1 Boeing suppliers - Leonardo, GKN Aerospace, and Spirit Aerosystems. Boeing has resumed delivery of the Boeing 787 aircraft to its customers, generating demand for delivery of 115 parts in the first half of 2023. At the same time, we printed 14 carrier trays for Hittech for final delivery to ASML under a serial production contract received in late 2022.

In addition to our production and delivery schedule the operations team continues to support our qualification efforts by printing articles for Airbus and other qualification activities:

- Printed and delivered 28 qualification parts for other OEMs in the defense sector
- Started production prints for the optimized Hittech part configuration to transition to serial production

To support the increased print activity and anticipated demand in the fourth quarter 2023 and first quarter 2024, Norsk Titanium brought two additional machines online in Plattsburgh Production Center (PPC) during the first half of 2023, with one more slated for the third quarter 2023. This brings our online capacity at PPC 160MT annually, while our Plattsburgh Defense and Qualification Center (PDQC) online capacity remains at 180MT annually.

We believe staffing is adequate to meet customer demand through 2023, with hiring planned in the fourth quarter 2023 to support 2024 demand.

Market Penetration Strategy

Transitioning Large Structural Parts into Serial Production

Attention remains focused on the market for titanium parts due to the ongoing effects of the current geopolitical climate on the raw material supply. Our customers enjoy increased security of supply as they leverage the benefits of our RPD® technology, which uses less material and less energy while delivering an equivalent part cost-efficiently. Although the current market dynamics are a catalyst for increased adoption, we believe the inherent cost benefits and efficiencies of RPD® will continue to resonate with customers in multiple markets. During the first half of 2023 our existing customers in our target markets have demonstrated increased interest in evaluating parts to transition to RPD® and we continue to deepen those relationships.



Commercial Aerospace

We completed significant milestones under multiple qualification programs. While we are behind our originally planned schedule, we continue to have strong engagement with the OEMs and their tier-1 suppliers.



Defense

Norsk Titanium achieved a significant milestone when Northrop Grumman added our RPD® process to its approved special processor listing (ASPL), which is a requirement to be able to supply serial production parts on existing Northrop Grumman programs. In addition, we have continued our engagement with General Atomics and completed initial development of a large structural component.



Industrial

We completed initial deliveries to Hittech in the first half of 2023 and we expect to receive a follow-on order representing Hittech's demand for the remainder of 2023. Additionally, we have started development of a new part with Hittech, in-line with our projections for this year.

Go-to-market strategy

Adaptability to Meet Evolving Customer Requirements Across Markets

We seek to maintain our competitive advantage by continuing to explore additional opportunities where the combination of technology, speed, and cost savings of RPD® makes it an attractive alternative to legacy metal manufacturing. We also strive to continuously improve and enhance our technology to maintain our position as a technology leader in DED additive manufacturing. In the first half of 2023, a number of customers and potential customers have explored new opportunities that expand the applicability of our proprietary RPD® process for their use.

In the first half of 2023, a U.S. government contractor approached Norsk Titanium and ultimately awarded us a contract to test the applicability of RPD® to a nickel alloy. This is a funded engagement that expands RPD® into super alloys and new end product markets.

In addition, we responded to an aerospace customer's request for information for a larger (4-5 meter) print envelope machine. Developing a larger format RPD® machine will allow us to leverage the current process parameters while increasing our addressable market.

Financial review

Norsk Titanium is transitioning its development and qualification efforts to serial production, delivering parts on long term agreements to blue chip OEMs in the commercial aerospace, defense, and industrial sectors. The increase in Norsk Titanium's revenue reflects record-high activity level on development programs to qualify parts for serial production across its target markets. Total revenue in the first half 2023 was USD 1.1 million, compared to USD 0.9 million in the same period last year.

The composition of the revenue and other income was revenue from products and services delivered on development programs of USD 0.7 million, delivery of parts of USD 0.2 million, and grants income of USD 0.2 million. In the same period last year, USD 0.9 million was from grants with minor contributions from other revenue sources. The operating loss (EBIT) amounted to USD 12.9 million in the first half 2023, with a loss before tax of USD 5.2 million, compared to an EBIT-loss of USD 11.2 million and a profit of USD 2.1 million in the same period last year.

Income Statement

During the first half of 2023, Norsk Titanium generated USD 0.2 million in revenue from sale of parts to customers, compared to USD 0.0 million in the same period last year, as Boeing resumed deliveries of the B787 aircraft to customers after a temporary slow-down. USD 0.7 million was generated from products and services delivered on development programs, compared to USD 0.0 million in the same period last year. This showcases the record-high activity level as Norsk Titanium moves towards qualifications of several parts for serial production and part sales.

Other income amounted to USD 0.2 million in the first half 2023, compared to USD 0.9 million in the same period last year. The decrease is mainly due to completion of Innovation Norway grant in the first half of 2023. In total Norsk Titanium collected USD 3.7 million in grant from Innovation Norway.

Operating expenses during the first half 2023 was USD 13.0 million, compared to USD 10.9 million in the same period 2022. This generated an EBITDA-loss of USD 11.9 million in the first half 2023, compared to a loss of USD 10.0 million in the same period 2022. The increase in EBITDA loss is driven by increased production and qualification costs in first half 2023.

Depreciation and amortization amounted to USD 1.0 million for the first half 2023, compared to USD 1.2 million in the same period 2022. The resulting operating loss (EBIT) for the first half 2023 was USD 12.9 million compared to a loss of USD 11.2 million in the same period 2022.

Net financials gain was USD 7.7 million in first half 2023, compared to a gain of USD 13.4 million in the same period last year. The decrease is mainly due to strengthening of USD versus NOK, resulting in foreign exchange gains in the two periods.

Loss before taxes hence amounted to USD 5.2 million in the first half 2023, compared to a loss of USD 2.1 million in the same period last 2022.

The financial results reflect that Norsk Titanium is in the initial stage of growth and industrializing of its disruptive 3D metal printing technology.

Cash Flow

Net cash used in operating activities was USD 11.0 million in the first half of 2023, compared to USD 9.6 million in the same period in 2022. The average monthly cash burn rate was USD 1.9 million in the first half 2023, which is up from USD 1.6 million in the same period last year.

Cash flows from investing activities was positive USD 0.1 million, compared to USD 0.5 million in the same period 2022. In the first half 2023, Norsk Titanium continued its investments in upgrading its digital infrastructure and acquired additional production equipment as the Company continue to ramp-up for production activities.

Cash flow from financing activities amounted to positive USD 7.7 million, mainly representing an equity capital raise in the first half 2023. In the same period in 2022, cash flow from financing activities were negative USD 0.3 million, reflecting interest payments and principal payments on lease liabilities.

At 30 June 2023 Norsk Titanium had a cash balance of USD 4.1 million. The Company continues to evaluate strategic opportunities to secure additional long-term funding. As previously disclosed in connection with a private placement in March 2023, the Company has sufficient capital to fund operations through August 2023. The Company is engaged in discussions with several potential investors over new funding to extend the financial runway. At the same time, the Company is exploring other strategic alternatives. To facilitate continued operations while the Company attempts to

conclude these discussions, the Company's two largest shareholders, Norsk Titanium Cayman Limited and Scatec Innovation AS have agreed to provide a bridge loan of USD 2 million that will provide liquidity through the end of September at the current burn rate. Funds borrowed under the bridge loan will bear interest at a rate of 12% and are repayable from the proceeds of any new financing received. The loan is unsecured.

Balance sheet

Total assets at 30 June 2023 were USD 19.8 million, compared to USD 29.2 million at the end of end of the first half 2022. USD 8.4 million of this was non-current assets, of which intangible assets accounted for USD 3.4 million, Property Plant and Equipment (PPE) for USD 3.2 million and right-of-use of assets for USD 1.8 million.

Current assets amounted to USD 11.4 million, of which inventories accounted for USD 5.6 million, trade receivables for USD 0.4 million and other current assets for USD 1.3 million. Cash and cash equivalents were USD 4.1 million.

Total equity amounted to USD 11.5 million at 30 June 2023, compared to USD 20.4 million at the end of the first half 2022. The decrease primarily reflects losses in the period.

Total liabilities amounted to USD 8.3 million, compared to USD 8.8 million at the end of the first half 2022. USD 2.4 of this was non-current liabilities at the end of the first half 2023 (USD 2.3 million at the end of the first half 2022), and USD 5.9 million current liabilities (USD 6.5 million at the end of the first half 2022). The decline in current liabilities mainly reflects a decrease in contract liabilities.

Risks and uncertainty factors

Norsk Titanium is transitioning from a development stage company to a commercial manufacturing concern. The primary focus in 2023 continues to be the commercialization of our RPD® technology in multiple industries and applications. We must balance continued technological development with efforts designed to foster the adoption of our technology by potential customers, both of which may be constrained by limited resources.

Financial Risks

Norsk Titanium had a cash position of USD 4.1 million on 30 June 2023. As previously disclosed in connection with a private placement in March 2023, the Company has sufficient capital to fund operations through August 2023. The Company is engaged in discussions with several potential investors over new funding to extend the financial runway. At the same time, the Company is exploring other strategic alternatives. To facilitate continued operations while the Company attempts to conclude these discussions, the Company's two largest shareholders, Norsk Titanium Cayman Limited and Scatec Innovation AS have agreed to provide a bridge loan of USD 2 million that will provide liquidity through the end of September at the current burn rate. Funds borrowed under the bridge loan will bear interest at a rate of 12% and are repayable from the proceeds of any new financing received.

The Board acknowledges that the Company will need to raise additional capital to continue to fund operations until cash break even, expected in 2026 based on the current activity level. The Company notes that no assurances can be given as to the outcome or timing of ongoing processes to secure additional funding. Should the process of securing funding extend beyond the available cash runway, the Company may not be able to financially support current operations and be required to implement inter alia cost reducing measures and assess continued operations.

The Company's ability to obtain additional capital or financing will depend in part on prevailing market conditions as well as conditions of our business and our operating results.

The current equity-based financing structure limits the Company's interest rate risk. Our 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 risks are negligible, and the Company had no losses in receivables in first half 2023.

Operational Risks

Norsk Titanium's manufacturing process as well as the resulting materials must meet the rigorous testing requirements of our customers before serial production of parts can occur. The Company has received qualification from a small number of customers and expects additional qualifications from multiple customers in the next three to nine months.

Failure to achieve these qualifications in the anticipated timeframe or at all will impact the Company's timeline to profitability. We carefully monitor our customer relations throughout the qualification process to assure timely and successful completion, but do not control ultimate timetable on which the qualifications may be granted.

The Company continues to closely monitor inflationary risks. Both labor and material costs increased in 2023 and there is ongoing risk of further increases in 2023 which could outpace the rate of inflation assumed in our most recent financial forecasts.

The Company is entering a period of expansion in our operations. To be successful, we will need to attract, hire, train and retain talent sufficient to staff operations in the time frame required to support this growth.

Norsk Titanium believes that we offer an attractive work environment, including competitive wages and benefits, however any inability to adequately staff expanded operations could pose a risk to our ability to execute our growth strategy.

Geopolitical Risks

The Company depends on a small number of suppliers for raw material and critical components. The ongoing conflict in Ukraine has caused uncertainty in the market for titanium raw material. Furthermore, economic sanctions imposed by the U.S., the EU and Norway against Russia, Belarus and certain Russian entities and individuals may cause disruptions in supply of other critical materials and components.

The Company continues to explore ways to diversify our supply chain to ensure continuity of supply and are closely monitoring the geopolitical situation. Management has informed the Board that there is no

risk to the Company's titanium supply or that of other key manufacturing inputs in the short term and that we are working on solutions for the mid- to long-term.

Legal and Regulatory Risks

Norsk Titanium is subject to regulatory requirements in both Norway and the US, including environmental, health and safety, export, data privacy and employment. As part of the Company's internal

controls and compliance program, management regularly assess the risks in these areas and report to the Board on any deficiencies or need for enhancement to the existing policies and procedures. In the most recent report to the Board, management did not identify any material deficiencies.

Outlook

Norsk Titanium's disruptive additive manufacturing solution is gaining acceptance from commercial aerospace, defense, and industrial customers. Current qualifications are expected to create a long-term pipeline of visible revenue as we qualify to manufacture parts for platforms with 10+ year production runs.

Norsk Titanium sees significant expansion potential into new sectors over time by leveraging its published material specifications and software development kit, RPD Builder™. Increasing costs and reduced availability of raw materials, including titanium, may enable accelerated adoption of its RPD® technology due to its cost savings and reduced requirements for raw material.

Norsk Titanium continues to complete key qualification programs necessary to establish long term contracts with customers in commercial aerospace, which represents the largest market for titanium parts employing legacy production processes. Commercial aerospace programs also provide a recurring revenue stream over a long period, typically 5-10 years, resulting in a growing order backlog. At the same time, we have established relationships with major customers in the defense and industrial sectors, including part repair.

Based on the projected timetable for qualification and production established in early 2023, including an order from Hittech and potential orders from tier-one suppliers to commercial aerospace OEMs after completion of qualification activities, revenues were expected to reach USD 7-15 million. Delays in deliveries to Hittech and final qualification delays have pushed revenues anticipated in 2023 into 2024, reducing 2023 revenues below the published range.

As indicated by the new KPI's introduced in this report, the Company is experiencing a significant increase in the number of new customer engagements, each of which presents an opportunity for recurring revenue. This positive commercial outlook, coupled with the Company's existing revenue pipeline enables the Company to reaffirm that its 2026 revenue target of USD 150 million.

Revenue from the aerospace sector is set to increase after the substantial negative impact of the COVID-pandemic, with growing long-term demand for new commercial aircraft. Airbus and Boeing currently forecast full recovery of air traffic to pre-pandemic levels sometime between 2023 and 2025.

Norsk Titanium aims to become a preferred supplier of titanium structures in commercial aerospace programs and to deliver serial production preforms under long term supply agreements. The Company has established a tier-1 customer base through the completion of extensive qualification programs, creating a substantial barrier to entry for competitors.

We expect that the lower cost, increased energy and raw material efficiency, and high flexibility of our production method will continue to draw interest both from other commercial aerospace customers and new industries.

Within the US defense industry, Norsk Titanium is in qualification processes with multiple potential customers with significant production opportunities after qualification. Ongoing development programs and one new qualification program with prime contractors for the U.S. Department of Defense could open doors to several new opportunities in the industry. We also see significant volume potential within industrial applications, following our delivery of the first additively manufactured carrier trays for use in semiconductor manufacturing to Hittech.

As geopolitical issues dislocate the market for titanium, manufacturers are looking at new solutions that allow them to insulate their supply chains against disruptions while the same time providing sustainable advantages over existing manufacturing methods. We believe that the benefits of RPD® technology with its demonstrated energy and raw material savings and shorter lead times compared to legacy casting and forging technologies offers an incentive for end users of titanium to consider adoption. In addition, Norsk Titanium's digitally enabled technology allows expansion of our business model to support industrial product volumes and localized manufacturing desires.

As previously disclosed in connection with a private placement in March 2023, the Company has sufficient capital to fund operations through August 2023. The Company is engaged in discussions with several potential investors over new funding to extend the financial runway. At the same time, the Company is exploring other strategic alternatives. To facilitate continued operations while the Company attempts to conclude these discussions, the Company's two largest shareholders, Norsk Titanium Cayman Limited and Scatec Innovation AS have agreed to provide a bridge loan of USD 2 million that will provide liquidity

through the end of September at the current burn rate. The Company will need to raise capital to continue to fund operations until cash break even in 2026.

Responsibility statement

From the Board of Directors and CEO of Norsk Titanium AS

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2023 has been prepared in accordance with IAS 34 – Interim Financial Reporting and gives a true and fair view of the (Company's and) group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties' transactions.

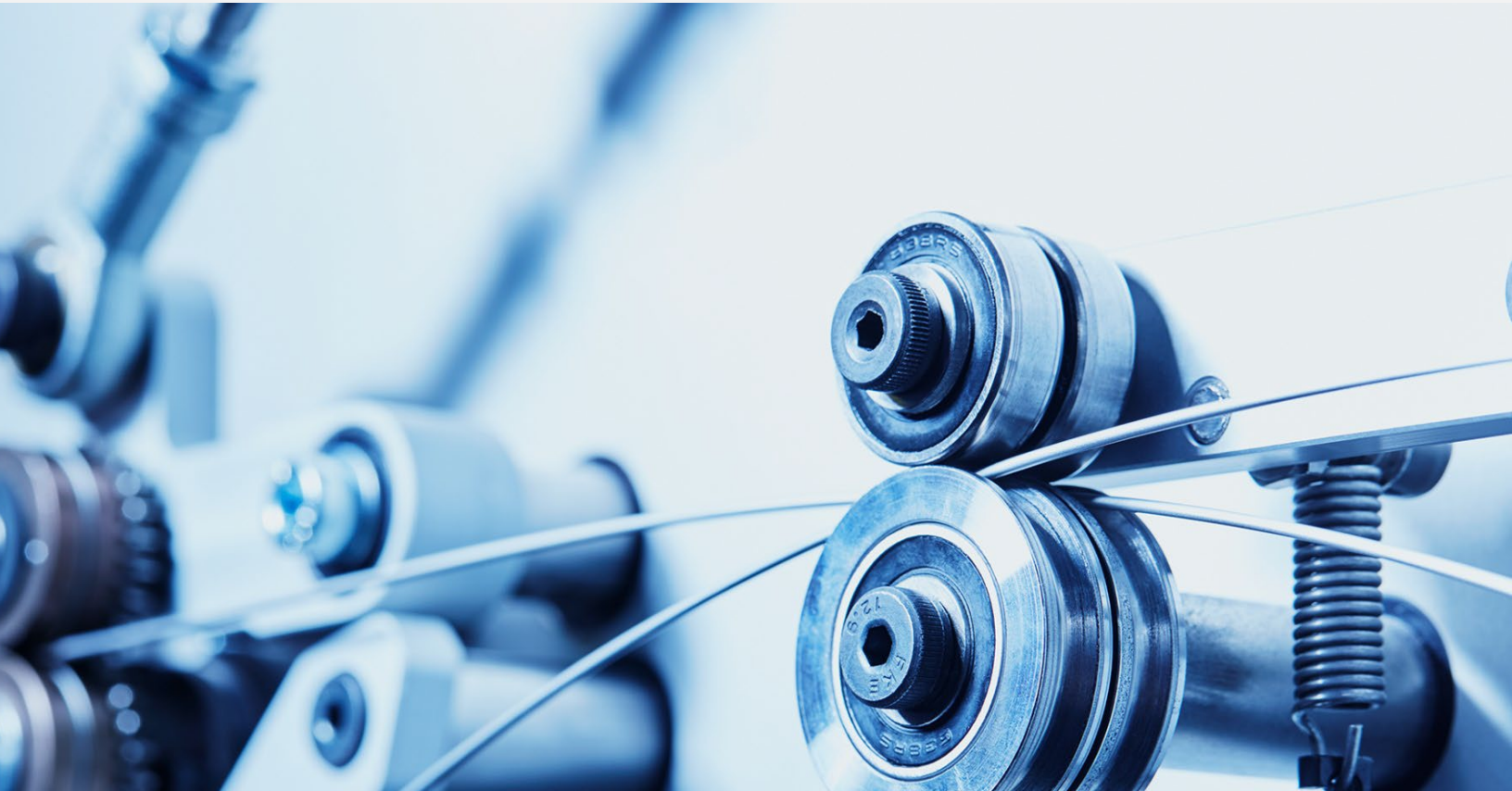
Hønefoss
30 August 2023

John Andersen Jr.
Chairman

Bart van Aalst
Board Member

Shan Ashary
Board Member

Mimi K. Berdal
Board Member



Half year Condensed Interim Financial Statements and Notes

Consolidated interim financial statements

Consolidated statement of comprehensive income

Norsk Titanium

Amounts in USD thousand	Notes	First half 2023	First half 2022	Full Year 2022*
Revenue	2	892	50	1,003
Other income	3	201	870	2,225
Total revenues and other income		1,093	920	3,228
Raw materials and consumable used		-2,387	-1,908	-3,630
Employee benefits expense		-7,385	-6,101	-12,632
Other operating expenses		-3,202	-2,911	-5,778
Depreciation and amortisation		-971	-1,210	-2,305
Operating profit		-12,851	-11,209	-21,434
Financial income	4	8,295	16,871	16,238
Financial expenses	4	-615	-3,520	-4,182
Profit or loss before tax		-5,171	2,142	-9,378
Income tax expense		-42	0	6
Profit or loss for the year		-5,213	2,142	-9,373
Profit/loss attributable to owners of the parent		-5,213	2,142	-9,373
Basic earnings per share (in USD)		-0.02	0.01	-0.04
Diluted earnings per share (in USD)		-0.02	0.01	-0.04
Weighted average number of ordinary shares (thousand)		254,969	211,896	215,778
Weighted average number of ordinary shares diluted (thousand)		254,969	216,296	215,778
Other comprehensive income:				
<i>Items that subsequently may be reclassified to profit or loss:</i>				
Exchange differences on translation of foreign operations		-8,943	-16,011	-14,442
Other comprehensive income for the period		-8,943	-16,011	-14,442
Total comprehensive income for the period		-14,156	-13,869	-23,814

*Audited

Consolidated statement of financial position

Norsk Titanium

Amounts in USD thousand	30 June 2023	30 June 2022	31 December 2022*
ASSETS			
Non-current assets:			
Deferred tax asset	24	24	24
Right of use of assets	1,788	1,935	1,992
Property, plant and equipment	3,158	3,792	3,554
Intangible assets	3,435	5,023	4,299
Total non-current assets	8,405	10,774	9,868
Current assets:			
Inventories	5,632	4,621	5,259
Trade receivables	400	155	703
Other current assets	1,273	1,550	2,995
Cash and cash equivalents	4,115	12,127	7,731
Total current assets	11,420	18,453	16,688
TOTAL ASSETS	19,825	29,227	26,556
EQUITY AND LIABILITIES			
Equity:			
Share capital	2,448	2,005	2,218
Share premium	46,295	48,627	38,068
Other capital reserves	-183	-698	0
Other equity	-37,024	-29,491	-22,869
Total equity	11,535	20,444	17,418
Non-current liabilities:			
Non-current lease liabilities	1,433	1,577	1,611
Long term liabilities	967	736	912
Total non-current liabilities	2,400	2,313	2,523
Current liabilities:			
Trade and other payables	966	938	1,179
Contract liability	3,170	4,053	3,839
Current lease liabilities	494	446	495
Other current liabilities	1,259	1,063	1,137
Tax payable	0	-30	-35
Total current liabilities	5,890	6,470	6,616
Total liabilities	8,290	8,783	9,138
TOTAL EQUITY AND LIABILITIES	19,825	29,227	26,556

*Audited

Consolidated statement of changes in equity

Norsk Titanium

Amounts in USD thousand	Attributable to the equity holders of the parent						
	Share capital	Share premium	Treasury shares	Other capital reserves	Other equity		Total equity
					Cumulative translation effect	Accumulated loss	
Balance at 31 December 2021*	2,005	48,627	0	-908	-5,609	-10,013	34,102
Profit (loss)						2,142	2,142
Other comprehensive income					-16,011		-16,011
Issue of share capital							0
Purchase of treasury shares							0
Sales of treasury shares							0
Shared-based payment				210			210
Balance at 30 June 2022	2,005	48,627	0	-698	-21,620	-7,871	20,444
Balance at 31 December 2022*	2,218	38,068	0	0	-22,869	0	17,418
Profit (loss)						-5,213	-5,213
Other comprehensive income					-8,943		-8,943
Issue of share capital**	230	8,227		-442			8,015
Purchase of treasury shares							0
Sales of treasury shares							0
Shared-based payment***				259			259
Balance at 30 June 2023	2,448	46,295	0	-183	-31,812	-5,213	11,535

*Audited

** The Company completed Private Placement transactions in the first half of 2023 raising USD 8,452 million in gross proceeds through the allocation of 29,517,950 new shares at a subscription price of NOK 3.0 per share.

Participants in the Company's Long Term Incentive Program (LTIP) have on 17 January 2023 exercised a total of 680,248 Restricted Share Units ("RSU's"). Each RSU gives a right to acquire one share in the Company at a subscription price equal to the nominal value of the shares, being NOK 0.08. The Company has resolved to settle 104,209 RSUs with cash consideration to allow the beneficiaries to settle taxes. The remaining 576,039 RSUs exercised were settled by issuance of new shares in the Company.

*** In accordance with the LTIP program in the Company a new grant of 3,413,032 restricted share units ("RSU") and performance shares ("Performance Shares") was granted in the first half of 2023. The total number of RSUs and Performance Shares granted equals 1.42% of total shares issued in the Company at grant date. The granted RSUs are subject to a time-based vesting over three years from the grant date. Vesting of the Performance Shares is based on the achievement of financial or other performance goals. The number of Performance Shares that vest will be decided by the board of directors after year end 2025 with vesting on 17 January 2026. RSUs and Performance Shares are automatically exercised at vesting with an exercise price corresponding to the par value of the shares being NOK 0.08.

Consolidated statement of cash flows

Norsk Titanium

Amounts in USD thousand	Notes	First half 2023	First half 2022	Full Year 2022*
Cash flows from operating activities				
Profit before tax		-5,171	2,142	-9,378
Adjustments to reconcile profit before tax to net cash flow:				
Depreciation and amortisation		971	1,210	2,305
Net financial income/expense included in financing activities	4	25	116	239
Net foreign exchange differences	4	-7,705	-13,467	-12,294
Tax payable		42	62	35
Working capital adjustment:				
Changes in inventories and right of use assets		-170	-889	-1,584
Changes in trade and other receivables		302	234	-313
Changes in other current assets		1,722	986	-459
Changes in trade and other payables		-213	-359	-118
Changes in other accruals		-810	373	1,559
Net cash flows from operating activities		-11,006	-9,592	-19,692
Cash flows from investing activities				
Purchase of property, plant and equipment		-18	-129	-488
Investment in intangible assets		0	629	-146
Interest received	4	92	26	84
Net cash flow from investing activities		74	526	-550
Cash flow from financing activities				
Proceeds from issuance of shared capital		8,456	0	7,205
Transaction cost		-442	0	-297
Payment of principle portion of lease liabilities		-161	-152	-303
Interests paid	4	-118	-129	-247
Net cash flow from financing activities		7,736	-281	6,358
Net change in cash and cash equivalents		-3,196	-9,347	-13,884
Effect of change in exchange rate		-420	-1,458	-1,317
Cash and cash equivalents, beginning of period		7,731	22,932	22,932
Cash and cash equivalents, end of period		4,115	12,127	7,731

*Audited

Notes to the consolidated financial statements for the first half 2023

Note 1 General information and basis for preparation

The consolidated financial statements of Norsk Titanium AS and its subsidiaries (referred to herein as “Norsk Titanium”, “the Company”, “we”, “us” or “our”) for the half year period ended 30 June 2023 were authorized for issue in accordance with a resolution of the directors on 29 August 2023. Norsk Titanium AS (the Parent) 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 Company 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 Company has prepared the financial statements on the basis that it will continue to operate as a going concern. The Company will require additional capital to continue to fund its operations for the remainder of 2023 and beyond. The Board has formed a judgement that there is a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. The Company will need to raise additional capital to continue to fund operations until cash break even, expected in 2026 based on the current activity level. The Company's ability to obtain additional capital or financing will depend in part on prevailing market conditions as well as conditions of our business and our operating results.

The consolidated financial statements have been prepared on a historical cost basis, except for 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. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended 31 December 2022.

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.

Subsequent events

The Company is engaged in discussions with several potential investors over new funding to extend the financial runway. At the same time, the Company is exploring other strategic alternatives. To facilitate continued operations while the Company attempts to conclude these discussions, the Company's two largest shareholders, Norsk Titanium Cayman Limited and Scatec Innovation AS have agreed to provide a bridge loan of USD 2 million that will provide liquidity through the end of September at the current burn rate. Funds borrowed under the bridge loan will bear interest at a rate of 12% and are repayable from the proceeds of any new financing received. The loan is unsecured.

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

Note 2 Revenue

Amounts in USD thousand	First half 2023	First half 2022	Full year 2022
Revenues			
Sale of printed parts	219	40	96
Revenue from products and services delivered on development programs	674	10	906
Total revenues	892	50	1,003
Geographic information:			
Revenues from customers			
Europe	145	10	17
USA	747	40	986
Total revenues	892	50	1,003
Timing of revenue recognition:			
Goods transferred at a point in time	892	50	1,003
Total revenues	892	50	1,003

Note 3 Other income

Amounts in USD thousand	First half 2023	First half 2022	Full Year 2022
Other income			
Net gain from RPD machine grant*	167	63	121
Grant from Innovation Norway**	33	767	1,598
Skattefunn	0	0	466
Gain on disposal of assets	0	40	40
Total other income	201	870	2,225

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 FSMC, being recognized as other income over the lease term. The future net gain from the RPD machines is recognised as contract liability in the balance sheet.

**The Innovation Norway project was completed in the first half of 2023, recognizing remaining USD 33 thousand as Other income. In total NTi received USD 3,689 thousand in grant from Innovation Norway, collecting the remaining USD 500 thousand of the grant in the first half 2023.

Note 4 Financial items

in USD thousand	First Half 2023	First Half 2022	Full year 2022
Gains/(losses) on net foreign exchange	7,705	13,467	12,294
Interest income and other financial income	94	28	87
Interest and other financial expenses	-119	-144	-326
Net financial items	7,680	13,351	12,056

Alternative performance measures

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

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

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

Norsk Titanium's financial APMs

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

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

Amounts in USD thousand	First half 2023	First half 2022	Full Year 2022
Operating profit	-12,851	-11,209	-21,434
+ Depreciation and amortisation	971	1,210	2,621
EBITDA	-11,880	-9,999	-18,813

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

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

Amounts in USD thousand	First half 2023	First half 2022	Full Year 2022
Net change in cash and cash equivalents	-3,196	-9,347	-13,884
Proceeds from issuance of shared capital	8,456	0	7,205
Transaction cost	-442	0	-297
Net change from share capital transactions and increase/repayment of debt	8,015	0	6,908
Cash burn rate	-11,211	-9,347	-20,792
Average monthly cash burn rate	-1,868	-1,558	-1,733

