2023 Half-year Report

August 17, 2023

TEKNA

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Tekna in brief

Tekna is a global leader in the development, manufacturing and sales of advanced micro and nano powders as well as plasma process solutions.

Since 1990, Tekna has developed a unique and proprietary plasma technology platform for manufacturing micron and nanometer scale powders for a range of industries. Our business model relies on two revenue streams, Systems and Materials:

Development and sale of plasma systems: We develop and sell plasma systems designed for research and development purposes. Globally, academic and industrial material research centres highly covet our R&D plasma units. Specifically, our PlasmaSonic wind tunnel product line, created to replicate hypersonic flight conditions, facilitates the development of crucial materials to produce structures for use within space tourism and hypersonic spacecraft.

Development and sale of advanced powders: We develop and operate our own proprietary plasma processes to produce and sell spherical powders and nano powders. Powders for additive manufacturing is currently our fastest growing segment, in which we enjoy an estimated 19 per cent market share. This global market is on track to outperform traditional machining in terms of growth, due to improved environmental efficiency and speed of availability of parts.

Our Systems and Materials divisions are enriched by multiple synergies, particularly within research and development and in the exchange of knowledge and technology. These benefits are evident daily in our engineering and manufacturing processes, as we continually refine our production facilities and extend support to industry-leading partners.

R&D and business development: Beyond the revenue-generating operations stated above, Tekna plays a significant role in developing advanced nanomaterials for producing a new industry benchmark for high-end multi-layer ceramic capacitors (MLCC). These components are growing in significance, particularly in consumer microelectronics and electric vehicles. Manufacturing these requires an industrial-scale supply of nano powders under 100 nm in size. Tekna is collaborating with the top six manufacturers of MLCC devices. Tekna is one of merely three producers capable of meeting this demand.

Tekna's high-purity spherical silicon nano powder also has great potential for energy storage in applications such as rechargeable batteries for electric vehicles. Research suggests it could provide vehicles with 60 per cent more distance travelled for each single charge.

Important current and emerging industries for our powders are aerospace, medical, electronics, automotive, satellites and batteries with space exploration and hypersonic travel emerging as a potentially significant new market for plasma systems.

Tekna is headquartered in Québec, Canada, and has additional offices in France, China, Korea, USA, and seven distributors operating globally (Europe, Asia and North America). The company has a staff of about 220.

Status and key developments

Tekna delivered all time high revenues and significantly improved profitability in the first half of 2023 with revenues increasing 45 per cent year-over-year to CAD 20.4 million.

The Systems division delivered the strongest growth, a 64 per cent increase, driven by strong demand and several successful wins. Materials revenues increased 39 per cent, also driven by demand and successful capacity expansion.

Earnings before interest, tax, depreciation, and amortization (EBITDA) were further improved, reflecting the revenue growth, improved contribution margins and operating margins stemming from organizational efficiency and cost control measures. In the second quarter of 2023, EBITDA was approaching break-even.

Order intake in the first six months of 2023 was CAD 16.9 million and order backlog at the end of June was CAD 22.0 million, up from CAD 18.4 million one year before. The backlog supports previous guidance of revenue growth for 2023 in both Materials and Systems.

Projects with potential customers in Microelectronics are continuing, with important milestones coming up later in the year, but customer schedules could cause delays.

The capacity and productivity improvement programs have been successfully implemented. The technical upgrades have been completed and the upgraded machines have proven reliable. The factory (in Canada) is now operating at 70 per cent increased output rate. Further capacity expansion is underway, with new atomisers scheduled to come online by year-end 2023.

Key figures (CAD million)	Q2'23	Q2'22	YTD 2023	YTD 2022	FY 2022
Revenue	11.0	7.6	20.4	14.1	26.9
Adjusted EBITDA	-0.6	-3.2	-1.8	-6.0	-12.8
EBITDA	-0.6	-3.9	-1.8	-7.5	-16.7
Net profit/loss	-2.5	-5.6	-5.0	-11.1	-14.1
Cash balance	5.4	20.8	5.4	20.8	11.4
Order intake	6.5	11.5	16.9	17.7	38.5
Order backlog	22.0	18.4	22.0	18.4	25.0

CEO letter

We entered 2023 with a clear agenda. Expand production capacity for additive materials, improve profitability and the company's cash position, and continue work with customers and partners to develop new applications and new markets for our products.

We are pleased to report significant progress, with strong top line growth, bottom-line improvement, and an important break-through for the use of titanium powder in additive manufacturing.

Our half-year accounts for 2023 show record revenues of CAD 20.4 million, a 45 percent growth compared to last year. Profitability has steadily improved, and in the second quarter this year, earnings before interest, tax, depreciation, and amortisation (EBITDA) were approaching break-even. This is clearly a result of strong customer demand for our solutions, improved organizational efficiency, and the cost control measures that we have implemented.

We have also strengthened our cash position. We agreed with our largest shareholder Arendals Fossekompani ASA on the terms of a CAD 25 million loan facility, and in July this year, the second of three tranches were released and made available to support Tekna's further growth.

Growth in both segments

Tekna has two revenue generating segments. In the first six months this year, our Systems division increased revenues by 64 percent compared to last year, driven by strong demand and several successful wins. Revenues in our Materials division increased 39 percent, also driven by demand and the successful capacity expansion.

Systems' order backlog at end of June was CAD 11.0 million. Eight plasma machine orders have been announced to date this year from customers in Europe, Asia and North America. We have been able to adjust prices to reflect cost inflation, thereby upholding comfortable gross margins. Prospects in the PlasmaSonic wind tunnels market segment are developing according to plan with over CAD 110 million in budgetary quotes delivered.

The Materials order backlog at June's close matched that of Systems, being a slightly lower than preceding quarters, yet within the typical quarter-to-quarter fluctuations. This status, coupled with increased production capacity, resulted in a heightened supply of materials products in this year's first half, thereby driving extra revenue. This surge is anticipated to persist across the year, as shorter delivery lead times in 2023 are projected to augment sales.

Product and business development

There are multiple synergies between our Systems and Materials business lines, especially within research and development, as well as knowledge and technology transfer. We see this daily in engineering and manufacturing, as we continue to improve our own production facilities, and in our support to leading industry partners.

The recent partnership with TriTech Titanium Parts is a critical breakthrough in revolutionizing titanium part production. TriTech pioneers the use of titanium powders in binder jetting applications, opening to an era of possible large-scale manufacturing. Tekna will provide TriTech with cutting-edge titanium powder for superior part quality and mechanical characteristics, satisfying both the aerospace AS9100 and medical ISO 13485 standards.

Meanwhile, we continue our journey together with the leading original equipment manufacturers to qualify Tekna's nickel nano powders and verify production methods for industry scale of multi-layer ceramic capacitators (MLCC). Manufacturers are investing heavily in new production capacity, and when these factories are up and running, our nickel nano powder will have a significantly larger addressable market than before.

We also continue to keep an eye on the energy storage space, which we believe represents an important potential for our advanced materials products in the longer term.

Enjoying a good position and strong support

The on-going shifts in geopolitical landscape, global commerce, and the world economy are shaping our evolving reality. Organizations must adapt and handle rising interest rates, inflation, and supply chain constraints. We are confident that Tekna is well-positioned to navigate through this transformative period.

In many ways, the strategic decisions made in the recent years are making Tekna stronger and better prepared. We continue to enjoy the support and trust of long-term customers and partners. We have a team of highly skilled, knowledgeable, and committed employees. We collaborate with a highly competent and active Board of Directors, and our main shareholder, Arendals Fossekompani ASA, which has declared high ambitions and strong belief in our company.

I would like to thank all of you for your relentless support which has enabled our many achievements so far. We are determined and resolved to achieve the highest standards and continue delivering on the company's objectives going forward.

Luc Dionne,
CEO Tekna Holding ASA

Financial review

Consolidated income statement

Consolidated revenues for the Tekna Group in the first half of 2023 was CAD 20.4 million, compared to CAD 14.1 in the corresponding period of 2022. This increase of 44 percent was driven by a 74 percent increase in revenues from Systems and Parts and a 38 percent increase in revenues from Materials.

Contribution margin in the first half of 2023 was CAD 9.9 million corresponding to 48 percent of revenues. In the first half of 2022, the margin was 40 percent. The increased margins are a result of higher revenue and a decrease in cost of materials and consumables used.

Adjusted earnings before interest, tax, depreciation, and amortisation (EBITDA) in the first six months of 2023 were negative CAD 1.8 million, an improvement by CAD 4.2 million year over year from negative CAD 6.0 million. The loss was marked by costs in materials machine upgrade efforts, its development programs in emerging segments and upfront investments in staff and R&D.

Loss for the first half of 2023 was CAD 5.0 million of which share of net loss from associated companies and joint ventures was negative CAD 0.7 million and net financial items were minus CAD 0.3 million.

Consolidated cash flow

Net cash flow from operating activities was negative CAD 10.0 million in the first six months of 2023, of which an increase in other assets was CAD 5.3 million, of which CAD 4.9 million was an increase in trade receivables driven by higher invoices due to sales volume and CAD 0.3 million was an increase in customer contract assets (unbilled receivables). Corresponding cash flow in 2022 was negative CAD 14.6 million in the same period last year.

Net cash flow from investing activities was negative CAD 4.5 million in the first six months of 2023, mainly due to purchase of property, plant and equipment, compared to negative CAD 3.5 million in the same period last year.

Net cash flow from financing activities was CAD 8.5 million in the first half of 2023. CAD 10 million, in form of a loan from Arendals Fossekompani ASA, was received in April 2023. In 2022, the corresponding figure netted to 0.

Financial position and liquidity

Total non-current assets were CAD 35.4 million at the end of June 2023 compared to CAD 33.1 million at the same time last year. Total current assets amounted to CAD 38.9 million at the end of June 2023. The corresponding figure at the same time last year was CAD 49.3 million.

Total equity was CAD 48.5 million at the end of June 2023 compared to CAD 53.4 million at the end of 2022 and CAD 65.5 million at the same time last year. Total equity and liabilities were CAD 74.4 million, non-current liabilities were CAD 15.1 million and current liabilities totalled CAD 10.8 million.

Equity ratio at the end of June 2023 was 65.3 percent compared to 72.5 percent at the end of 2022 and 79.5 percent at the same time last year.

Total cash and cash equivalents amounted to CAD 5.4 million at the end of June 2023 versus CAD 11.4 million at the end of 2022 and CAD 20.8 million at the same time last year.

Operational and strategic review

Tekna delivered all time high revenues and a significant improvement in profitability in the first half of 2023. Revenues increased 45 per cent year-over-year to CAD 20.4 million, and earnings before interest, tax, depreciation, and amortization (EBITDA) were further improved, reflecting the revenue growth and improved contribution margin stemming from the organizational efficiency and cost control measures that have been implemented.

Order intake in the six-month period was CAD 16.9 million, 4 per cent less than in the same period 2022. The order backlog at the end of the first half year increased however, from CAD 18.4 million in 2022 to CAD 22.0 million in 2023. The backlog supports previous guidance of revenue growth for 2023 in both Materials and Systems.

Re-energized demand for Systems

The Systems business delivered the strongest growth to CAD 6.4 million in the first half of 2023, a 64 per cent increase compared to 2022, driven by strong demand.

With industrial and academic research resuming after three years of covid-19, the need for better performing products enabled by novel materials is driving an increase in demand for Tekna's research scale plasma units. A patiently developed pipeline of such prospects was successfully converted into firm orders. Eight of these have been announced to date this year to customers in Asia, Europe, Latin America, and North America.

In January, contracts were announced for the sale of two plasma systems, one TEK15 and one TEK40 model, which enable the development and pilot production of highly spherical metallic or ceramic powders.

In April, three orders were confirmed, consisting of two compact TekSphero-15 and one TekSphero-40. They are laboratory size plasma system units designed for research and development applications.

And then in July, three more system orders were confirmed for customers who will develop cutting-edge materials in a variety of applications including energy, rechargeable batteries, and microelectronics.

With increased inflation and supply chain constraints affecting most industries, Tekna has placed much emphasis on follow-up of suppliers and cost control. Gross margins on projects have been sustained, also because prices have been adjusted to reflect increased costs.

The market and demand for Tekna's PlasmaSonic, a hypersonic wind tunnel system, continues to develop as planned. With PlasmaSonic, customers can reproduce, measure, and characterize behaviour of material exposed to hypersonic flight and orbital conditions, enabling space tourism and hypersonic travel.

Tekna has identified a CAD 290 million opportunity pipeline for PlasmaSonic related to this industry with budgetary quotes delivered amounting to CAD 110 million.

Materials for additive manufacturing

In the first half of 2023, Materials revenues increased 39 per cent to CAD 14.0 million, driven by demand and successful capacity expansion.

Tekna continued experiencing rising demand for its materials for additive manufacturing, further confirming the company's position in this market. The traction for additive materials has remained strong in 2023 with average selling price increasing 3-6 per cent over 2022.

Order intake and backlog in Materials vary from quarter to quarter along with the customer schedules. Order intake for materials in the first half of 2023 was CAD 10,6 million and backlog CAD 24.6 million, lower by 7% from the same period last year.

In May 2023, Tekna announced a major order for CAD 1.7 million of titanium (Ti64) additive manufacturing powder. The first shipment to this customer in Asia, was announced at the same time. The customer will be using the powder in the process of metal injection molding to manufacture sub-components for personal electronic devices on a large scale.

The growth potential for metal injection molding in the consumer electronics industry is considered significant, as it allows for the creation of smaller and more intricate components that can enhance the performance and functionality of wearable and mobile electronic devices such as digital watches and mobile phones. Metal injection molding is a manufacturing process that involves blending fine metal powders with polymer binder material to create a feedstock that is injected into a mold and later sintered into a desired final shape.

R&D and new markets

In July 2023, Tekna and TriTech Titanium Parts announced a collaboration partnership aimed at revolutionizing production of titanium parts. TriTech is the very first company using titanium powders in production for binder jetting applications.

By utilizing Tekna's industrial-grade titanium powder, TriTech will unlock the full potential of binder jet 3D printing, which has the potential for large volume manufacturing of customized, lightweight, and high-strength titanium parts that surpass traditional manufacturing limitations.

Meanwhile, Tekna continues positioning its advanced nano materials in the microelectronics space. Nano-nickel powder is a key material for the manufacturing of high-end Multi-Layer Ceramic Capacitors (MLCC), which is a key component in the rapidly growing microelectronics market.

Tekna is continuing to invest to secure its position in this market with sustained development conducted with customers and potential partners. With several ongoing trials evaluating Tekna nano-nickel (80nm and 50nm) powders.

Nano-silicon material is another product with a very large potential which Tekna is developing for the longer term. Nano-silicon is a likely game-changer for energy storage. Batteries with nano-silicon anodes in electric vehicles could for instance increase the driving distance per charge, reduce the size of the batteries needed, and reduce the need for critical material such as lithium and cobalt.

Capacity increase implemented

With the current strong market for material for additive manufacturing, the significant demand for materials for MLCCs and potentially also for energy storage for the longer term, Tekna is placing much emphasis on developing its production capacity.

In the period 2015-2021, Tekna's machine output rate increased by 140 percent through continued innovation. Another round of additional capacity upgrades has now been successfully completed in Q1 2023. The factory is now operating at a 70 per cent increased output rate.

New atomisers are scheduled to be commissioned by year-end 2023, further increasing production capacity for Tekna's main selling materials.

Environmental Social and Corporate Governance

Tekna has prepared a separate report in accordance with Section 3-3 of the Norwegian Accounting Act regarding corporate social responsibility. The report is updated on an annual basis and (partly) included in the annual report. It is also available on the company's website.

Tekna sets high ethical standards, and communication with the outside world is to be open, clear and honest. The company is responsible for ensuring safe and good workplaces in the local communities where it is present. Tekna seeks to create value for society, customers, employees and shareholders.

The competence of our employees represents a major asset and competitive advantage for Tekna. At the end of June 2023, the Group employed a total of 219 people. Adjusting for part-time employees, this translates to 217 full-time equivalents.

There were no serious work-related accidents recorded in the first half of 2023. Sick leave was four percent, compared to three percent for all of 2022.

Tekna is committed to ensuring that people with different backgrounds, irrespective of ethnicity, gender, religion, sexual orientation or age, should all have the same opportunities for work and career development at Tekna.

Tekna takes its social responsibility seriously. In addition to ensuring that the work is carried out safely, this involves respecting the freedom of association and not accepting any form of forced labor, child labor or work-related discrimination. Reference is made to the Corporate Governance Code available at www.tekna.com.

The Transparency Act

As a company registered in Norway, Tekna Holding ASA is subject to the Norwegian Transparency Act, which entered into force on 1 July 2022.

Tekna has in place governance documents, including codes of conduct for employees and for suppliers respectively. These are enforced throughout the organisation and the supply chain. The documents are available at www.tekna.com.

In accordance with the Transparency Act, Tekna has prepared a Human Rights and Transparency Act report, which is available at www.tekna.com.

Shareholder information

The company's share capital as of 31 December 2022 was NOK 250,454,692 divided into 125,227,346 shares, each with a nominal value of NOK 2.00. The share capital has remained unchanged through the first half of 2023.

The Tekna share was listed on Oslo Børs, the main board at the Oslo Stock Exchange, on 1 July 2022.

During the 2023 Annual General Meeting ("AGM") two new board members were elected: Kristin Skau Abyholm (independent) and Lars Magnus Eldrup Fagernes (Arendals Fossekompani ASA). Torkil Mogstad was re-elected to continue his tenure on the Board of Directors of Tekna Holding ASA.

As of 30 June 2023, Tekna had 4708 shareholders, slightly down from 4825 at the end of 2022. Arendals Fossekompani ASA remained the company's largest shareholder, owning 70.4 percent of the shares. No other shareholder held more than five percent while three shareholders held more than two percent.

In May 2023, the Chair of the Board of Directors increased the total shareholdings to 728,818 shares (0,58% of total shares of Tekna Holding ASA) with a purchase by his company Tibidabo Invest AS. In April, the CFO, Espen Schie purchased 194,805 shares and in July another 185,185 shares, bringing his total holdings to 0,30% of the total share capital and voting rights with the company ESC Holding AS.

On 30 June 2023, the closing share price was NOK 6.72 per share, corresponding to a market capitalization of NOK 0.842 billion. The closing share price on 31 December 2022 was NOK 5.90.

Tekna wishes to maintain open communications with its shareholders and other stakeholders. Shareholders and stakeholders are kept informed by announcements to Oslo Børs (the Oslo Stock Exchange) and press releases.

Please refer to the investor relations section of the Tekna website for further information, including contact details: www.tekna.com/investors or contact investors@tekna.com.

Risks and uncertainties

Tekna is subject to several risks, including market and competition risks, operational and financial risks, such as currency, interest, credit, and liquidity risks, as well as IT security risks. The board and executive management are continuously monitoring risk exposure, taking an active approach to risk management and internal control processes.

An overview of potential risks and uncertainties relating to Tekna's business and the industry in which it operates is presented in the company's Annual Report for 2022 and its admission document to trading of shares on Oslo Børs, dated 30 June 2022 (prospectus). Below is a summary of the key risks for the Group.

The outbreak of war in Ukraine has led to increased macroeconomic uncertainty, with higher inflation and interest rates. This macroeconomic uncertainty, together with the continued impact of the pandemic, may continue to impact costs of energy and raw materials, and other input factors.

The Company's subsidiary and the operating company of the Group, Tekna Plasma Systems Inc., is currently involved in a dispute with AP&C Advanced Powders & Coatings Inc. regarding competing patent rights for the production of titanium powder in Canada. Court proceedings have taken place in the fourth quarter of 2022 and a ruling is expected in the second half of 2023. If the dispute is not resolved in favor of Tekna Plasma Systems Inc., it could have a negative effect on the Group's business operations.

Supply chain disruptions in terms of lead times and shortages can have a significant impact on the company's business and financial performance.

Labour shortages in the markets where Tekna operates can lead to challenges in retaining and recruiting talent. This could lead to increased pressure on the remaining workforce translating into unfilled client orders, declining competitiveness, a deteriorating product and service quality and eventually a slower growth rate.

Tekna operates in a highly competitive market, and some of its competitors are large, sophisticated, and well-capitalised technology companies that may have greater financial, technical and marketing resources than Tekna.

While additional funding was secured in the first half of 2023 by a loan provided by Arendals Fossekompani ASA, Tekna's largest shareholder (see more information in the finance section above), Tekna may not be able to obtain funding to further implement its growth strategy, as the company continues its ambitious program of development and investments to better position the company strategically.

The most material climate risks in the short and medium term are physical risks in the supply chain and in Tekna's own operations. There is a risk of extreme weather events impacting Chinese suppliers and their ability to supply Tekna with titanium and nickel.

Also, higher temperatures put the health and safety of workers in China at risk. Physical climate risks might also impact goods transportation. In the medium and long term, physical risks might impact where the company considers establishing new production locations. A more detailed description is to be found in the ESG report available on the company's website www.tekna.com/esg.

Outlook

The world is in transition. Governments, businesses, and people everywhere are trying to understand and cope with change and uncertainty that has been created by extraordinary events such as the war in Ukraine, climate change, raising inflation and interest rates, labor shortages and supply chain constraints.

There are many reasons for concern, but Tekna's strategy seems to be well aligned with these new realities. The company's segments are relevant to most of the current megatrends. Customers continue transitioning towards new technology and look for long term supply agreements. Manufacturing sites are being relocated near end-users, contributing to sustainable and green production processes. These are factors that favor Tekna and its products.

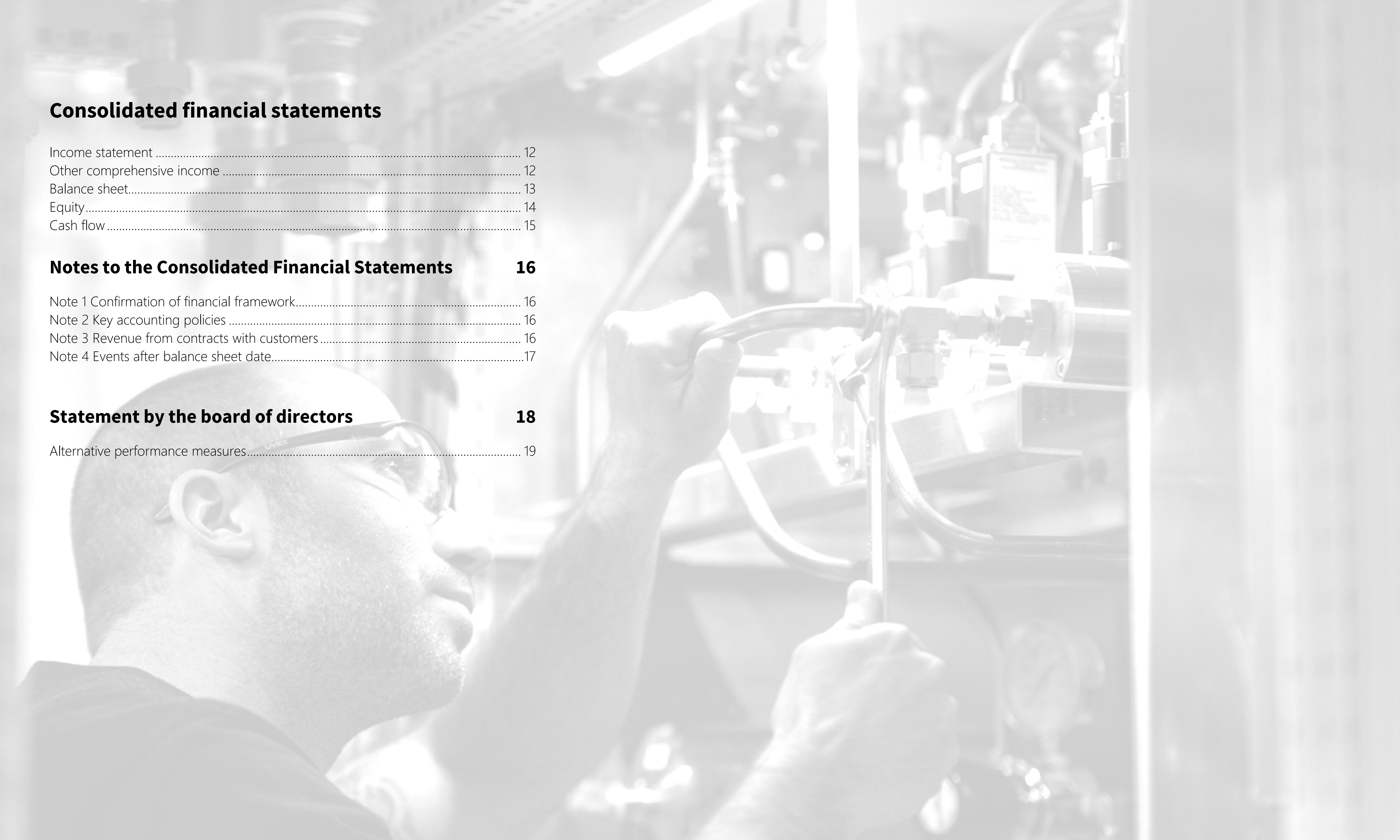
Short term, the summer vacation in July and August in Tekna's main markets will likely affect the company's revenues in Q3 compared to the second quarter in 2023.

Looking beyond such seasonal effects, Tekna considers itself well positioned for profitable growth, and the company's backlog supports previous guidance of revenue growth for 2023 in both Materials and Systems.

The Materials business is experiencing fast growth with an increasing number of original equipment manufacturers (OEMs) operating additive manufacturing at an industrial scale. The traction for additive materials is expected to remain strong in 2023, and Tekna's increasing factory output rate is expected to translate to higher material availability, shorter delivery lead-times and increased sales. New atomisers are scheduled to be commissioned by the end of 2023, further increasing production capacity for Tekna's main selling materials.

Despite some delays in the program, Tekna's prospects as a supplier of advanced nanomaterials to the MLCC industry are advancing. This progress is evident with the top six global leaders, who control 100% of the high-end MLCC device market, showing interest. For the longer term, energy storage represents a significant potential market segment.

The Systems business has rebound as predicted after a slowdown during Covid-19. The need for better performing products enabled by novel materials is driving an increase in demand for Tekna's research scale plasma units. Parts of the strong pipeline are already converted to backlog carrying through 2023 and into 2024, and prospects in the PlasmaSonic wind tunnels market segment is developing according to plan.



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Consolidated Statement of Income

Amounts in CAD 1000	Note	2023 H1	2023 Q2	2022 H1	2022 Q2
Revenues	3	20,430	11,025	14,139	7,603
Other income		46	19	405	305
Materials and consumables used		10,555	5,716	8,550	4,861
Employee benefit expenses		8,676	4,197	7,962	4,076
Other operating expenses		3,088	1,778	5,504	2,848
EBITDA		**-1,842**	**-648**	**-7,472**	**-3,877**
Depreciation and amortisation		2,122	1,084	1,986	846
Net operating income/(loss)		**-3,965**	**-1,732**	**-9,458**	**-4,723**
Share of net income (loss) from associated companies and joint ventures		-742	-342	-762	-430
Finance income		-0	-173	-585	-292
Finance costs		326	223	247	134
Profit/(loss) before income tax		**-5,034**	**-2,471**	**-11,051**	**-5,579**
Income tax expense		-	-	-	-
Profit/(loss) for the period		**-5,034**	**-2,471**	**-11,051**	**-5,579**
Attributable to equity holders of the company		-4,804	-2,366	-10,701	-5,411
Attributable to non-controlling interests		-230	-105	-351	-168
Basic earnings per share		-0.04	-0.02	-0.09	-0.04
Diluted earnings per share		-0.04	-0.02	-0.09	-0.04

Consolidated Statement of Other Comprehensive Income

Amounts in CAD 1000	Note	2023 H1	2023 Q2	2022 H1	2022 Q2
Items that may be reclassified to statement of income					
Exchange differences on translation of foreign operations		154	238	424	170
Items that may be reclassified to statement of income		**154**	**238**	**424**	**170**
Items that will not be reclassified to statement of income					
Exchange differences on translation of foreign operations		-	-	-	-
Items that will not be reclassified to statement of income		**-**	**-**	**-**	**-**
Other comprehensive income/(loss) for the period, net of tax		**154**	**238**	**424**	**170**
Total comprehensive income/(loss) for the period		**-4,880**	**-2,234**	**-10,627**	**-5,409**
Attributable to equity holders of the company		-4,655	-2,137	-10,289	-5,240
Attributable to non-controlling interests		-225	-97	-339	-169

Consolidated Balance Sheet

Amounts in CAD 1000	30.06.2023	31.12.2022
Non-current assets		
Property, plant and equipment	22,006	19,240
Intangible assets	8,184	8,537
Associated companies and joint ventures	-121	579
Non-current receivables	5,378	5,339
Deferred tax assets	-	-
Total non-current assets	**35,446**	**33,696**
Current assets		
Inventories	20,205	20,592
Contract assets	463	167
Trade and other receivables	12,826	7,880
Cash and cash equivalents	5,424	11,364
Total current assets	**38,918**	**40,003**
Total assets	**74,364**	**73,699**

Amounts in CAD 1000	30.06.2023	31.12.2022
Equity		
Share capital and share premium	494,956	494,956
Other reserves	-445,590	-440,934
Capital and reserves attributable to holders of the company	**49,366**	**54,022**
Non-controlling interests	-833	-609
Total equity	**48,533**	**53,413**
Non-current liabilities		
Borrowings	14,102	4,119
Lease liabilities	982	1,161
Deferred tax liabilities	-	-
Total non-current liabilities	**15,084**	**5,280**
Current liabilities		
Bank loan	-0	1,197
Lease liabilities	552	459
Trade and other payables	4,461	7,852
Provision for warranties	130	130
Contract liabilities	2,495	2,647
Other current liabilities	2,612	2,189
Borrowings short-term portion	498	532
Total current liabilities	**10,748**	**15,006**
Total liabilities and equity	**74,364**	**73,699**

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company				
Amounts in CAD 1000	**Share capital and share premium**	**Other reserves**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2022	**494,956**	**-419,058**	**75,899**	**211**	**76,109**
Profit/(loss) for the period	-	-21,688	-21,688	-829	-22,517
Other comprehensive income/(loss)	-	-187	-187	9	-178
Balance at 31 December 2022	**494,956**	**-440,934**	**54,022**	**-609**	**53,413**

	Attributable to equity holders of the Company				
Amounts in CAD 1000	**Share capital and share premium**	**Other reserves**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2023	**494,956**	**-440,934**	**54,022**	**-609**	**53,413**
Profit/(loss) for the period	-	-2,437	-2,437	-125	-2,563
Other comprehensive income/(loss)	-	-81	-81	-3	-84
Balance at 31 March 2023	**494,956**	**-443,453**	**51,502**	**-736**	**50,766**

	Attributable to equity holders of the Company				
Amounts in CAD 1000	**Share capital and share premium**	**Other reserves**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 31 March 2023	**494,956**	**-443,453**	**51,502**	**-736**	**50,766**
Profit/(loss) for the period	-	-2,366	-2,366	-105	-2,471
Other comprehensive income/(loss)	-	230	230	8	238
Balance at 30 June 2023	**494,956**	**-445,589**	**49,366**	**-833**	**48,533**

	Attributable to equity holders of the Company				
Amounts in CAD 1000	**Share capital and share premium**	**Other reserves**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2023	**494,956**	**-440,934**	**54,022**	**-609**	**53,413**
Profit/(loss) for the period	-	-4,804	-4,804	-230	-5,034
Other comprehensive income/(loss)	-	149	149	5	154
Balance at 30 June 2023	**494,956**	**-445,589**	**49,366**	**-833**	**48,533**

Consolidated Statement of cash flows

Amounts in CAD 1000	2023 H1	2023 Q2	2022 H1	2022 Q2
Cash flow from operating activities				
Net profit/(loss)	**-5,034**	**-2,471**	**-11,051**	**-5,579**
Depreciation, amortization and impairment	2,122	1,084	1,986	846
Variation in deferred taxes	-	-		
Interest accretion on LT debt	172	86	150	81
Discounted value of long-term loan	-	-	-399	-152
FX variation on long-term loan	-	-		
(Gain)/Loss from sales of assets	-	-		
Share of results from associated companies and joint ventures	742	342	762	430
Total after adjustments to profit before income tax	**-1,997**	**-959**	**-8,552**	**-4,374**
Change in Inventories	387	-498	-3,308	-913
Change in other assets	-5,280	-3,817	-3,534	-2,031
Change in other liabilities	-3,121	-1,475	830	-2,222
Total after adjustments to net assets	**-10,011**	**-6,748**	**-14,564**	**-9,541**
Net cash from operating activities	**-10,011**	**-6,748**	**-14,564**	**-9,541**
Cash flow from investing activities				
Proceeds from the sales of PPE	-	-	-	
Purchase of PPE and intangible assets	-4,535	-2,270	-2,891	-1,237
Other investing activities	-		-646	-646
Purchase of shares in subsidiaries	-	-	-	
Net cash flow from investing activities	**-4,535**	**-2,270**	**-3,537**	**-1,883**

Amounts in CAD 1000	2023 H1	2023 Q2	2022 H1	2022 Q2
Cash flow from financing activities				
Proceeds from issue of shares	-	-	-	
Proceeds from issue of shares in THC	-	-	-42	-42
Increase (decrease) of bank loan	-1,197	-2,398	-2,003	-770
New loan	10,405	10,139	2,704	830
Repayment of loan	-425	-209	-136	-73
Repayment of lease liabilities	-289	-144	-531	-296
Net cash flow from financing activities	**8,494**	**7,389**	**-8**	**-352**
Net increase in cash and cash equivalents	**-6,052**	**-1,629**	**-18,109**	**-11,776**
Cash and cash equivalents at the beginning of the financial year	11,364	6,823	38,649	32,404
Effects of exchange rate changes on cash and cash equivalents	112	230	258	169
Cash and cash equivalents at end of the period	**5,424**	**5,424**	**20,798**	**20,798**

Notes to the Consolidated Financial Statements

Note 1 | Confirmation of financial framework

The financial statements for the quarter have been prepared in accordance with IAS 34 Interim Financial Reporting. The report does not include all the information required in full annual financial statements and should be read in conjunction with the consolidated financial statements for 2022.

Note 2 | Key accounting policies

The accounting policies for 2022 are described in the Annual Report for 2022. The financial statements have been prepared in accordance with EU-approved IFRSs and associated interpretations, as well as the additional Norwegian disclosure requirements pursuant to the Norwegian Accounting Act and stock exchange regulations and rules, applicable as at 31 December 2022. The same policies have been applied in the preparation of the interim financial statements as at 30 June 2023.

The figures are presented in CAD rounded to the nearest thousand. As a result of rounding adjustments, amounts and percentages may not add up to the total.

Note 3 | Revenue from contracts with customers

Accounting principles and information related to external customers are described in note 1.

Disaggregation of revenue from contracts with customers

2023 Q2 *Amounts in CAD 1000*	**Systems & Equipment**	**Materials**	**Spare parts**	**Other**	**Total**
Revenue recognized at a point in time	-	7,530	140	115	7,785
Revenue recognized over time	3,240	-	-	-	3,240
Revenue from external customers	**3,240**	**7,530**	**140**	**115**	**11,025**
Contribution margin	2,085	3,018	90	115	5,308
Contribution margin %	64.4%	40.1%	64.4%	100.0%	48.2%
Revenue from external customers specified pr geographical area:					
North America	2,371	3,277	70	58	5,776
Europe	250	3,324	70	57	3,701
Asia	619	929	-	-	1,548
Total	**3,240**	**7,530**	**140**	**115**	**11,025**

2023 H1 *Amounts in CAD 1000*	**Systems & Equipment**	**Materials**	**Spare parts**	**Other**	**Total**
Revenue recognized at a point in time	-	13,903	560	289	14,752
Revenue recognized over time	5,678	-	-	-	5,678
Revenue from external customers	**5,678**	**13,903**	**560**	**289**	**20,430**
Contribution margin	3,904	5,277	403	289	9,874
Contribution margin %	68.8%	38.0%	72.0%	100.0%	48.3%
Revenue from external customers specified pr geographical area:					
North America	4,267	5,929	280	145	10,620
Europe	546	6,517	280	145	7,488
Asia	866	1,456	-	-	2,322
Total	**5,678**	**13,903**	**560**	**289**	**20,430**

Disaggregation of revenue from contracts with customers *(continued)*

2022 Q2 *Amounts in CAD 1000*	**Systems & Equipment**	**Materials**	**Spare parts**	**Other**	**Total**
Revenue recognized at a point in time	-	5,489	504	71	6,063
Revenue recognized over time	1,540	-	0	-	1,540
Revenue from external customers	**1,540**	**5,489**	**504**	**71**	**7,603**
Contribution margin	389	2,155	127	71	2,742
Contribution margin %	25.3%	39.3%	25.3%	100.0%	36.1%
Revenue from external customers specified pr geographical area:					
North America	0	2,066	252	35	2,353
Europe	-	2,939	252	35	3,226
Asia	1,540	483	-	-	2,024
Total	**1,540**	**5,489**	**504**	**71**	**7,603**

2022 H1 *Amounts in CAD 1000*	**Systems & Equipment**	**Materials**	**Spare parts**	**Other**	**Total**
Revenue recognized at a point in time	-	10,039	683	128	10,849
Revenue recognized over time	3,290	-	-	-	3,290
Revenue from external customers	**3,290**	**10,039**	**683**	**128**	**14,139**
Contribution margin	1,179	4,074	208	128	5,589
Contribution margin %	35.8%	40.6%	30.5%	100.0%	39.5%
Revenue from external customers specified pr geographical area:					
North America	195	3,765	341	64	4,365
Europe	0	5,292	341	64	5,698
Asia	3,095	982	-	-	4,076
Total	**3,290**	**10,039**	**683**	**128**	**14,139**

Note 4 | Events after balance sheet date

In July 2023, Tekna received a second loan tranche of CAD 10 million from Arendals Fossekompani ASA, its majority shareholder, as part of the of a CAD 25 million term loan facility announced on April 11, 2023. A total of CAD 20 million has been received to date.

Statement by the board of directors and CEO

We confirm, to the best of our knowledge, that the consolidated financial statement for the period 1 January to 30 June 2023 for Tekna Holding ASA has been prepared in accordance with current accounting standards and that the information in the accounts gives a true and fair view of the company and the group's assets, liabilities, financial position and results of operation. We also confirm, to the best of our knowledge, that the half year report includes a true and fair overview of the company's and the group's development, results and position, together with a description of the most important risks and uncertainty factors the company and the group are facing.

Arendal, 16.08.2023

The board of Tekna Holding ASA

This document was electronically signed.

Dag Teigland	Torkil Sigurd Mogstad	Barbara Thierart-Perrin	Anne Lise Meyer	Kristin Skau Åbyholm	Lars Magnus Eldrup Fagernes	Luc Dionne
Chairman of the board	Member of the board	Member of the board	Member of the board	Member of the board	Member of the board	CEO

Alternative Performance Measures

Tekna presents alternative performance measures as a supplement to measures regulated by IFRS. The Group considers these measures to be an important supplemental measure for investors to understand the Groups' activities. They 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. The definitions of these measures are as follows:

Contribution Margin: Is defined as revenues less direct variable costs such as direct labour, raw material, electricity, gas consumption, commissions, freight, customs and brokerage fees, laboratory supplies and packaging. The Contribution Margin is used to evaluate performance of production before any allocation of fixed manufacturing costs.

Contribution Margin %: is defined as the Contribution Margin divided by revenues in the period.

EBITDA: Is defined as the profit/(loss) for the period before income tax expense, finance costs, finance income, share of net income (loss) from associated companies and joint ventures, depreciation, and amortization.

EBITDA Margin: Is defined as EBITDA as a percentage of revenues.

Adjusted EBITDA: Is defined as the profit/(loss) for the period before income tax expense, finance costs, finance income, share of net income (loss) from associated companies and joint ventures, depreciation, and amortization adjusted for certain special operating items affecting comparability. These special operating items includes listing costs, adjustments for expenses related to cloud-based software previously recorded in the balance sheet (retrospective implementation accounting for cloud-based services for the years 2021, 2020 and 2019) and litigation fees.

Adjusted EBITDA Margin: Is defined as Adjusted EBITDA as a percentage of revenues.

EBIT: Is defined as the profit/(loss) for the period before income tax expense, finance costs, finance income, share of net income (loss) from associated companies and joint ventures.

EBIT Margin: Is defined as EBIT as a percentage of revenues.

Adjusted EBIT: Is defined as the profit/(loss) for the period before income tax expense, finance costs, finance income, share of net income (loss) from associated companies and joint ventures adjusted for certain special operating items affecting comparability. These special operating items includes listing costs, adjustments for expenses related to cloud-based software previously recorded in the balance sheet (retrospective implementation accounting for cloud-based services for the years 2021, 2020 and 2019), and litigation fees.

Adjusted EBIT Margin: Is defined as Adjusted EBIT as a percentage of revenues. Adjusted EBIT Margin is a non-IFRS financial measure that the Group considers to be an APM, and this measure should not be viewed as a substitute for any IFRS financial measure.

Long Term Debt/Equity Ratio: Is defined as total non-current liabilities divided by total equity. Long Term Debt/Equity Ratio is a non-IFRS financial measure that the Group considers to be an APM, and this measure should not be viewed as a substitute for any IFRS financial measure.

Please see the Annual Report for a further detailed description of the Group's alternative performance measures.

Amounts in CAD thousands	2023 H1 *(Unaudited)*	2023 Q2 *(Unaudited)*	2022 H1 *(Unaudited)*	2022 Q2 *(Unaudited)*
Revenues	**20,430**	**11,025**	**14,139**	**7,603**
Materials and consumables used	**10,555**	5,716	**8,550**	4,861
(b) Contribution margin	**9,875**	**5,308**	**5,589**	**2,742**
(c) Revenues	**20,430**	**11,025**	**14,139**	**7,603**
Contribution margin % (b/c)	**48.33%**	**48.15%**	**39.53%**	**36.06%**

Amounts in CAD thousands	2023 H1 *(Unaudited)*	2023 Q2 *(Unaudited)*	2022 H1 *(Unaudited)*	2022 Q2 *(Unaudited)*
Net profit/loss	**-5,034**	**-2,471**	**-11,051**	**-5,579**
Income tax expense (income)	-	-	-	-
Finance costs	326	223	247	134
Finance income	0	173	585	292
Share of net income (loss) from associated companies and joint ventures	742	342	762	430
Depreciation and amortization	2,122	1,084	1,986	846
(a) EBITDA	**-1,842**	**-648**	**-7,472**	**-3,877**
Legal and listing cost	-	-	1,486	710
(b) Adjusted EBITDA	**-1,842**	**-648**	**-5,986**	**-3,167**
(c) Revenues	**20,430**	**11,025**	**14,139**	**7,603**
EBITDA margin (a/c)	**-9.02%**	**-5.88%**	**-52.85%**	**-50.99%**
Adjusted EBITDA margin (b/c)	**-9.02%**	**-5.88%**	**-42.34%**	**-41.66%**

Amounts in CAD thousands	2023 H1 *(Unaudited)*	2023 Q2 *(Unaudited)*	2022 H1 *(Unaudited)*	2022 Q2 *(Unaudited)*
Net profit/loss	**-5,034**	**-2,471**	**-11,051**	**-5,579**
Income tax expense (income)	-	-	-	-
Finance cost	326	223	247	134
Finance Income	0	173	585	292
Share of net income (loss) from associated companies and joint ventures	742	342	762	430
(a) EBIT	**-3,965**	**-1,732**	**-9,458**	**-4,723**
Legal and listing cost	-	-	1,486	710
(b) Adjusted EBIT	**-3,965**	**-1,732**	**-7,972**	**-4,013**
(c) Revenues	**20,430**	**11,025**	**14,139**	**7,603**
EBIT margin (a/c)	**-19.41%**	**-15.71%**	**-66.89%**	**-62.11%**
Adjusted EBIT margin (b/c)	**-19.41%**	**-15.71%**	**-56.38%**	**-52.78%**

Amounts in CAD thousands	30.06.2023 *(Unaudited)*	30.06.2023 *(Unaudited)*	30.06.2022 *(Unaudited)*	30.06.2022 *(Unaudited)*
(a) Total non-current liabilities	15,084	15,084	5,432	5,432
(b) Total equity	48,533	48,533	65,481	65,481
Long Term Debt/Equity Ratio (a/b)	**0.31**	**0.31**	**0.08**	**0.08**

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