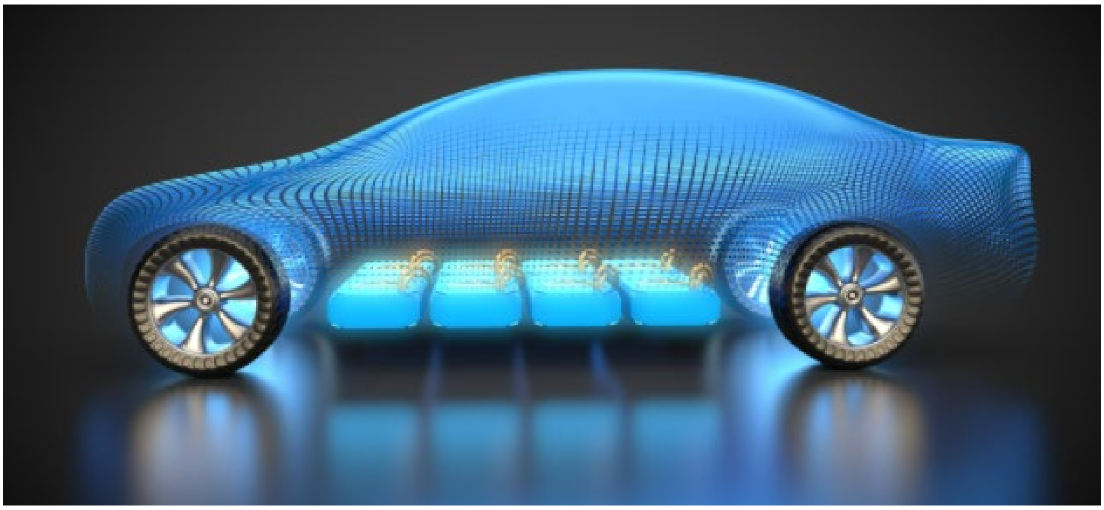
TEKNA

HALF-YEAR REPORT 2021

Key Developments

Half-year 2021 highlights

- Successful IPO process raising NOK 680 million (approx. CAD 100 million) in gross proceeds
- Year-to-date revenues CAD 15.2 million, up 88% from H1 2021
  - Materials revenue increased 13% over Q1 2021 and more than doubled from Q2 2020
- Order backlog increased to CAD 14.2 million, 25% YOY increase from Q1 2020 and 55% YOY increase from Q2 2020
- 88% of annual revenue target secured for the year
- Adj. EBITDA YTD improved by CAD 1.1 million over same period last year
- Cash balance of CAD 45.7 million (Q2 2020: CAD 2.1 million)
- Board approval to launch CAD 16 million investment to scale-up capacity in all three powder business segments to deliver on accelerating growth
- Additive Manufacturing:
  - Signed a 10-year agreement with leading EU jet engine & aerospace OEM
  - Signed a 3-year agreement with Airbus for the supply of titanium powders
  - Selected by NCAMP USA to participate in a major aerospace qualification program
  - Built a pipeline of over 200 automotive OEMs and Tier-1s
  - Received repeat orders in the consumer electronics powder supply chain
  - Board approval to commission a new AM powder atomizer in France
  - Patent granted in Europe for Tekna Additive Manufacturing powder process
- Printed Electronics:
  - Received positive feedback from leading MLCC OEM on material performance, leading to re-ordering of samples
- Energy Storage:
  - Signed LG Chem joint development agreement. Project execution started



CEO Letter

Dear investors and colleagues,

I am delighted to share with you Tekna's first ever half-year report as a listed company. For those who have come to know me, you will not be surprised to read that the past six months were nothing less than an absolute thrill and enjoyable ride. The opportunity to promote Tekna and share what a happy bunch of competent and passionate people can achieve are among the things I enjoy and value the most.

For those who have not had the opportunity to follow the IPO journey, I will start this letter with a brief recap of the key events that lead to the listing of Tekna Holding AS, then I will comment on our first-half 2021 financial performance, as well as the development of the business and conclude with the opportunities that lie ahead of us.

On March 30th, Tekna concluded a successful IPO process with a listing on the Euronext Growth (Oslo) stock exchange (Norway). The virtual investor roadshow attracted significant interest from high-quality domestic, Nordic and international investors. The initial Private Placement was multiple times over-subscribed and the whole listing process generated total proceeds of NOK 680 million. As per August 6th, Tekna had 125,227,346 shares outstanding that have traded within the range of NOK 24.50 – 38.00 since listing. At the conclusion of the process, Arendals Fossekompani, the initial single shareholder of Tekna, retained ~80% (100 million shares) of the total shares, while cornerstone investors owned about 8% (~10 million shares) and ~15 million shares floating. The net proceeds from the Private Placement will be used to fund growth investments, repay shareholder loans and for general corporate purposes.

Tekna extended positive revenue growth momentum into the second quarter 2021, driving year-to-date revenue to CAD 15.2 million, 88% above the first half 2020. The Company generated a solid CAD 9.5 million order intake in the quarter, bringing the total backlog to CAD 14.2 million. I am proud to say that we have already secured 88% of the Company's full-year revenue target. Adjusted EBITDA for the first-half 2021 stood at CAD -0.8 million, compared to CAD -1.1 million in the first half of 2020. While we are exercising a reasonable level of prudence in our spending, Tekna's focus remains on the top line, setting up the necessary infrastructure and resources to scale the Company and achieve its growth ambitions.

This is why we have launched a CAD 16 million investment program to scale up capacity in all three powder business segments. In addition, we approved the commissioning of a new Additive Manufacturing powder atomizer in France, to meet growing demand generated from ImphyTek Powders, a Tekna and Aperam joint venture serving the aerospace, medical, and automotive industries. Overall, we are experiencing strong customer interest in all three business segments, which is translating into major new contract awards. In recent months, we have announced a multi-year joint development agreement with leading Korean chemical company LG Chem to develop new materials that will improve the storage capacity and the cycle stability of Lithium-Ion batteries, a multi-year supply agreement for 3D printing titanium powder with Airbus, and a 10-year supply agreement in Additive Manufacturing with a leading EU jet engine and Aerospace component OEM.

Looking ahead, all the market indicators we are monitoring are positive. The number of orders and the average order size of materials sold in the additive manufacturing segment are increasing, while new sales channels are opening-up in consumers electronics. The EV and 5G markets are booming, as reflected by weekly announcements made by Fortune 500 companies and are driving the demand for Tekna's nano-size Silicon and Nickel powders. At the risk of repeating myself: there could not be a more propitious time to be scaling up our technology, which is one of very few that enables OEMs to differentiate themselves with superior products in their markets.

The favourable market conditions that we have observed in the first six months are expected to continue throughout the year and the Company's ambition to grow 2020 materials revenues of CAD ~13 million to a run-rate of CAD ~22 million in 2021 is well within reach.

Luc Dionne, CEO of Tekna Holding AS

Key Financial Developments

All amounts below refer to the consolidated financial statements for the group, unless otherwise stated. The financial statements cover the period from January 1, 2021, to June 30, 2021.

Revenues for the first half of the year reached CAD 15.2 million, an increase of CAD 7.1 million, or 88%, compared to the first half of 2020. Both business segments - materials and systems - recorded substantial gains, 59% and 172% respectively, compared to the first half of 2020. This performance is attributable to the recovery of the markets following the COVID crisis, the growth in recurring powders sales and the growing customer portfolio.

Gross profit stood at CAD 7.3 million and represented 48% of sales, a ratio comparable to the previous year. EBITDA was at CAD -0.8 million, an improvement of CAD 1.1 million over the previous year. This increase is marked by the combined effect of the increase in revenues and gross margin, the increase in personnel costs and the variance in government subsidies.

The total backlog reached CAD 14.2 million in the period, up 55% compared to June 2020. The main driver of this increase relates to material (powder) orders.

The gross margin in the first half of 2021 stood at CAD 3.4 million, an increase of CAD 1.4 million vs 2020. The percentage gross margin on revenues was 48%, in line with the same period last year.

Adjusted EBITDA for the first half of 2021 stood at CAD -0.8 million compared to CAD -1.9 million in the same period last year. The positive variation is attributable to the increase in gross margin generated by higher sales and favourable product mix. The staff assigned to operations increased compared to 2020 due to the acceleration of development and volumes. Unlike Q1 2020, because of the significant increase in revenues, the company no longer qualified for a governmental emergency wage subsidy initially offered to businesses in 2020 to address the negative impacts of COVID.

Total assets amounted to CAD 102.9 million compared to CAD 54.7 million as of June 30, 2020. The net variation in assets is mainly due to the proceeds raised by the listing of Tekna on Euronext Growth (Oslo) stock exchange, less the reimbursement of a debt (CAD 50.3 million) to a shareholder, in accordance with the plan presented to the market prior to the listing. The cash balance as of June 30, 2021, was CAD 45.7 million, up from CAD 2.1 million as of June 30, 2020.

Net cash flows from operating activities ended at CAD - 1.9 million, improving from the CAD 3.0 million operating loss in the same period last year. Net cash flows from investing activities were CAD -1.5 million, equal to the first half of 2020. Cash flows from financing activities were CAD 131.1 million, up from CAD 2.9 million in the same period last year, due to the proceeds raised from the private placement and the public listing.

The company's investment in R&D is critical to its near- and long-term goals and represents today 8% of its total revenue. On the mid-term, Tekna expects that this ratio will flatten at, or around, 5%.

Confident in the quality of its products and in the progression of the development of new products and encouraged by the positive feedback from current and potential customers alike, Tekna's Board of Directors approved in April 2021 a CAD 16 million investment program to increase the production capacity of its existing product lines and implement pilot production of powders for new markets.

Key Operational Developments

The company announced two major new contracts in the first half of 2021: a multi-year joint development agreement with leading Korean chemical company LG Chem to develop new materials that will improve the storage capacity and the cycle stability of Lithium-Ion batteries, and a multi-year supply agreement for 3D printing titanium powder with Airbus. Subsequent to the period, Tekna announced a 10-year supply agreement in Additive Manufacturing with a leading EU jet engine and Aerospace component OEM.

In May, Tekna announced that it had accepted an invitation from the National Center for Advanced Materials Performance to participate in a major aerospace qualification program. Parts produced with Tekna's powder material, qualified under this program, will automatically pass the initial design phase and analysis by the FAA, U.S. Department of Defense (DoD), and the National Aeronautics and Space Administration (NASA).

Tekna has completed an effort initiated in the second quarter of 2020, aimed at accelerating the penetration of the automotive market segment and is reporting a pipeline of over 225 automotive OEMs and Tier-1s relevant to its additive manufacturing offering. The Company uses a systematic approach for analysing each opportunity and is already conducting powder evaluation or qualification with 30 of them.

A significant milestone was reached in developing the consumer electronics market for Additive Manufacturing metal powders as Tekna powders attained the qualification phase with four suppliers represented in the supply chain of industry leaders such as Apple and Google. Consumer electronics refers here to devices such as digital watches, mobile phones, and tablets. The supply of metal powders to this industry draws in part on some products Tekna readily has in stock and will translate to a net improvement of the company’s profitability.

Tekna is systematically working through qualification stages with potential customers, paving the way for its market entry in the printed electronics segment. Solid progress is being made with 10 companies, which combined amount to 100% of the market potential. Samples are under evaluation and initial feedback has confirmed product specification match.

Energy storage presents the highest long-term potential for Tekna. The execution of the Joint Development Agreement (JDA) signed with LG Chem is well underway and a first research milestone is expected by the fourth quarter of 2021.

In support of its growth ambition, Tekna has commissioned a new Enterprise Resource Planning (ERP) solution – Oracle Netsuite. The ERP solution is pivotal to the Company’s Quality Management System and future growth.

Outlook

Tekna is well positioned for profitable growth and has a proven track-record of scalability, with over 80% recurring sales. Revenues are driven by megatrends-led accelerating demand for high-quality micro and nano materials, and growing market share due to the uniqueness of the materials produced. Tekna can maintain solid margins due to its scalable business model and high contribution margins, protected by long-term raw material sourcing.

The company has an ambition to grow 2020 materials revenues of CAD ~13 million to a run-rate of CAD ~22 million in 2021.

Tekna targets mid- to long-term total revenue CAGR of 40-50%, with an EBITDA margin of around 25%, enabling the company to deliver high returns.

For 2030, the company has set the following targets:

- Additive Manufacturing sales will drive Tekna revenues up to CAD 500 million by 2030
- The Printed Electronics segment will generate CAD 380 million by 2030
- The Energy Storage (ES) segment will generate CAD 1000 million by 2030

FINANCIAL FIGURES

Income Statement

Consolidated income statement for the period Jan 1 to Jun 30

CADm	2021 Q2	2020 Q2	2021 YTD	2020 YTD	FY 2020
Revenue	7.4	3.8	15.2	8.1	22,0
Cost of sales[1]	4.0	1.8	7.9	4.1	11.3
Gross margin	3.4	2.0	7.3	4.0	10.7
Gross margin %	*46%*	*53%*	*48%*	*49%*	*49%*
Other income	-0.2	-1.7	-0.2	-1.7	-4.2[2]
Indirect personnel expenses	3.4	2.7	6.1	5.3	10.6
Other OPEX	1.3	1.2	2.2	2.3	2.9[3]
Total other income and OPEX	4.5	2.2	8.1	5.9	9.3
Adjusted EBITDA	-1.1	-0.2	-0.8	-1.9	1.4
Adjusted EBITDA margin %	*-15%*	*-5%*	*-5%*	*-23%*	*6%*
Non-recurring expenses	0.1		0.7		
EBITDA	-1.2	-0.2	-1.5	-1.9	1.4
EBITDA margin %	*-16%*	*-5%*	*-10%*	*-23%*	*6%*
Depreciation and amortization	0.8	1.0	1.6	1.9	3.9[4]
EBIT	-2.0	-1.2	-3.1	-3.8	-2.5
EBIT margin %	*-27%*	*-32%*	*-20%*	*-47%*	*-11%*
Equity company loss (income)	0.4		0.7		2.0
FX variation (Gain) Loss	-1.0		-1.0		
Finance cost	0.3	0.3	0.6	0.7	1.4
EBT	-1.7	-1.5	-3.4	-4.5	-5.9
Provision for income tax	-0.1	-0.4	-0.1	-0.9	-1.1[4]
Net profit/loss	**-1.6**	**-1.1**	**-3.3**	**-3.6**	**-4.8**

Notes :

1. Accounting of direct labor is presented in the COGS
2. 2020 other income include CAD 2.7m in the form of grants for Covid mitigation and a further CAD 1.6m of commercial rights charged in Q4 to the JV Imphytek Powders
3. 2020 OPEX costs include a CAD 2.0m recharge in Q4 to the JV
4. Decrease of CAD 1m in amortization of intangibles and CAD 1.5m in tax expense have been recorded following the formal evaluation of the Purchase price allocation of 2013.

Balance Sheet

Balance sheet CADm	30.06.2021	31.03.2021	31.12.2020	30.06.2020
ASSETS				
Deferred tax assets			-	1.5
Other intangible assets	9.8	9.3	9.4	11.4
Tangible fixed assets	18.8	18.4	18.1	16.6
Investment in equity companies	0.7	1.1	1.4	
Other long-term receivables	5.5	5.5	4.2	4.1
Total non-current assets	**34.8**	**34.3**	**33.1**	**33.6**
Inventory	13.0	13.0	12.0	14.3
Contract assets	2.4	1.4	0.5	
Accounts receivable and other receivables	7.0	7.9	5.8	4.7
Cash and cash equivalents	45.7	102.1	2.5	2.1
Total current assets	**68.1**	**124.4**	**20.8**	**21.1**
Total assets	**102.9**	**158.7**	**53.9**	**54.7**
LIABILITIES AND EQUITY				
Owners' equity	88.2	87.1	20.1	1.2
Minority interest	0.6	0.7	0.0	
Total equity	**88.8**	**87.8**	**20.1**	**1.2**
Deferred tax liabilities				3.3
Leasing obligations	0.4	0.4	0.5	0.6
Other long-term debt	3.8	30.6	24.2	41.4
Total non-current liabilities	**4.2**	**31.0**	**24.7**	**45.3**
Current interest-bearing borrowings	3.0	3.8	0.7	2.8
Current interest-bearing liabilities		23.6	-	
Accounts payable	3.4	9.7	4.3	3.2
Leasing obligations	0.2	0.2	0.2	0.2
Other current liabilities	3.3	2.6	3.9	2.0
Total current liabilities	**9.9**	**39.9**	**9.1**	**8.2**
Total liabilities and equity	**102.9**	**158.7**	**53.9**	**54.7**

For presentation purposes, adjustments were made to the Intangible assets and to the Deferred tax liabilities following the formal evaluation of the Purchase price allocation of 2013. The intangible assets were increased by CAD 0.5m as of 30.06.2020, by CAD 1m as of 31.12.2020 and CAD 1.2m as of 31.03.2021. The Deferred tax liabilities were increased by CAD 1.4m as of 30.06.2020. The equity was adjusted accordingly.

Cash Flow

Cash flow CADm	2021 Q2	2021 Q1	2020 Q2
Net profit	**-1.6**	**-1.7**	**-1.1**
Depreciation and Amortization	0.8	0.8	1.0
Tax expense			-0.4
Net financial items & FX variation	-0.6	0.3	0.3
Change in inventory. contract assets. receivables payable and other liabilities	-0.9	-4.6	-2.8
Share of profit from associates	0.4	0.3	
Net cash from operations	**-1.9**	**-4.9**	**-3.0**
Purchase of PPE and intangible assets	-1.7	-1.0	-1.4
Other investments activities		-1.3	-0.1
Purchase of shares in subsidiaries	0.2	-23.7	
Net cash from investing activities	**-1.5**	**-26.0**	**-1.5**
Cashflow from issuance of stock	-1.2	96.8	
Proceeds from the issuance of shares in subsidiary		1.3	
New long-term borrowings	0.1	0.1	0.1
Repayment of long-term borrowings	-0.1	-0.1	-0.1
Internal loans and borrowings	-50.4	30.1	3.6
Net change in current interest-bearing debt	-0.8	3.1	-0.4
Interest paid	-0.2	-0.2	-0.3
Net cash from financing activities	**-52.6**	**131.1**	**2.9**
Cash flow	-56.0	100.2	-1.6
FX adjustments	-0.4	-0.6	
Change in cash and cash equivalents	**-56.4**	**99.6**	**-1.6**
Opening Balance for Cash assets	102.1	2.5	3.7
Closing Balance for Cash assets	**45.7**	**102.1**	**2.1**

Alternative Performance Measures

Tekna Holding discloses alternative performance measures as such performance measures are frequently used by securities analysts, investors and other interested parties. Alternative performance measures are meant to provide an enhanced insight into the operations, financing and future prospects of the company. These measures are calculated in a consistent and transparent manner and are intended to provide enhanced comparability of the performance from period to period.

Definitions

EBITDA - Earnings before interest, tax, depreciation and amortization, corresponding to "Operating profit (loss) before depreciation, amortization and impairment" in the consolidated income statement.

EBIT - Earnings before interest and tax, corresponding to "Operating profit (loss)" in the consolidated income statement.

Gross profit - Gross profit is net sales revenue minus cost of goods sold.

Gross margin - Gross margin is gross profit divided by net sales revenue.

Recurring revenues - Period divided by the prior consecutive 12-month Period.

Tekna Holding
2935 Boul. Industriel
Sherbrooke, Québec,
J1L 2T9 Canada
+1-819-820-2204
info@tekna.com

TEKNA